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# REPORT

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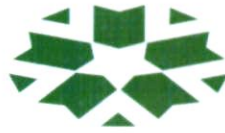
**MERU COUNTY INVESTMENT AND  
DEVELOPMENT CORPORATION**

**FOR THE YEAR ENDED  
30 JUNE, 2019**

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30034 - 00100, NAIROBI  
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Tel No. 020-2500250  
Email: [info@investmeru.co.ke](mailto:info@investmeru.co.ke)

P.O Box 3194 (60-200)  
MERU

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## MERU COUNTY INVESTMENT & DEVELOPMENT CORPORATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED JUNE 30, 2019

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

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## **1. KEY ENTITY INFORMATION AND MANAGEMENT**

### **a) Background Information**

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

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

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

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

### **b) Principal Activities**

The principal activities of the Meru county Investment and development Corporation is to:

- Establish an efficient and effective instrument for managing county government investments;
- Enhance competitiveness of county government investments; promote local investment and economic development; enhance county revenue base;
- Provide for mobilization of finances for investments; provide for investment in socially beneficial projects; facilitate investments by county residents;
- Coordinate and facilitate investments in the county; enable the county government to undertake public private partnerships and joint ventures in areas that are beneficial to the county.

**c) Board Of Directors**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Felicity Nkirote Biriri	Chairperson
2	James Mwenda Muratha	Board member
3	Kenneth Ntongai	Board Member
4	Joseph Chabari	Board Member ( Government Rep. )
5	Catherine Kithinji	Board Member ( Government Rep. )
6	Samwel Odhiambo	Ag. Managing Director

**d) Key Management**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Samwel Odhiambo	Ag. Managing Director
2	Winfred Mukiri	Ag. Director Business Development
3	Peninah Kinya	Ag. Director Corporate Services

**e) Registered Offices**

**Corporation Headquarters**

P.O. Box 3194  
New Meru County Headquarters Office Block,  
Meru, Kenya

**f) Corporation Contacts**

Telephone: 020-2500250  
E-mail: [info@investmeru.co.ke](mailto:info@investmeru.co.ke)  
Website: [www.investmeru.co.ke](http://www.investmeru.co.ke)

**g) Bankers**

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

**h) Independent Auditors**



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

**i) Principal Legal Adviser**

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


Meru County Attorney  
PO BOX 120-60200  
MERU

**2. THE BOARD OF DIRECTORS**




	<b>Name</b>	<b>Details of Qualifications And Experience</b>
1.	 <p>Felicity Nkirote Biriri  <b>Chairperson</b></p>	<p>Felicity Nkirote Biriri is a Human Resource professional with more than 18 years' experience in various sectors including banking, advertising and real estate. She was appointed the Chairperson Meru County Investment &amp; Development Corporation in December 2017. She is a seasoned governance expert who sits in various boards including Kenya Pipeline Company, Kenya Pipeline Pension Scheme, Meru University of Science and Technology, National Environment Complaints Committee and is a Kenya Private Sector Alliance (KEPSA) Foundation Trustee. She has previously sat in the board of directors of Geothermal Development Company GDC, governing council of Moi University and KEPSA governing council.</p> <p>Felicity holds a Bachelor of Arts degree in Human Resource Management and an MBA in Conflict Resolution and Peace Management from Kenyatta University. Felicity is currently pursuing doctorate studies.</p>
2.	 <p>James Mwenda Muratha  <b>Board member</b></p>	<p>James Muratha is the Chief Executive Officer of RE/MAX Kenya, a leading global real estate company.</p> <p>James has a wealth of experience in the international capital markets and has over 20 years' experience in the financial services sector having worked in asset management, financial accounting and audit with leading global institutions.</p> <p>Mr. Muratha holds an MBA in finance from the University of New Brunswick in Canada and a Bachelor of Commerce degree in accounting from Kenyatta University. He is a member of the Institute of Certified Public Accountants of Kenya and is a former Chairman of the Fund Managers Association in Kenya.</p>

<p>3.</p>	 <p>Ken Kinoti Ntongai  <b>Board Member</b></p>	<p>A career banker with over 8 years' experience having served in different roles, Mr Ntongai is well versed with banking and financial institutional operations across East Africa having previously served with Equity Bank and Barclay's banks in various capacities.</p> <p>Mr Ntongai holds an MSc in Finance and Bachelor of Commerce Finance from the University of Nairobi.</p>
<p>4.</p>	 <p>Catherine Kithinji  <b>Board Member</b></p>	<p>Catherine Wanja Kithinji is the Trade Development and management specialist with 25 years of experience in domestic and international trade. She has worked in the government sector in various capacities rising through the ranks. Catherine has served as the trade officer, industrial development officer, market researcher analyst at International Trade Centre, Geneva, Civil Service Support Officer at the Ministry of Industry, Commerce and Investment, South Sudan and currently Chief Officer Trade, County Government of Meru.</p> <p>Catherine holds an MBA (International Business) from Kenya Methodist University, MA (Community Development and Project Management) from Egerton University and BA (Economics and Sociology) from Egerton University. Catherine is a board member of Meru Investment and Development Corporation as a government representative.</p>
<p>5.</p>	 <p>Joseph Chabari  <b>Board Member</b></p>	<p>Kabii Chabari is the Chief Officer Finance, Economic planning and ICT of County Government of Meru. Mr. Chabari has a vast experience in Finance and accounting in Public Sector having worked at the National Treasury for 9 years.</p> <p>Mr Chabari holds an MBA in Finance from Meru University of Science and Technology and bachelor's degree in Business administration accounting option from Maseno University. He is a certified public accountant of Kenya and a Member of ICPAK.</p>

