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# Kenya National Audit Office



**REPORT  
OF  
THE CONTROLLER  
AND AUDITOR-GENERAL  
ON  
THE ABSTRACTS OF  
ACCOUNTS OF THE COUNTY  
COUNCIL OF MERU SOUTH  
FOR THE YEAR ENDED  
30 JUNE 2004**

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## **KENYA NATIONAL AUDIT OFFICE**

### **REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ABSTRACTS OF ACCOUNTS OF THE COUNTY COUNCIL OF MERU SOUTH FOR THE YEAR ENDED 30 JUNE 2004**

The attached Abstracts of Accounts of the County Council of Meru South for the year ended 30 June 2004 have been audited under my direction in accordance with Section 23 of the Public Audit Act, 2003.

#### **1.0 Respective Responsibilities of the Council and the Controller and Auditor General**

The Council is responsible for preparation of Abstracts of Accounts which give a true and fair view of the Council's state of affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on the audit.

#### **2.0 Basis of Opinion**

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting principles used and significant estimates made by the Council as well as evaluating the overall financial statements presentation. I believe my audit provides a reasonable basis for the opinion.

#### **3.0 Qualification Points**

##### **3.1 Opening Balances, Format and Accuracy of the Accounts**

- (i) The County Council of Meru South was originally hived out the County Council of Meru in June 1992 as County Council of Tharaka Nithi. It started operations on 24 February 1993. On August 6, 1999, the Council was split into the County Council of Tharaka and the now the County Council of Meru South. However, the division of the assets and liabilities between the Council and the County Councils of Meru Central

and Tharaka had not been finalized. Under the circumstances, the accuracy of the opening balances for the year 1992/1993 and all the subsequent years, including for 2003/2004, could not be confirmed.

- (ii) The Abstracts of Accounts for the year 2003/2004 were prepared using the Simplified Accounting Systems (SAS) format which has not been approved by the Minister for Local Government as required under Section 229 (2) of the Local Government Act, Cap. 265. The Council was therefore in breach of the law. In addition, the Accounts for the year ended 30 June 2004 had an unexplained difference between the Assets and Liabilities of Kshs.10,709,399.00. Under the circumstances, it was therefore not possible to confirm the accuracy of the Accounts, as a whole.

### **3.2 Fixed Assets**

The Fixed Assets balances increased from Kshs.14,336,354.00 as at 30 June 2003 to Kshs.17,833,077.00 as at 30 June 2004. However, the Council did not maintain a Fixed Assets Register (FAR). Further, ownership documents and valuation reports were not made available for audit verification. In addition, provision for depreciation was not made in the Accounts while Renewals Funds were not created as required under Section 219 (1) of the Local Government Act, Cap 265. The Council was in breach of the law. In addition, it has not been possible to confirm the ownership, security, value, location and accuracy of the Council's Fixed Assets stated at Kshs.17,833,077.00 as at 30 June 2004.

### **3.3 Sundry Debtors**

During the year under review, Sundry Debtors balances increased by Kshs.7,529,385.00 (93%) from Kshs.8,131,651.00 as at 30 June 2003 to Kshs.15,661,036.00 as at 30 June 2004. However, the Council did not maintain an up-to-date plot rates and house rent registers during the year under review. Further, no provisions for bad and doubtful debts were made in the Accounts. It was therefore not possible to ascertain the accuracy of the Sundry Debtors figure of Kshs.15,661,036.00 as at 30 June 2004 or their collectability.

### **3.4 Cash and Bank Balances**

The Cash and Bank Balances decreased from Kshs.4,671,604.00 as at 30 June 2003 to Kshs.52,857.00 as at 30 June 2004. However, the Council did not constitute a board of survey to ascertain the Cash in Hand as at 30 June 2004. Further, bank balances confirmation certificates for some bank accounts were not made available for audit verifications. In addition, the Council did not

prepare monthly bank reconciliations during the year under review. In the absence of the board of survey reports, bank balances confirmation certificates and bank reconciliation statements, it has not been possible to confirm the correctness of the Cash and Bank balances of Kshs.143,536.00 as at 30 June 2004.

### **3.5 Unretired Imprests**

Included in the total Current Assets figure of Kshs.18,347,907.00 as at 30 June 2004 are Unretired Imprests balances of KShs.2,634,014.00 authorized and or taken by the then Treasurer during the year under review. There was no evidence of proper authorization for this substantial amount of money and the Council did not indicate what action was being taken to recover the money. It is not clear why the Council has not taken appropriate actions to recover the un-retired imprests.

### **3.6 Sundry Creditors**

The Sundry Creditors' balances stood at Kshs.18,719,424.00 as at 30 June 2004. However, the Council did not maintain an up to date Creditors ledger. It did not also provide adequate supporting documents. Consequently, it was possible to confirm the accuracy of the Sundry Creditors' balance as at 30 June 2004. In addition, the Council has not indicated how it intends to clear its indebtedness which appears to have maintained an upward surge during the year under review.

### **3.7 Non-Response to Audit Queries and Report**

The Council's Abstracts of Accounts for the year 2003/2004 were audited and material issues raised through the management letter of 22 September 2005. In addition, a draft report that the Controller and Auditor General intended to issue on the Accounts was submitted to the Council through a letter dated 16 November, 2006 for comments. The Council has not responded to both the management letter and the draft report to-date. It is therefore not possible to ascertain what actions are being taken, if any, on the issues raised.

### **3.8 Local Authorities Transfer Fund (LATF)**

Included in the Revenue and Expenditure Account for the year 2003/2004 are LATF receipts and expenditures of Kshs.12,112,302.00 and Kshs.18,537,049.00 respectively resulting in a deficit of Kshs.6,424,747.00. However, the Council did not maintain separate records such as cash books and ledgers for LATF contrary to Section 9 of the Local Authorities Transfer Fund Act, 1998. The

Council was therefore in breach of the law. In addition, there was an unexplained difference of Kshs.992,812.00 between the amount reflected as receipts by the Council's LATF Accounts and the amount of LATF disbursements reflected by the Ministry of Local Government Headquarters' records as follows:-

	<b>Kshs.</b>
LATF Receipts Amount per Council Accounts	12,112,302.00
LATF Disbursements per Ministry Records	<u>11,119,490.00</u>
<b>Difference</b>	<b><u>992,812.00</u></b>

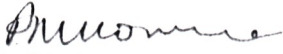
In the circumstances, it was not possible to ascertain the accuracy of LATF receipts and the propriety of expenditure incurred and paid for from the LATF.

#### **4.0 Opinion**

In view of the reservations set out in paragraphs 3.1 to 3.8 above, I am unable to express an opinion in accordance with Section 24(2) of the Public Audit Act, 2003 that:-

- (a) All the information and explanations that were required to perform the examinations and the audit were received;
- (b) The Accounts have been properly maintained and are in order;
- (c) The Balance Sheets give a true and fair view of the state of financial affairs of the Council as at 30 June 2004;
- (d) The Revenue and Expenditure Accounts give a true and fair view of the income and expenditure of the Council for the year ended 30 June 2004;
- (e) Due provision has been made for the repayment of all monies borrowed by Council;

- (f) The amounts set aside for depreciation and renewal of the assets of the Council are adequate; and
- (g) The Accounts comply with Local Government Act 265.

  
**P. N. KOMORA**  
**CONTROLLER AND AUDITOR GENERAL**

**Nairobi**

**23 February 2007**

**MERU SOUTH COUNTY COUNCIL**

**ABSTRACTS OF ACCOUNTS**

**FOR**

**THE YEAR ENDED**

**30<sup>TH</sup> JUNE 2004**

MERU SOUTH COUNTY COUNCIL					
ABSTRACTS OF ACCOUNTS					
BALANCE SHEET AS AT 30TH JUNE 2004					
				2003/2004	2002/2003
		NOTES	KSHS	KSHS	
<b>NON CURRENT ASSETS</b>					
<b>FIXED ASSETS</b>					
		2			
Land & Buildings			8617903	5187226	
Motor Vehicles			7542331	7542331	
Machines & Equipment			830368	750000	
Furniture & Fitting			692600	692600	
Roads & Bridges			149875	149875	
			17833077	14322	
<b>CURRENT ASSETS</b>					
Sundry Debtors		3	-12284	8131651	
Cash in hand - GRF				-1786511	
Cash at bank - GRF			9343	-47039	
Cash in hand -Imprests unremitted		5	2634014	2052565	-60
Cash at bank -LASC			5717	8415	
Cash at bank LATF -Savings a/c			84473	4324580	
Cash at bank LATF -Curent a/c			-90679	338609	
Cash at bank Co-op bank			44003		
Total Current Assets			14971831	13022270	
<b>TOTAL ASSETS</b>			<b>32804908</b>	<b>27344302</b>	
<b>EQUITY AND LIABILITIES</b>					
<b>CAPITAL DISCHARGED</b>					
Reserve Contribution to capital			199600	199600	
Revenue Contribution to capital			9129702	9129702	
LATF Contribution to capital			4992730	14322	
			14322032		
Fund Balance					
Deficit GRF			-19479576	-18634156	
Surplus LATF			19243028	22945928	
			-236548	4311772	
<b>CURRENT LIABILITIES</b>					
Sundry Creditors		4	18719424	8710498	
<b>TOTAL EQUITY &amp; LIABILITIES</b>			<b>32804908</b>	<b>27344302</b>	
<b>SIGNED</b> .....					
NDURUMO WA GAKUI			SIGNED.....		
COUNTY CLERK			A.K.NJAGI		
DATE			COUNTY TREASURER		



**MERU SOUTH COUNTY COUNCIL**

**ABSTRACTS OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2004**

**CLERKS DEPARTMENT IB**

**MISSION STATEMENT**

A - To provide advice to the Council in the policy management of the Council

B - To provide leadership to paid staff and to ensure smooth operations, effective personnel administration and take legal action as provided by the law.