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6.	 <p><b>Samwel Odhiambo</b> <b>Ag. Managing Director</b></p>	<p>Samwel Odhiambo, was appointed as Managing Director of the Meru County Investment &amp; Development Corporation in June 2019.</p> <p>He holds a BSc Civil and Construction Engineering Degree from The University of Nairobi. He is a member of the Engineers Board of Kenya.</p>
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**3. MANAGEMENT TEAM**

Name	Details of qualifications and experience
<p>1.   <b>Samwel Odhiambo</b>  <b>Ag. Managing Director</b></p>	<p>Samwel Odhiambo, was appointed as Managing Director of the Meru County Investment &amp; Development Corporation in June 2019.</p> <p>He holds a BSc Civil and Construction Engineering Degree from The University of Nairobi. He is a member of the Engineers Board of Kenya.</p>
<p>2.   <b>Winfred Mukiri</b>  <b>Ag. Director Business Development</b></p>	<p>Winfred Mukiri was appointed as the Ag. Director Business Development in June 2019.</p> <p>She holds a Bachelor of Economics &amp; Statistics (Hons. University of Nairobi), CPA -Section 3, currently at University of Nairobi. She has extensive experience in Micro and Macro Economics, Finance analysis and Modelling and currently handles all investments matters in the Corporation.</p>
<p>3.   <b>Peninah Kinya</b>  <b>Ag. Director Corporate Services</b></p>	<p>Peninah Kinya was appointed as the Ag. Director Corporate Services in June 2019.</p> <p>She holds a Bachelor in Commerce (Accounting)-UON, Diploma in Business Management-UON and currently undertaking Master's in Business Administration (Finance) at the University of Nairobi. She is a member of the Institute of Certified Public Accountant (ICPAK)</p>

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The following served partially in management team for the 2018/19FY

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Kimathi Ikiao	Managing Director
2	Miriam Riungu	Director Corporate Services and Ag. Managing Director
3	Samwel Odhiambo	Ag. Technical Services
4	Kenneth Kinoti	Director Business Development
5.	Sharon Koskei	Commercial Lawyer
6.	Jephitha Kirimi Karuti	Internal Auditor

#### 4. BOARD CHAIRPERSON'S REPORT

On behalf of the Board of Directors, Meru County Investment and Development Corporation, I take this opportunity to present to you the 12 months ended 30 June 2019 reports and financial statements pursuant to section 21 (1) of the MCIDC act 2014 which alludes that: The Board shall cause to be kept proper books and records of accounts and assets of the Corporation and that within a period of three months after the end of each financial year, the Board shall submit to the Auditor-General, the accounts of the corporation together with:

In the matter concerning good corporate governance, the institution has continued to build its internal structures and controls to ensure that the institution has employed the market's best practices in its day to day operations and administration. The board, in its role of providing strategic leadership has considered and approved the Corporation's investment plan to guide all investments activities and align them to the general vision of the county, integration of the institution's activities and align them to the general vision of the county, integrated development plan, the annual development plans as well as budgetary objectives.

The board has been motivated in ensuring there exist adequate systems of controls in order to identify and redress grievances arising from unethical practices, as well as ensuring professional standards and corporate values are put in place that promote integrity for the board, senior management and other employees in the form of a Code of Conduct.

On matters of risk management and compliance, the board has approved funds for technical staff training to ensure employees are sufficiently equipped with technical skill, compliance matters as well as monitoring and evaluation.

The board shall continuously seek to ensure that: a system of sound internal control is established, which is effectively implemented and maintained at all levels within the organization. The board and management has a greater vision for the corporation in terms of public private partnerships and joint venture arrangements in the areas of renewable energy, Agriculture, Tourism and real Infrastructure.

The board confirms that the institution remains firm on its mandate and sound on its vision of being the leading Investment Corporation in Kenya through design and execution of world-Class Commercial Ventures as well as the county's vision of being a green unified prosperous county.



Signature

**Felicity N. Biriri**  
**MCIDC Board Chairperson**

## **5. REPORT OF THE MANAGING DIRECTOR**

I take this opportunity to present to you this Annual Report which highlights the performance of the corporation's operations for the year ended June 2019. The last twelve months have been particularly challenging for the corporation and I wish to sincerely appreciate combined endeavours and commitment of our Board, stakeholders, management and staff, all of whom played key roles over the period.

### **Operational Overview**

I am pleased to inform you that during the year, the corporation continued to strengthen its business processes to ensure improved revenue recognition and cost containment. I am pleased to report that management has initiated various steps aimed at further improving the corporation's operations in line with its key mandate. During the year, the corporation re-viewed its developmental projects and initiatives particularly those relating to the real estate sector and took strategic decisions to enable its competitive positioning particularly in the real estate sub-sector.

To ensure delivery of its strategic plan, management continues to focus on the agribusiness, renewable energy, hospitality and real estate sub-sectors whilst remaining opportunistic across other sectors.

In agri-business, the corporation is focussing on value addition of key food crops found across the Meru region and has made key inroads particularly in the coffee subsector which has been a long-standing key forex earner for the country. In renewable energy, the corporation is looking into both grid and off-grid opportunities and has made strides in the establishment of a promising project pipeline.