CODE	SUBJECTIVE HEAD	2002/03 ACTUAL KSHS	2003/04 APPROVED KSHS	2003/04 ACTUAL KSHS
	SERVICE RECEIPTS			
	Total receipts	-	-	-
	<b>EXPENDITURE</b>			
	<b>PERSONNEL</b>			
001	Salaries & wages	732,820.00	1,141,260.00	562,258.00
003	Council contribution to NSSF	13,600.00	19,200.00	9,600.00
004	Council contribution to P.F./S/F	86,847.00	168,084.00	188,373.00
012	House allowance	375,500.00	690,000.00	428,000.00
013	Staff acting / SP duty allowance	10,731.00	29,430.00	31,309.00
	Clothing uniform and soap	2,550.00	6,000.00	-
015	Provision for leave allowances	44,280.00	309,360.00	75,931.00
	<b>Total personnel</b>	<b>1,266,328.00</b>	<b>2,084,910.00</b>	<b>1,295,471.00</b>
	<b>OPERATIONS</b>			
014	Travelling & subsistence	334,194.00	400,000.00	136,114.00
016	Training courses and exams	6,265.00	-	-
031	Printing stationery & advertisement	87,801.00	120,000.00	77,974.00
032	Postage & telephone	91,487.00	120,000.00	230,222.00
043	Electricity, water & conservancy	40,972.00	45,000.00	23,424.00
037	Clothes, uniform and soap	-	-	-
052	Petrol, oils & tyres	165,433.00	200,000.00	93,356.00
053	Vehicle licence & insurance	22,400.00	-	10,000.00
061	Office cleaning materials	1,731.00	5,000.00	12,430.00
081	Misc. ALGAK subscription	22,400.00	50,000.00	-
082	Misc. expenses entertainment	89,214.00	50,000.00	62,986.00
086	Security services	46,948.00	-	-
	<b>Total operations</b>	<b>908,845.00</b>	<b>990,000.00</b>	<b>416,284.00</b>
	<b>MAINTENANCE</b>			
041	Repairs & maintenance	28,871.00	-	435.00
051	Vehicle repairs & maintenance	32,380.00	50,000.00	4,200.00
054	Vehicle renewa fund	15,665.00	-	-
064	Office equipments, tools & materials	-	-	-
	<b>Total maintenance</b>	<b>76,916.00</b>	<b>50,000.00</b>	<b>4,635.00</b>
	<b>TOTAL EXPENDITURE</b>	<b>2,252,089.00</b>	<b>3,124,910.00</b>	<b>1,716,390.00</b>
	<b>NET SURPLUS / (DEFICIT)</b>	<b>(2,252,089.00)</b>	<b>(3,124,910.00)</b>	<b>(1,716,390.00)</b>

**MERU SOUTH COUNTY COUNCIL**  
**ABSTRACTS OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2004**  
**TREASURER'S DEPARTMENT - 1C**

**MISSION STATEMENT**

- A - To provide financial advice to councillors, the County clerk and other chief officers for the efficient operating of the council.  
 B - To establish and operate sound financial systems for the Council.  
 C - To ensure financial transactions are properly recorded and internal control is adhered to.  
 D - To collect all revenue due to the Council and to ensure there are sound financial management system in the council.  
 E - To prepare up to date Accounts and other financial management reports as required by Laws.

CODE	SUBJECTIVE HEAD	2002/2003 ACTUAL KSHS	2003/2004 APPROVED KSHS	2003/2004 ACTUAL KSHS
	<b>SERVICE RECEIPTS</b>			
701	House rent	9,150.00	15,600.00	-
712	50% court fines	-	60,000.00	-
782	Misc. interest on revenue	-	36,977.00	-
	Service charge	-	-	-
785	Misc. receipts on tel. Calls	310.00	103,620.00	-
	Registration Forms	-	-	2,860.00
	Misc. income	500.00	-	204,760.00
	<b>Total service receipts</b>	<b>9,960.00</b>	<b>216,197.00</b>	<b>267,900.00</b>
	<b>Licences</b>			
019C	Single Business Permits	2,551,520.00	2,278,213.00	2,766,960.00
019E	Trade occupational licence } SBP	-	-	-
	Penalties on licences }	107,295.00	350,000.00	63,900.00
	<b>Total licences</b>	<b>2,658,815.00</b>	<b>2,628,213.00</b>	<b>2,830,860.00</b>
	<b>Cesses</b>			
018J	20% coffee cess	-	-	-
018C	20% tea cess	126,274.00	455,000.00	99,504.00
018H	Sand cess	85,375.00	200,000.00	-
018K	Tobacco cess	11,744.00	40,000.00	14,222.00
1C	Surrender of imprest	-	-	93,100.00
	Other Agricultural cess	122,156.00	195,000.00	111,420.00
	<b>Total cesses</b>	<b>345,549.00</b>	<b>890,000.00</b>	<b>318,246.00</b>
	<b>Total revenue</b>	<b>3,014,324.00</b>	<b>3,734,410.00</b>	<b>3,417,006.00</b>
	<b>EXPENDITURE</b>			
	<b>PERSONNEL</b>			
001	Salaries & wages	973,301.00	1,206,630.00	593,519.00
003	Council's contribution to -NSSF	24,200.00	26,400.00	21,800.00
004	Council's contribution to PF/SF	114,498.00	180,991.00	221,492.00
012	House allowances	482,000.00	624,000.00	489,500.00
013	Staff acting/SP duty allowance	76,339.00	43,875.00	76,874.00
015	Provision for leave allowance	19,791.00	114,000.00	18,662.00
016	Training Courses/exams	-	-	-
	<b>Total personnel</b>	<b>1,690,129.00</b>	<b>2,195,896.00</b>	<b>1,421,847.00</b>

<b>MERU SOUTH COUNTY COUNCIL</b>				
<b>ABSTRACTS OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2004</b>				
<b>TREASURER'S DEPARTMENT - 1C</b>				
		<u>2002/2003</u>	<u>2003/2004</u>	<u>2003/2004</u>
		<u>ACTUAL</u>	<u>APPROVED</u>	<u>ACTUAL</u>
		<u>KSHS</u>	<u>KSHS</u>	<u>KSHS</u>
	<b>OPERATIONS</b>			
014	Travelling & subsistence allowance	160,844.00	200,000.00	100,694.00
016	Training & courses	4,510.00	30,000.00	1,350.00
031	Printing & stationery	8,677.00	50,000.00	-
033	Insurance other than vehicle	20,000.00	-	-
034	Audit & Accountancy fees	114,000.00	-	-
035	Bank charges	135,756.00	70,000.00	34,695.00
036	Legal fees	20,000.00	80,000.00	14,000.00
037	Clothing & uniforms	1,200.00	5,000.00	-
039	Licence books and discs	41,075.00	100,000.00	112,300.00
052	Petrol oils and tyres	34,442.00	130,000.00	77,736.00
053	Vehicle licence & insurance	7,500.00	100,000.00	63,662.00
061	Office cleaning materials	1,500.00	-	-
085	Interest on bank O/D	73,029.00	50,000.00	-
	Misc. grant to self help	-	-	-
	<b>Total operations</b>	<b>622,533.00</b>	<b>815,000.00</b>	<b>404,437.00</b>
	<b>MAINTENANCE</b>			
051	Vehicle repairs & maintenance	43,047.00	65,000.00	18,300.00
064	Equip tools & materials	19,500.00	20,000.00	9,450.00
	<b>Total maintenance</b>	<b>62,547.00</b>	<b>85,000.00</b>	<b>27,750.00</b>
	<b>TOTAL EXPENDITURE</b>	<b>2,375,209.00</b>	<b>3,095,896.00</b>	<b>1,854,034.00</b>
	<b>NET SURPLUS / (DEFICIT)</b>	<b>639,115.00</b>	<b>638,514.00</b>	<b>1,562,972.00</b>

<b>MERU SOUTH COUNTY COUNCIL</b>				
<b>ABSTRACTS OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2004</b>				
<b>COUNCILLORS / CIVIC DEPARTMENT</b>				
<b>MISSION STATEMENT</b>				
A - To facilitate the presentation of the public views to the Council.				
B - To ensure that policies of the Council are in accordance with aspiration of the public.				
<b>CODE</b>	<b>SUBJECTIVE HEAD</b>	<b>2002/2003 ACTUAL KSHS</b>	<b>2003/2004 APPROVED KSHS</b>	<b>2003/2004 ACTUAL KSHS</b>
	SERVICE RECEIPTS	-	-	-
	<b>Total service receipts</b>	-	-	-
	<b>EXPENDITURE</b>			
	<b>OPERATIONS</b>			
014	Councillors travelling & sub. All.	859,565.00	400,000.00	109,670.00
021	Chairman allowance	141,900.00	170,280.00	72,694.00
022	Councillors sitting allowance	1,746,500.00	1,519,800.00	714,670.00
025	Councillors expenses & education	-	-	-
064	Other purchasess ceremonial robes	3,300.00	-	-
	<b>Total operations</b>	<b>2,751,265.00</b>	<b>2,090,080.00</b>	<b>897,034.00</b>
	<b>TOTAL EXPENDITURE</b>	<b>2,751,265.00</b>	<b>2,090,080.00</b>	<b>897,034.00</b>
	<b>NET SURPLUS / (DEFICIT)</b>	<b>(2,751,265.00)</b>	<b>(2,090,080.00)</b>	<b>(897,034.00)</b>

<b>MERU SOUTH COUNTY COUNCIL</b>				
<b>ABSTRACTS OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2003</b>				
<b>WORKS DEPARTMENT - 1E</b>				
<b>MISSION STATEMENT</b>				
A - To ensure the general cleanliness of the Council's area and to provide toilets.				
B - To provide proper town planning and development controls.				
C - To maintain Council buildings				
<b>CODE</b>	<b>SUBJECTIVE HEAD</b>	<b>2002/2003 ACTUAL</b>	<b>2003/2004 APPROVED</b>	<b>2003/2004 ACTUAL</b>
	<b>SERVICE RECEIPTS</b>	<b>KSHS</b>	<b>KSHS</b>	<b>KSHS</b>
	80% of coffee cess	-	-	-
	Hire of Councils vehicles	27,020.00	296,341.00	152,000.00
	Hire of Graders	90,000.00	1,600,000.00	-
	<b>Total service receipts</b>	<b>117,020.00</b>	<b>1,896,341.00</b>	<b>152,000.00</b>
	<b>EXPENDITURE</b>			
	<b>PERSONNEL</b>			
001	Salaries & wages	104,640.00	158,640.00	69,969.00
003	NSSF	4,800.00	7,200.00	4,800.00
004	Provident Fund	12,360.00	23,796.00	25,200.00
012	House allowance	60,000.00	90,000.00	60,000.00
37	Clothing Uniform & Soaps	2,400.00	-	-
	<b>Total personnel</b>	<b>184,200.00</b>	<b>279,636.00</b>	<b>159,969.00</b>
	<b>OPERATIONS</b>			
014	Travelling & subsistence	21,223.00	30,000.00	1,370.00
037	Clothing & uniform	-	-	-
044	Furnitures and fittings	24,000.00	-	36,518.00
052	Petrol oils and tyres	128,995.00	200,000.00	28,898.00
053	Vehicle licence & insurance	82,000.00	200,000.00	-
061	Office cleaning materials	-	-	-
	<b>Total operations</b>	<b>256,218.00</b>	<b>430,000.00</b>	<b>66,786.00</b>
	<b>MAINTENANCE</b>			
041	Repairs & maintenance of buildings	10,200.00	-	-
051	Vehicles repairs & maintenance	522,473.00	350,000.00	82,202.00
054	Vehicle renewal fund (Motor bike)	-	-	-
064	Repairs & maintenance	8,625.00	-	-
	<b>Total maintenance</b>	<b>541,298.00</b>	<b>350,000.00</b>	<b>82,202.00</b>
	<b>TOTAL EXPENDITURE</b>	<b>981,716.00</b>	<b>1,059,636.00</b>	<b>308,957.00</b>
	<b>NET SURPLUS / (DEFICIT)</b>	<b>(864,696.00)</b>	<b>836,705.00</b>	<b>(156,957.00)</b>

**MERU SOUTH COUNTY COUNCIL**

**ABSTRACTS OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2004**

**COMMUNITY DEPARTMENT**

**MISSION STATEMENT**

A - To educate self-help groups how to run income generating project.