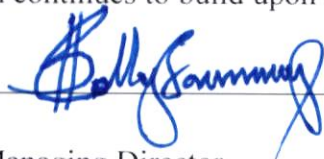
In the hospitality sector, the Corporation intends to play a key role in re-positioning the Meru region as a popular tourism sector and steady progress is being made towards establishing a strong pipeline in this sector.

For the real estate sector, the corporation is looking to complete projects in both commercial (office space and industrial) as well as residential sub-sectors.

### **Future Outlook**

2020 is projected to be a challenging year as the National Government initiates austerity measures aimed at improving fiscal management. We look forward to implementing key strategic interventions as the corporation continues to build upon the achievements it has achieved so far.

Signed: \_\_\_\_\_



MCIDC, Managing Director

## **6. CORPORATE GOVERNANCE STATEMENT**

Practice of good corporate governance ensures delivery of sustainable value to the County as well meeting the needs of other stakeholders. This involves adoption of ethically driven business policies, procedures, processes in a transparent and accountable manner.

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

### **Governance Principles and Guidelines**

Board of Directors is at the core of the corporation's governance to ensure interest protection of all stakeholders. It performs its duties in a manner that seeks to increase corporation's sustainable value, increase investors' confidence and ultimately benefiting the people of Meru County.

### **Board Charter**

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

### **Composition of the Board**

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

### **Process of Appointment & Removal of Board Members**

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

Board appointments shall take into consideration the mix of skills and competencies required for the achievement of the organization's long-term goals. The chairpersons shall be appointed by the Governor and approved by the county assembly and shall at a minimum possess the qualifications, skills and experience set out in MCIDC Act.

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

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

Every appointment shall cease if the Board member:

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

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

### **Roles and functions of the Board**

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

- a) Exercise their role collectively and not individually.
- b) Determine the organization's mission, vision, purpose and core values.
- c) Set and oversee the overall strategy and approve significant policies of the organization.
- d) Ensure that the strategy is aligned with the purpose of the organization and the legitimate interests and expectations of all stakeholders and ensure effective communication with the stakeholders.
- e) Approve the organizational structure and annual budget of the organization.
- f) Monitor the organization's performance and ensure sustainability.
- g) Enhance the corporate image of the organization.
- h) Ensure availability of adequate resources for the achievement of the organization's objectives.
- i) Appoint the MD, on such terms and conditions of service as may be approved by the relevant government organ(s) and approve the appointment of senior management staff.
- j) (m)Oversee all the subsidiaries of the corporation, monitor their performance and ensure sustainability.

### **Capacity Building for the Board**

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

### **Board Members Performance**

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

### **Board Remuneration**

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

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**Number of Board Meetings and attendance**

The current Board of Directors was officially inaugurated on 13<sup>th</sup> December 2017 and had various board meetings as listed below.

	2018						2019						
	26 <sup>th</sup> June	26 <sup>th</sup> July	14 <sup>th</sup> Sep	2 <sup>nd</sup> Oct	19 <sup>th</sup> Nov	10 <sup>th</sup> Dec	17 <sup>th</sup> Dec	30 <sup>th</sup> Jan	14 <sup>th</sup> Mar	15 <sup>th</sup> Mar	10 <sup>th</sup> May	20 <sup>th</sup> June	21 <sup>st</sup> June
Felicity Biriri	X	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
James Muratha	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Kenneth Ntongai	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Catherine Kithinji	✓	✓	X	X	✓	✓	✓	✓	✓	✓	X	✓	✓
Joseph Chabari	✓	X	✓	X	✓	✓	✓	✓	X	X	✓	X	✓
Miriam Riungu	X	X	X	X	X	✓	✓	✓	✓	✓	✓	X	X
Kimathi Ikiao	✓	✓	✓	✓	✓	✓	X	X	X	X	X	X	X
Samwel Odhiambo	X	X	X	X	X	X	✓	✓	X	X	✓	✓	✓

**Conflict of Interest**

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

**Governance Audit.**

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

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

**Succession Plan**

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



**Board Chairperson**



**Managing Director**

## **7. MANAGEMENT DISCUSSION AND ANALYSIS**

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

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

### **Key Ongoing Projects and Investments**

Meru county Government is in dire need of modern office space. Therefore, MCIDC (Meru County Investment and Development Corporation) is renovating Meru County Hotel to grade A, office space. The office block will be The Meru County Headquarters. The total cost of refurbishment is being catered by the corporation. The project is expected to be completed at an estimated cost of Kshs. 201million.

### **Meru County Coffee Marketing Agency**

MCIDC entered into a business partnership in the FY 2017/2018 with the Meru County Coffee Marketing Agency Limited which is a duly registered company in Kenya Limited by shares. The union acquired a Commercial Coffee Marketing License in August 2015. Its objective is to carry on the business as a marketing agents, advertising agents, sale promotion consultants, public relation consultants in all their aspects and to advice on sale promotion, consumer relations, public relations publicity on behalf of and not limited to Meru Coffee farmers.

The County Government signed a Memorandum of Understanding (MoU) with Meru County Coffee Marketing Cooperative Union (MCCMCU) in respect of introduction of the county through MCIDC into the membership shareholding and management of the coffee millers union and the Meru county coffee marketing agency limited. MCIDC after the signing of the MoU with the Meru County Cooperative Miller Union has taken up 51% shareholding in the Meru County Coffee Marketing Agency Limited for control purposes by virtue of having provided the marketing guarantee/letter of comfort. The share capital for Meru County Coffee Marketing agency Limited shall be increased to Kshs.25, 000,000/-(250,000 shares of Kshs.100/- each) and MCIDC is expected to take up 51% shareholding in the Meru County Coffee Marketing Agency Limited.