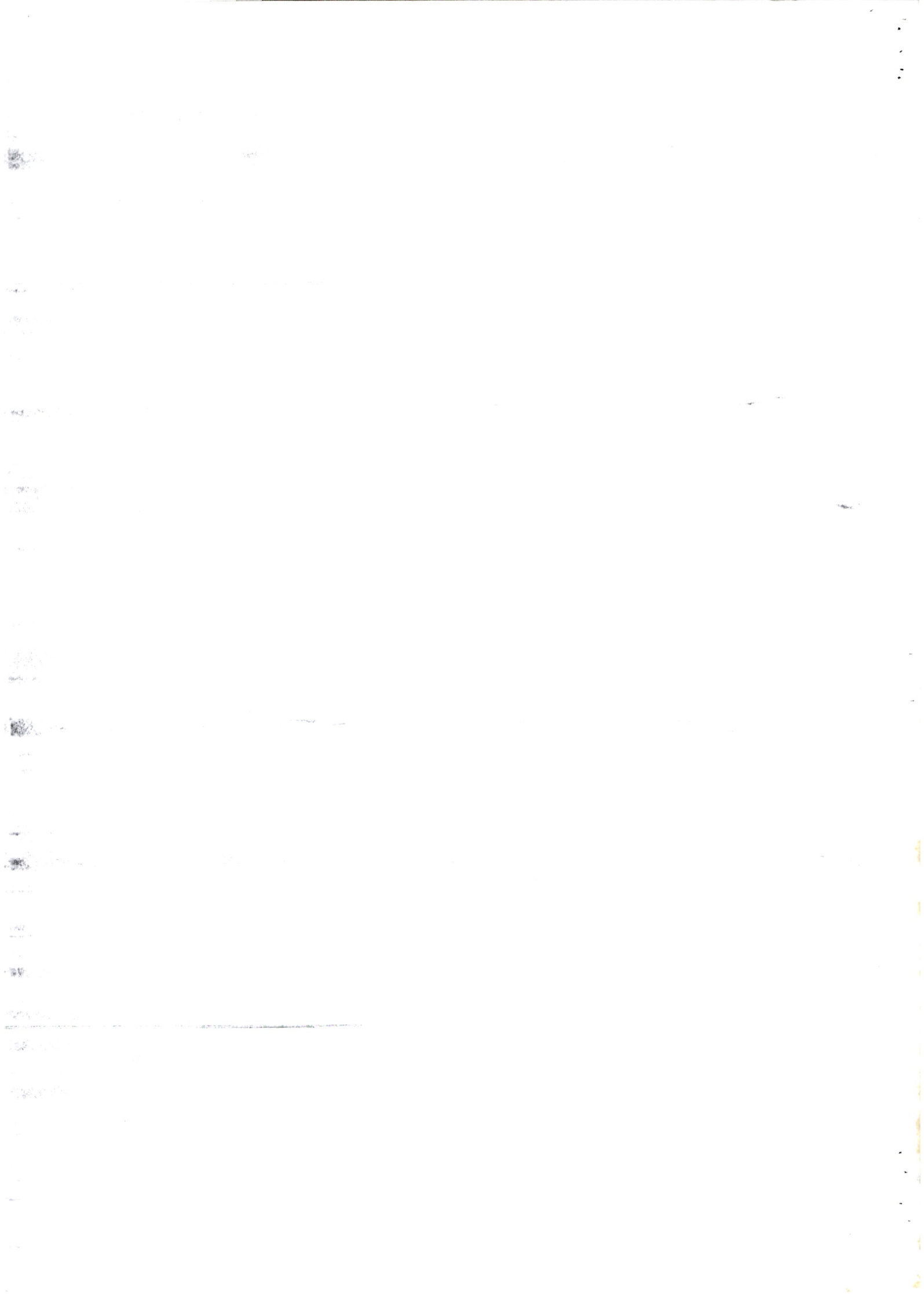
B - To give special economic education to the general public through public barazas

<u>CODE</u>	<u>SUBJECTIVE HEAD</u>	<u>2002/2003</u> <u>ACTUAL</u> <u>KSHS</u>	<u>2003/2004</u> <u>APPROVED</u> <u>KSHS</u>	<u>2003/2004</u> <u>ACTUAL</u> <u>KSHS</u>
	<b>SERVICE RECEIPTS</b>			
	Total service receipts	-	-	-
	<b>EXPENDITURE</b>			
	<b>PERSONNEL</b>			
001	Salaries & wages	528,360.00	546,840.00	197,338.00
003	NSSF	16,800.00	16,800.00	14,800.00
004	Provident Fund	59,076.00	82,026.00	116,843.00
012	House allowance	252,000.00	252,000.00	7,044.00
015	Provision for leave allowance	3,395.00	-	2,343.00
	Special duty allowance	7,044.00	16,408.00	76,874.00
	<b>Total personnel</b>	<b>866,675.00</b>	<b>914,074.00</b>	<b>415,242.00</b>
	<b>OPERATIONS</b>			
014	Travelling & subsistence	29,930.00	15,000.00	3,800.00
016	Training courses & exams	4,510.00	-	-
023	Seminars	-	-	-
052	Petrol, oils & tyres	-	-	-
	<b>Total operations</b>	<b>34,440.00</b>	<b>15,000.00</b>	<b>3,800.00</b>
	<b>MAINTENANCE</b>			
	<b>Total maintenance</b>	-	-	-
	<b>TOTAL EXPENDITURE</b>	<b>901,115.00</b>	<b>929,074.00</b>	<b>419,042.00</b>
	<b>NET SURPLUS / (DEFICIT)</b>	<b>(901,115.00)</b>	<b>(929,074.00)</b>	<b>(419,042.00)</b>