### **Completed Project**

The Meru County Oils Limited is a petrol station whose construction was concluded in 2017. The Board has resolved that the same be leased out to an experienced operator.

Thimangiri slaughterhouse is a prime asset located in Nyaki West ward, North Imenti Sub County. The asset was a great life line for the local community as it was strategic, affordable and had sufficient capacity to cater for large numbers of livestock from within and the environs. The facility was shut approximately five years ago due to operational inefficiencies and management problems by the private player contracted to run it and has been unutilized ever since. The corporation has done basic repairs to the facility and is ready for operations after inspection certificate is issued. The corporation shall lease the facility to an operator who shall ensure social benefits to the community and revenue generation to the county government and long term sustainability.

MCIDC is committed towards provision of green energy. The County has a significant but unexploited renewable energy resources in the areas of small hydro power, wind and solar. In order to interest the private sector investors in this sector, the corporation sought and secured technical assistance from USAID/Firm and Power Africa to develop a Renewable Energy Asset Map that was presented to about 100 prospective investors in Nairobi. Following this intervention, a number of investors have expressed interest to invest in various sectors some of which are highlighted in the table below:

**Table 1: Summary of the projects ownership**

	<b>PROJECT</b>	<b>SECTOR</b>	<b>PARTNERSHIP</b>	<b>INVESTOR</b>
1.	Petrol Station	Energy	100% Ownership	MCIDC
2.	Meru County Head Quarter Refurbishment	Real Estate	100% Ownership	MCIDC
3.	Meru Rising Tower	Real Estate	LLP	MCIDC& Partners
4.	Wind energy	Clean Energy	Joint venture	MCIDC& Partners
5.	Mini Hydro's	Clean Energy	Joint venture	MCIDC& Partners
6.	Agro-processing: Potatoes, bananas, honey, tannery & fruit processing	Value Addition	Joint venture	MCIDC& Partners
7.	Thimangiri slaughter house	Value Addition	100% Ownership	MCIDC

The corporation took over the management of the Meru County Maisonettes, marked the rates to market and fast tracked the remittance rental arrears. We plan to refurbish the facility in order to be able to maximize on rent collections. We believe that with strategic investors in these areas of focus we shall create employment opportunities, open up Meru County to the world, earn revenue for the county and also offer superior returns to the investors.

The corporation is carrying out thorough feasibility studies in the county to establish opportunities that the county has comparative advantage in, areas that we can do best and economically rational to enable us consolidate a package of opportunities that we can prove case for and market. The priority areas in manufacturing in line with Big Four Agenda are Banana, Pork, Fish and beverages manufacturing.

### **Legal & Compliance with Statutory Requirements**

The corporation has been keen to ensure compliance with all the laws through its legal office to take overall responsibility for the management of all legal matters pertaining to the Corporation. The office provides efficient and timely professional legal services to the corporation, advise management on legal matters and risks facing the organization, ensure company's compliance with statutory and regulatory requirements to avoid legal penalties, Develop effective working relationships with key user departments to ensure their needs are understood and appropriate solutions developed that support business needs and effective legal counselling so as to ensure legal problems and risks are identified and dealt with before they emerge as significant risks to the corporation.

The office's major responsibilities have been offering sound legal counsel to management, Drafting and review of laws, regulations and by-laws that fall within the Corporation's purview for compliance purposes and risk management. The legal office therefore has ensured there are pre-qualified firms on standby ready to represent the Corporation and select appropriate firms. Further it is the responsibility of the office to compile information needed by the firms, monitor the matters and give status reports to management and the board. The legal officer has been the secretariat to the board. This involves minute taking, ensuring proper records of board papers, minutes and boards discussions. The office also ensures meetings are properly convened, development of charters etc.

The office has also been instrumental in business development, investor relationships and the partnerships the corporation gets into. This has involved conducting due diligence, Drafting of all contracts and agreements (business development agreements, consulting & services agreements, Financing agreements, EPC agreements, licensing agreements etc.), strategic alliances & collaborations monitoring and evaluations of partnerships and responding to queries/ guidance on agreements by investors/partners.

### **Material Arrears in Statutory and Financial Obligation**

Meru County Investment & development Corporation has complied with all the statutory obligations during the FY 2018/2019, however, the key financial obligation during that financial year is a pending payment to AIA architects amounting to 21,357,105.00 towards the payment for the design of the Meru Rising Tower project in Meru.

### **Key Projects or Investments**

The key projects for MCIDC for the FY 2018/2019 is the Meru County headquarters. Other business partnerships include the Wind lab wind energy project with a South African Wind project based in Kenya.

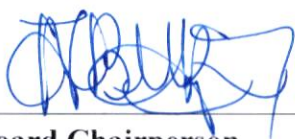
### **8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

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

We are committed to supporting investors in the county tailored to regional and global economic development and job creation. In response to the dynamic nature of investments, we help realize these opportunities by providing dedicated financial and feasibility analysis of the best models to invest that can help to spur economic growth in the county. The corporation is in the process of carrying on value chains projects for bananas, potatoes, avocado and leather which are geared towards enhancing community livelihood.

Meru County Investment and Development 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 corporate management, business development and project management. As an intern one is given the opportunity to work with the corporation officers and management team to develop a strong foundation for their career.

Meru County Investment and Development Corporation thrives to bring resources close to the people. For instance, setting up of fueling station where residents can get fuel at subsidized prices. In addition, the corporation is striving to refurbish the Leopard Rock Hotel where it is aiming to rebrand hospitality for the county. The corporation is also on the strategy of setting up a light industry to assist process agricultural products as well growing of energy sector to assist Meru People access green energy.