**MERU SOUTH COUNTY COUNCIL**  
**ABSTRACTS OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2004**  
**TRADE & MARKET DEPARTMENT - 6A**

<b>MISSION STATEMENT</b>				
A - To provide market sites for local traders to undertake their business				
B - To generate revenue to the Council.				
C - To maintain feeder roads and market centres				
<b>CODE</b>	<b>SUBJECTIVE HEAD</b>	<b>2002/2003 ACTUAL KSHS</b>	<b>2003/2004 APPROVED KSHS</b>	<b>2003/2004 ACTUAL KSHS</b>
<b>SERVICE RECEIPTS</b>				
701	Market stall rent	13,940.00	81,808.00	2,850.00
702	Plot rent	968,434.00	850,672.00	3,428,099.00
719	Barter market fees	737,810.00	1,264,710.00	685,610.00
719(b)	Slaughter fees	233,830.00	281,783.00	259,610.00
719(c)	Plot indication fees	240,000.00	378,000.00	14,600.00
719(d)	Market fees (Stock auction)	111,930.00	235,000.00	89,460.00
721	Sale of plans & services	19,740.00	30,000.00	31,230.00
721(b)	Appl. forms fee/Land sub. & plots	268,530.00	350,000.00	315,245.00
6A	Contribution in lieu of rates	1,500,000.00	1,088,130.00	2,388,130.00
	<b>Total service receipts</b>	<b>4,094,214.00</b>	<b>4,560,103.00</b>	<b>7,214,834.00</b>
<b>EXPENDITURE</b>				
<b>PERSONNEL</b>				
001	Salaries & wages	1,974,814.00	1,804,860.00	804,357.00
003	Council contribution to NSSF	65,800.00	58,600.00	58,800.00
004	Provident fund	222,133.00	270,729.00	400,854.00
012	House allowance	973,500.00	867,000.00	867,000.00
013	Staff acting/SP duty allowance	9,815.00	-	-
015	Provision for leave allowance	74,834.00	54,149.00	14,489.00
	Bicycle allowance	2,700.00	-	-
	<b>Total personnel</b>	<b>3,323,596.00</b>	<b>3,055,338.00</b>	<b>2,145,500.00</b>
<b>OPERATIONS</b>				
014	Travelling & subsistence	196,418.00	150,000.00	45,040.00
016	Training & courses	-	5,000.00	-
037	Clothing & uniforms	22,950.00	15,000.00	-
046	Other building costs - materials	3,250.00	20,000.00	23,296.00
052	Petrol, oils & tyres	116,893.00	120,000.00	56,130.00
53	Vehicle Licence & Insurance	-	20,000.00	53,662.00
083	Misc. expenditure planning	4,545.00	10,000.00	160.00
087	Tree nurseries	-	100,000.00	-
	ALGAK subscriptions	-	-	-
	<b>Total operations</b>	<b>344,056.00</b>	<b>440,000.00</b>	<b>178,288.00</b>
<b>MAINTENANCE</b>				
051	Vehicle repairs & maintenance	26,630.00	40,000.00	19,480.00
064	Equipments, tools & materials	10,130.00	150,000.00	-
047	Latrines & fencing markets	-	-	-
	<b>Total maintenance</b>	<b>36,760.00</b>	<b>190,000.00</b>	<b>19,480.00</b>
	<b>TOTAL EXPENDITURE</b>	<b>3,704,412.00</b>	<b>3,685,338.00</b>	<b>2,343,268.00</b>
	<b>NET SURPLUS / (DEFICIT)</b>	<b>389,802.00</b>	<b>874,765.00</b>	<b>4,871,566.00</b>