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**Board Chairperson**



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**Managing Director**

## **9. REPORT OF THE BOARD OF DIRECTORS**

### **Principal Activities**

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

### **Results**

The results of the Corporation for the year ended June 30, 2019 are set out from page 23

### **Board of Directors**

The members of the Board of Directors who served during the year are shown on page 5 & 6. They were the board members who served during the year and there was no change in board membership they were appointed in November 2017.

### **Auditors**

The Auditor General is responsible for the statutory audit of the corporation in accordance with article 229 of the constitution of Kenya and the public audit act 2015.

By Order of the Board



**Felicity Nkirote Biriri**

**Board Chairperson**

Date: 16/12/2019

## **10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

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

The Managing Director of the Corporation is responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of the corporation as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Corporation; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Corporation; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Managing Director accepts responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the MCIDC Act, 2014. The Managing Director is of the opinion that the corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2019, and of the Corporation's financial position as at that date. Further the Managing Director confirms the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of its financial statements as well as the adequacy of the systems of internal financial control.

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

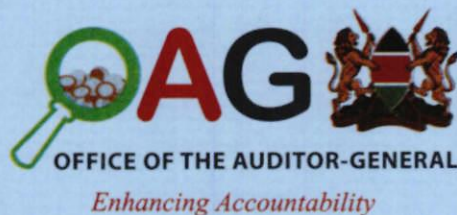
### **Approval of the Financial Statements**

The Corporation financial statements were approved by the Board on 17<sup>th</sup> October 2019 and signed on its behalf by:

  
\_\_\_\_\_  
Managing Director

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON MERU COUNTY INVESTMENT AND DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE, 2019

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Meru County Investment and Development Corporation set out on pages 23 to 48, which comprise of the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Meru County Investment and Development Corporation as at 30 June, 2019, 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 Meru County Investment and Development Corporation Act, 2014 and the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### 1.0 Accuracy of the Financial Statements

##### 1.1 The Statement of Changes in Net Assets

The statement of changes in net assets for the year under review reflects a nil balance in respect to revaluation reserve balance as at 30 June, 2019. However, recasting of the balances reflects Kshs.2,820,000 resulting to unexplained and unreconciled variance of Kshs.2,820,000.

In addition, Kshs.1,758,000 and Kshs.14,196 in respect to adjustment in legal expenses and prior year adjustments respectively both totaling to Kshs.1,772,196 are adjusted in the statement of changes in net assets for the year under review. This is contrary to the accounting standards which require adjustments to the respective audit components in the year they occurred and restatement of the correct comparative balances in the year under review.

## **1.2 The Statement of Cash Flows**

The Corporation's statement of cash flows reflects Retention (Unpaid) of Kshs.8,245,462 and Refund of Bank Guarantee – Contractor (Capital work in progress) of Kshs.5,200,000 all totaling Kshs.13,445,462 whose details were not availed for audit review.

In the circumstances, the accuracy, completeness and validity of the statement of changes in net assets and the statement of cash flows for the year ended 30 June, 2019 could not be confirmed.

## **2. Unsupported Expenditure**

As disclosed in Note 5 to the financial statements, the statement of financial performance reflects general expenses of Kshs.15,052,962. The balance includes foreign travel of Kshs.951,660, under other expenses, paid as per diem allowance to facilitate an officer for a trip to China for 16 days on a Meru Executive County Government mission. However, the payment voucher, provided for audit review, was not supported by a boarding pass to confirm travel.

In the circumstances, the propriety of Kshs.951,660 expenditures for the year ended 30 June, 2019 could not be confirmed.

## **3. Unsupported Rental Income**

As disclosed in Note 3 to the financial statements, the statement of financial performance reflects other income of Kshs.4,109,151. The balance includes Kshs.3,816,000 in respect to rental income and Kshs.160,000 in respect to incomes from bill board site rent both totaling to Kshs.3,976,000. However, authorized tariff rates or rent guidelines were not provided for audit review. It was therefore, not possible to determine how rents charged by the Corporation were arrived at.

In the circumstances, the accuracy and validity of the Kshs.3,976,000 rental income for the year ended 30 June, 2019 could not be confirmed.

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

## **Emphasis of Matter**

### **Going Concern**

The statement of financial position reflects net current assets totaling to Kshs.3,820,773 and a total current liability of Kshs.47,085,322 resulting to a negative working capital of Kshs.43,264,549. In addition, the statement of financial performance reflects a deficit of Kshs.26,818,863 which is a further indicator of a poor financial performance by the Corporation. The Corporation may therefore not be able to pay its current obligations if and when they fall due thereby threatening its going concern.

Therefore, the Corporation's continued operation on a going concern depends on the financial support from the County Executive of Meru and creditors.

My opinion is however not modified based on the effects of the matter mentioned above.

### **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. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.192,069,287 and Kshs.135,212,937 respectively resulting to an under-funding of Kshs.56,856,349 or 30% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.192,069,287 and Kshs.136,588,133 respectively resulting to an under-funding of Kshs.55,481,154 or 28% of the budget.

Management did not provide any reason for the under expenditure and under collection of the local revenue or the efforts being made to improve on the local revenue collection.

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

#### **2. Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: PSASB/1/12 Vol.1(44) of 25 June, 2019.

### **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. Delay in Meru Rising Tower Construction**

Note 10 to the financial statements reflects Kshs.45,685,322 in respect to accounts payable which includes Kshs.21,357,105 owed to a firm for design and construction and supervision of the proposed fifteen (15) storey Meru Rising Tower in Meru town. Documents provided for audit review revealed that the total consultancy fees which was incurred in 2017 was Kshs.40,357,104 out of which Kshs.19,000,000 was paid in June, 2017 leaving an outstanding balance of Kshs.21,357,105. In addition, the project which was estimated to cost Kshs.1,990,878,979 had not started at the time of audit. The corporation risks litigation proceedings from its creditors for amounts due and interest on delayed settlement of pending bills.

In the circumstances, I am unable to confirm the value for money for the investment to the public of Kshs.19,000,000 already paid in respect to consultancy fees as at 30 June, 2019.

### **2. Irregular Procurement of Computers and Related Equipment**

The Management incurred an expenditure of Kshs.580,000 in purchase of four (4) Mobile phones and one (1) lap top. However, the purchase requisition form and subsequent approval dated 19 July, 2018 specified the requisition of 1 Apple iPad 9.7" 2018, 4 Samsung Galaxy Note 8, 1 HP Pavilion x360 2 in 1 Touch screen Laptop, 1 HP ProBook 430 Gz Notebook PC 13.3" and 5 HP 17.3 value back pack. This is contrary to Section 60 (4) of the Public Procurement and Asset Disposal Act, 2015 which requires the technical requirements not to refer to a particular trademark, name, patent, design, type, producer or service provider. Further, request for quotations No. MCIDC/ICT/045/2018-2019 were floated to seven (7) firms but only three (3) firms responded. However, the respondents' bids were not produced for audit review.

In the circumstances, the validity of the expenditure of Kshs.580,000 could not be confirmed.

### **3. Delay in Refurbishment of Meru County Hotel**

Property, plant and equipment additions for the year includes Kshs.102,861,388 in respect to capital work - in - progress in respect refurbishment of Meru County Hotel. However, the date of practical completion for the project was revised from 15 February, 2019 to 14 June, 2019 on 13 May, 2019. However, as at the time of physical verification in October, 2019, four (4) months after the expiry of the revised completion dates, the basement, ground floor, second floor and fourth floor, lift installation and the entrance gate had not been completed.

In the circumstances, value for money on the expenditure of Kshs.102,861,388 on refurbishment of the Hotel could not be confirmed.

### **4. Irregular Payment of Board Allowances**

The Management incurred Kshs.1,890,000 for board allowances using the rates determined by the Meru County Treasury (MCT) vide circular no.MC/GIM/5/274 dated 14

January, 2016 instead of using the rates determined by the Salaries and Remuneration Commission vide circular ref SRC/ADM/CIR/1/13(122) of 16 April, 2014.

Consequently, the Management is in breach of the law.

## **5. Expenditure on Abandoned Radio Station**

The Management owes Kshs.1,030,000 to a firm for Phase 2 and Phase 3 as the final payment for the unviable abandoned radio station project. As reported previously, Kshs.3,702,429 and Kshs.849,400 totaling to Kshs.4,551,829 was invested in 2016/2017 and 2017/2018 respectively bringing total expenditure to Kshs.5,581,829 in a radio station which was closed on 21 December, 2017. The Management had not undertaken project appraisal and financial analysis of the radio station project before making the investment. This is contrary to Section 26 of the Meru County Investment and Development Corporation Act, 2014 which states that the Corporation shall not undertake any investment or project unless it has undertaken an investment or project appraisal and financial analysis in accordance with the prescribed guidelines. Further, the amount had not been paid at the time of audit. The Corporation, therefore risk being charged interest in accordance with Clause 6.3 of the agreement which states that payments shall be made within thirty (30) days of receipt of invoice and any delayed payments beyond thirty (30) days after the due date shall attract simple interest at a rate of three (3%) percentage points above the prevailing Central Bank of Kenya's average rate for base lending for each day of delay.

In the circumstances, I am unable to confirm whether Management spent public resources effectively on the abandoned radio station.

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Long Overdue Refund of a Borrowing**

Note 11 to the financial statements reflects Kshs.1,400,000 in respect to borrowings from the County Government of Meru to pay salaries for the Corporation employees in March,

2018. However, no explanation was given as to why the debt had not been settled as at the time of audit in October, 2019.

In the circumstances, I am unable to confirm existence of effective controls on debt management.

## **2. Long Outstanding Rental Income**

As disclosed in Note 7 to the financial statements, the statement of financial position reflects accounts receivables of Kshs.2,352,500. The balance includes rent receivable from a bank of Kshs.2,340,000 and Kshs.12,500 from a tenant who defaulted in June, 2016. The lease agreement between the County Government of Meru (the Landlord) and the bank stated that rent is payable monthly in advance which the bank had breached from May, 2017 to December, 2018. However, there was no evidence provided for audit review on the effort the Management has taken to recover the rent arrears. This is contrary to Section 5 (b) of the Meru County Investment and Development Corporation Act, 2014 which states that the Corporation shall be responsible of undertaking investments on behalf of the County Government for the purposes of generating revenue.

In the circumstances, I am unable to confirm existence of effective internal controls on rent collection.