<b>MERU SOUTH COUNTY COUNCIL</b>				
<b>ABSTRACTS OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2004</b>				
<b>KINONDONI SELF S. LODGE DEPARTMENT</b>				
<b>MISSION STATEMENTS</b>				
<b>CODE</b>	<b>SUBJECTIVE HEAD</b>	<b>2002/2003 ACTUAL</b>	<b>2003/2004 APPROVED</b>	<b>2003/2004 ACTUAL</b>
<b>SERVICE RECEIPTS</b>				
		<b>KSHS</b>	<b>KSHS</b>	<b>KSHS</b>
701	Canteen Bar & House rent	-	-	487,156.00
717	Boarding fees cottages	306,325.00	3,150,000.00	258,526.00
786	Misc. income camp site	79,770.00	150,000.00	47,220.00
787	Sale of bottled water	-	-	-
	<b>Total service receipts</b>	<b>386,095.00</b>	<b>3,300,000.00</b>	<b>792,902.00</b>
<b>EXPENDITURE</b>				
<b>PERSONNEL</b>				
001	Salaries & wages	503,100.00	569,820.00	153,383.00
003	Council contribution to NSSF	14,400.00	16,800.00	13,100.00
004	Provident fund	62,100.00	85,473.00	117,172.00
012	House allowance	270,000.00	300,000.00	247,250.00
015	Acting Allowance	54,096.00	99,600.00	61,200.00
	Provision for leave All	2,081.00	16,165.00	21,440.00
	Training Courses & Exams	4,510.00	5,000.00	-
	<b>Total personnel</b>	<b>910,287.00</b>	<b>1,092,858.00</b>	<b>613,545.00</b>
<b>OPERATIONS</b>				
014	Travelling and subsistence allowances	6,850.00	10,000.00	570.00
016	Training & courses	-	-	-
037	Clothing & uniforms	-	-	-
031	Printing & stationery	300.00	1,000.00	-
052	Petrol, oils & tyres	9,526.00	80,000.00	54,511.00
061	Office cleaning materials	-	16,000.00	-
043	Electricity & water	63,628.00	85,000.00	-
	Govt Tax & Forest Loyalty	-	160,000.00	-
	<b>Total operations</b>	<b>80,304.00</b>	<b>352,000.00</b>	<b>55,081.00</b>
<b>MAINTENANCE</b>				
041	Repairs & maintenance of bldgs	31,220.00	1,200,000.00	-
051	Vehicle repairs & maintenance	-	540,000.00	-
064	Equipment, tools & materials	-	500,000.00	24,455.00
087	Bottling plant (Water)	-	-	-
	<b>Total maintenance</b>	<b>31,220.00</b>	<b>2,240,000.00</b>	<b>24,455.00</b>
	<b>TOTAL EXPENDITURE</b>	<b>1,021,811.00</b>	<b>3,684,858.00</b>	<b>693,081.00</b>
	<b>NET SURPLUS / (DEFICIT)</b>	<b>(635,716.00)</b>	<b>(384,858.00)</b>	<b>99,821.00</b>



<b>MERU SOUTH COUNTY COUNCIL</b>				
<b>LATF REVENUE ACCOUNT</b>				
	<b>2002/2003</b>	<b>2003/2004</b>	<b>2003/2004</b>	
	<b>ACTUAL</b>	<b>APPROVED</b>	<b>ACTUAL</b>	
	<b>KSHS</b>	<b>KSHS</b>	<b>KSHS</b>	
LATF services account allocation	5,919,239.00	7,446,086.00	7,446,086.00	
LATF services performance allocation	3,937,661.00	4,964,058.00	4,666,216.00	
Miscellaneous income	19,752.00	-	-	
	<b>9,876,652.00</b>	<b>12,410,144.00</b>	<b>12,112,302.00</b>	
<b>EXPENDITURE</b>				
<b>PERSONNEL</b>				
<b>OPERATIONS</b>				
Vehicle licences / insurance	-	-	-	
Travelling & subsistence expenses	4,240.00	-	-	
Petrol, oil & tyres	-	-	-	
Bank charges	24,034.00	-	24,159.00	
Audit & Accountancy fees	-	-	182,400.00	
Printing & stationery	5,916.00	-	26,127.00	
	<b>34,190.00</b>	-	<b>232,686.00</b>	
<b>MAINTENANCE</b>				
Vehicle repairs & maintenance	33,150.00	-	-	
Repairs and maintenance of office	201,782.00	-	-	
Maintenance & grading of roads	-	-	-	
Maintenance of stock sale yard	-	-	-	
Repairs of grader	1,366,206.00	-	-	
<b>TOTAL OPERATIONS</b>	<b>1,601,138.00</b>	-	<b>232,686.00</b>	
<b>CAPITAL PROJECT EXPENDITURE</b>				
Land acquisition (purchase)	-	-	-	
Roads & bridges	149,875.00	-	-	
Extension of dispensaries	-	-	-	
Provision of water	-	-	1,639,430.00	
Purchase of computers	-	-	-	
Renovation of County Hall	-	-	1,891,247.00	
<b>TOTAL CAPITAL PROJECTS</b>	<b>149,875.00</b>	-	<b>3,530,677.00</b>	
<b>TOTAL EXPENDITURE</b>	<b>1,785,203.00</b>	-	<b>3,996,049.00</b>	
<b>SURPLUS</b>	<b>8,091,449.00</b>		<b>8,116,253.00</b>	
<b>DEBT SOLUTION EXPENDITURE</b>				
Salaries & wages	1,736,162.00	11,340,144.00	2,291,677.00	
Councillors allowances	420,554.00	-	1,362,098.00	
KRA (PAYE)	-	-	-	
African Retail Traders (KRA)	-	-	60,000.00	
Miscellaneous expenditure	-	-	-	
Borrowing by GRF (Net Transfers)	1,432,900.00	-	8,500,000.00	
NHIF	-	-	30,000.00	
NSSF	200,000.00	-	200,000.00	
Muguni Sacco	303,843.00	-	442,331.00	
Sundry Creditors	-	-	1,887,590.00	
<b>Total Debt Resolution</b>	<b>4,093,459.00</b>	<b>3,170.00</b>	<b>14,773,686.00</b>	
<b>TOTAL LATF EXPENDITURE</b>	<b>5,898,662.00</b>	-	<b>18,537,049.00</b>	
<b>NET SURPLUS / (DEFICIT)</b>	<b>3,977,990.00</b>	<b>12,410,144.00</b>	<b>6,424,747.00</b>	