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 Board of Directors**

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

In preparing the financial statements, Management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to liquidate the Corporation or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Corporation 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 control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism 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 the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Corporation to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**22 October, 2021**

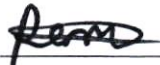
**12. FINANCIAL STATEMENTS**

**12.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
<b>Revenue From Non-exchange Transactions</b>			
Transfers From the County Government	1	15,000,000	52,000,000
Transfers From Maisonette Account	2	-	<b>4,104,935</b>
<b>Revenue From Exchange Transactions</b>			
Other Income	3(i)	4,109,151	4,488,500
<b>Total Revenue</b>		<b>19,109,151</b>	<b>60,593,435</b>
<b>Expenses</b>			
Staff Cost	4	28,573,174	31,488,142
General Expenses	5	15,052,962	16,994,047
Depreciation and Amortization Costs	8	2,301,879	2,550,682
<b>Total Expenses</b>		<b>45,928,014</b>	<b>51,032,871</b>
<b>Surplus/( Deficit) for the Period</b>		<b>(26,818,863)</b>	<b>9,560,564</b>

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 17<sup>th</sup> October 2019 and signed by:

  
 Managing Director

  
 Accountant  
 ICPAK Member No.20480

**12.2 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019**

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
<b>Assets</b>			
<b>Current Assets</b>			
Bank Balance - Current Account	6	1,468,273	1,792,735
Accounts Receivables	7	2,352,500	22,222,500
<b>Non-current assets</b>			
Property, Plant and Equipment	8	313,408,462	213,593,953
Investment	9	63,456,278	63,230,345
<b>Total Assets</b>		<b>380,685,513</b>	<b>300,839,533</b>
<b>Equity &amp; Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	10(i)	45,685,322	38,612,675
Borrowings From County Treasury	11	1,400,000	1,400,000
<b>Non-Current Liabilities</b>			
<b>Total Liabilities</b>		<b>47,085,322</b>	<b>40,012,675</b>
<b>Net Assets</b>			
Capital Contribution	12	331,686,482	236,686,482
Accumulated Surplus		1,913,709	24,140,376
<b>Total Net Assets and Liabilities</b>		<b>380,685,513</b>	<b>300,839,533</b>

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 17<sup>th</sup> October 2019 and signed by:

  
 Managing Director

  
 Accountant  
 ICPAK Member No.20480

**12.3 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2019**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1st July 2016</b>	-	-	3,325,406	<b>3,325,406</b>
Surplus/(Deficit) for the Period	-	-	11,254,406	<b>11,254,406</b>
<b>Balance as at 30th June 2017</b>	-	-	<b>14,579,812</b>	<b>14,579,812</b>
<b>Balance as at 1st July 2017</b>	-	-	<b>14,579,812</b>	<b>14,579,812</b>
Surplus/(Deficit) for the Period	-	-	<b>9,560,564</b>	<b>9,560,564</b>
Balance as at 30th June 2018	-	-	<b>24,140,376</b>	<b>24,140,376</b>
<b>Balance as at 1st July 2018</b>			<b>24,140,376</b>	<b>24,140,376</b>
Add: Legal Expenses Adjustment			<b>1,758,000</b>	<b>1,758,000</b>
Add: Gains in Assets Revaluation		2,820,000		<b>2,820,000</b>
Add: Prior year Adjustments			14,196	<b>14,196</b>
Surplus/(Deficit) for the Period			<b>(26,818,863)</b>	<b>(26,818,863)</b>
<b>Balance as at 30th June 2019</b>			<b>(906,291)</b>	<b>1,913,709</b>

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 17<sup>th</sup> October 2019 and signed by:

  
 Managing Director

  
 Accountant  
 ICPAK Member No.20480

**12.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2019**


	Note	FY2018/2019	FY2018/2017
		KShs	KShs
<b>Cash Flows From Operating Activities</b>			
<b>Receipts</b>			
Transfers From the County Government	1	15,000,000	52,000,000
Other Income	3(i)	4,109,151	
Other Income- Received	3(ii)	-	2,404,935
Adjust for:			
Unpaid Rental Income	3(iii)	(720,000)	
FY 2017/18 Accrued Rent Received in FY2018/19	3(iv)	577,500	
Add: Prior year Adjustment	13	14,196	
Borrowing by County Treasury		-	1,400,000
<b>Total Receipts</b>		<b>18,980,847</b>	<b>55,804,935</b>
<b>Payments</b>			
Staff Cost	4	28,573,174	31,488,142
General Expenses	5	15,052,962	16,994,047
Adjust. Trade Payable	10(ii)	(941,573)	<b>(5,616,788)</b>
Add: FY 2017/18 Accrued General Expenses Paid in FY2018/19	10(iii)	3,858,750	-
<b>Total Payments</b>		<b>46,543,313</b>	<b>42,865,401</b>
<b>Net Cash Flows From Operating Activities</b>		<b>(27,562,466)</b>	<b>12,939,534</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Property, Plant, Equipment	8	(104,496,388)	(62,326,633)
Adjust for:			
Retention (Unpaid)		8,245,462	-
Accrued Mugambo Jwetu ((Maintel Technical Services)		1,030,000	-
Accrued Project Expenses not Paid (Office Block)		2,484,862	-
Investment in Subsidiaries		(225,933)	(7,752,698)
<b>Net Cash Flows Used in Investing Activities</b>		<b>(92,961,997)</b>	<b>(70,079,331)</b>
<b>Cash Flows From Financing Activities</b>			
Transfers From the County Government (Capital Contribution)		95,000,000	-
Borrowing by County Treasury		-	20,000,000
Repayment of Amount Borrowed by County Treasury		20,000,000	-
Refund of Bank Guarantee - Contractors (Capital Work in Progress)		5,200,000	-
<b>Net Cash Flows Used in Financing Activities</b>		<b>120,200,000</b>	<b>(20,000,000)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>(324,462)</b>	<b>(77,139,797)</b>
Cash and Cash Equivalents at 1st July 2018		1,792,735	<b>78,932,532</b>
<b>Cash and Cash Equivalents at 30th June 2019</b>		<b>1,468,273</b>	<b>1,792,735</b>

Meru County Investment and Development Corporation  
Reports and Financial Statements  
For the year ended June 30, 2019.