<b>MERU SOUTH COUNTY COUNCIL</b>						
<b>NOTES TO THE ACCOUNTS FOR THE YEAR 2003/2004</b>						
1.0.0. Accounting Concepts						
1.1.0 Introduction						
The accounts are based firmly on the generally accepted accounting concepts of:						
Going Concern						
Accruals/Matching						
Consistency						
Prudence						
Materiality and Substance over form						
Adoption of these concepts ensures that accounts "present fairly" the financial position of the Local Authority. However given the unique nature of Kenya Local Government certain refinements have been introduced.						
<b>a) Going Concern Concept</b>						
In most cases 'the accounting system will treat value in the assumption that the authority will continue trading. Its unlikely that a Local Authority may be wound up in the same way as a company. In the event of a Local Government re-organization, the going concern concept should be applied although the authority itself may cease to exist.						
<b>b) Accrual /Matching Concept</b>						
The matching or Accrual Concept can be defined as follows: "Revenue and costs are accrued-that is recognized as they are earned or incurred (and not as money is received or paid) and recorded in the financial statement at the period to which they relate: provided that where the Accrual concept is inconsistent with the prudence concept the latter prevails Here the Prudence Concept is of significance in the preparation of accounts as required by International Accounting Standards. The basis of accounting in this case is converted "receipts and payments" which means that accounting throughout the year is on a cash basis, but for final accounts purposes, accruals for material debtors and creditors the accounts to an Income and Expenditure basis, thus keeping in line the Accrual Concept of accounting.						
<b>c) Consistency Concept</b>						
It is assumed that the accounting policies are consistent from one period to another. Consistency Concept requires that there should be consistency of accounting treatment of like items within each accounting period and from one accounting period to the next.						
<b>d) Prudence Concept</b>						
Uncertainties inevitably surround many transactions. This should be recognized by exercising prudence in preparing financial statements. Prudence does not however justify the creation of secret or hidden reserves. The Prudence Concept require that revenues are not anticipated until realization can be assessed with reasonable certainty. In our case we have treated incomes such as contribution in lieu of rates as receivable with a high degree of certainty. Plot rents have equally been given the same treatment and hence accrued against income and debtors.						

<b>e) Substance over form and Maternity Concept</b>					
Transaction and other events should be accounted for and presented in accordance with their substance and financial reality and not merely with their legal form.					
Financial statements should close all items which are material enough to affect evaluation or decisions					
<b>1.2.0 Accounting Policies</b>					
The accounts have been prepared under the historical cost convention.					
<b>1.2.1 Accruals of Income &amp; Expenditure</b>					
<b>(a) Revenue</b>					
Plot rents and rate, contribution in lieu of rates, house rental income outstanding at the end of the year are accrued debtors and recognized as income in the accounts. This is in accordance with the Prudence Principle.					
<b>(b) (i) Employees</b>					
Salary arrears are accrued as creditors. No accruals are made for paid leave entitlement not taken as this is considered not material from year to year.					
<b>(ii) Statutory and other deductions</b>					
Unremitted statutory and other deductions are accrued as creditors.					
<b>(iii) Supplies and Services</b>					
Material invoice for supplies and services received during the year but not yet paid are accrued as creditors within current liabilities. The same are expensed during the year.					
<b>1.3.0 Fixed Assets</b>					
<b>1.3.1 Coverage</b>					
Only assets that are readily identifiable as authority assets are included in the balance sheet. However, a professional valuation of all council assets should be done to reflect the current market value of all assets.					
<b>1.3.2 Valuation of Land</b>					
Land has been valued at current open market value as at 30th June 2004					
<b>1.3.3. Valuation of Buildings</b>					
Building should be valued by a professional valuer at depreciated current replacement cost to reflect the current market value.					
<b>1.3.4 Valuation of Motor Vehicles</b>					
The motor vehicles have not been valued by the Automobiles Association of Kenya at the current market price as at 30th June 2004. Valuation is quite necessary in order to reflect the true position.					
<b>1.3.5 Furniture and Equipment</b>					
Furniture and equipment have been stated at historical cost Valuation on the same should be done.					
<b>1.3.6 Assets Utilization</b>					
No charges have been made for the use of assets or their depreciation.					

2.0 Fixed Assets Schedule					
DESCRIPTION	BALANCE AT	ADDITIONS	DISPOSAL	BALANCE	
	1/7/2003	KSHS	KSHS	AT 30/6/04	
Land & Building	5187226	3430677		8617903	
Motor Venicies	7542331			7542331	
Machines & Equipments	750000			830000	
Furniture & Fittings	692600			692600	
Roads & Bridges	149875			149875	
	14322032	1971615		17833034	
<b>3.0 Sundry Debtors</b>					
1 Contribution in lieu of rates			8417560		
2 Plot rents			6756320		
3 House rents			487156		
TOTAL			15661036		
<b>4.0 Sundry Creditors</b>					
Provident Fund			1777530		
NSSF			1700000		
CMC			269143		
Gubbal Filling Station			66430		
Alpha Motors			65824		
Lonrho Motors			80368		
Muguni Sacco			2050192		
Salaries & Wages			11159216		
KLGWU			397085		
KRA Income Tax (PAYE)			159126		
NHIF			123710		
LG Superannuation Fund			85416		
CIir allowances			188155		
Advocate Fees			105450		
COTU			211779		
Telcom Kenya			280000		
TOTAL			18719424		
<b>NOTE</b> *These balances were outstanding as at 30th June 2004 However they were subsequently paid after the financial year as follows:					
a) Provident Fund	1000000				
b) NSSF	800000				
c) Gubba Filing Station	66430				
d) KLGWU	397085				
e) KRA Income Tax (PAYE)	159126				
f) NHIF	123710				
g) LG Superfund	85416				
TOTAL	2631767				
<b>5.0 Imprests</b>					
The amount reflected in the Balance Sheet as Imprest of Kshs2634014 represents unretired imprests authorized/takerr by the Council Treasurer Mr. Peter Moseti.					
<b>6.0 Currency Denomination</b>					
These accounts are presented in Kenya Shillings.					