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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 17<sup>th</sup> October 2019 and signed by:

  
\_\_\_\_\_  
**Managing Director**


  
\_\_\_\_\_  
**Accountant**  
**ICPAK Member No.20480**

**12.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	FY2018/2019	FY2018/2019	FY2018/2019	FY2018/2019	FY2018/2019	FY2018/2019
Revenue	KShs	KShs	KShs	KShs	KShs	
Rollover FY2017/18	107,798,787	3,447,500	111,246,286	111,246,286		100%
Transfers From County Government.	60,000,000	(13,153,000)	46,847,000	15,000,000	31,847,000	32%
Other Income	17,641,560	(13,665,560)	3,976,000	3,966,651	9,349	100%
Transfers From County Govt.(Development )	155,000,000	(125,000,000)	30,000,000	5,000,000	25,000,000	17%
<b>Total Income</b>	<b>340,440,347</b>	<b>(148,371,060)</b>	<b>192,069,287</b>	<b>135,212,937</b>	<b>56,856,349</b>	<b>70%</b>
<b>Expenses</b>						
Staff Costs	41,000,000	(8,866,000)	32,134,000	28,573,174	3,560,826	89%
General Expenses	52,129,034	(28,419,747)	23,709,286	15,052,962	8,656,324	63%
Development	247,311,313	(111,085,313)	136,226,000	92,961,997	43,264,003	68%
<b>Total Expenditure</b>	<b>340,440,347</b>	<b>(148,371,060)</b>	<b>192,069,287</b>	<b>136,588,133</b>	<b>55,481,154</b>	<b>71%</b>
<b>Surplus For the Period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,375,196)</b>	<b>1,375,196</b>	<b>-</b>

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 17<sup>th</sup> October 2019 and signed by:

  
 Managing Director

  
 Accountant  
 ICPAK Member No.20480

**Budget Notes**

1. The anticipated rollover from FY2017/2018 was provided on a reasonable estimate basis to enable the submission of FY2018/2019 budget estimates to the County treasury.
2. The County Treasury revised the development allocation by Kshs125, 000,000 i.e. from initial allocation of Kshs 155,000,000 as per the submitted estimate to Kshs. 30,000,000.
3. The reduction on actual budget compared to final budget is due to non-disbursement of funds, that is Kshs 31,847,000 and Kshs 25,000,000 for recurrent and development respectively.

**12.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Statement of Compliance and Basis of Preparation**

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

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

**2. Adoption of New and Revised Standards**

**a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019**

Standard	Impact
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

**b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019**

Standard	Effective date and impact:
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2022:</b> 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

Standard	Effective date and impact:
	<p>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"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b></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> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>

**c) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2019.

**3. Revenue Recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

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

ii) **Revenue from exchange transactions**

***Interest income***

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

**4. Budget Information**

The original budget for FY2018/2019 was approved by the County Assembly on 30<sup>th</sup> June 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Corporation did not record any additional appropriations on the FY2018/2019 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.

**5. Property, Plant and Equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the 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.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6. Intangible Assets**

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

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

**7. Financial Instruments**

***Financial assets***

***Initial recognition and measurement***

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

***Impairment of financial assets***

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

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

**8. 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.

### **9. 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.

### ***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.

### **10. Nature and purpose of reserves**

The corporation did not have reserves for the year 2018/2019.

### **11. Changes in Accounting Policies and estimates**

There were no changes in accounting policies for the year under review.

### **12. 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 fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior

periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

### **13. Foreign Currency Transactions**

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

### **14. Borrowing Costs**

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

### **15. 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.

### **16. 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 Kenya 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.

### **17. Comparative figures**

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

### **18. Events after the reporting period**

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

### **Ultimate and Holding entity**

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

### **19. Currency**

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

## **20. 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.

**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.

### **Useful lives and residual values**

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

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

### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

## **21. Financial risk management**

The Corporation's activities expose it to financial risks including credit. The Corporation's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The Corporation's financial risk management objectives and policies are detailed below:

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**a) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Accounting Officer, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

**b) Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Corporation's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

**d) Foreign currency risk**

The entity has no transactional currency exposures. Since its does not undertake purchases of goods and services through foreign currency.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**12.7 NOTES TO THE FINANCIAL STATEMENTS**

**1 Transfers From County Government**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Transfers From County Govt. – Operations	15,000,000	52,000,000
<b>Total</b>	<b>15,000,000</b>	<b>52,000,000</b>

**2 Transfer From Maisonette Account**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Rental Income From Previous Period	-	4,104,935

**3 Other Income**

(i)

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Rental Income	3,816,000	4,488,500
Miscellaneous Income-Domestic Travel Refund	27,200	-
Income from bill board site rental	160,000	-
Income from Tea Farm	105,951	-
<b>Total Other Income</b>	<b>4,109,151</b>	<b>4,488,500</b>

**Other Income- Received**

(ii)

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Rental Income Received		2,126,935
Tea Farm Income		-
Miscellaneous Income-Local Travel Refund		278,000
<b>Total Other Income</b>	<b>-</b>	<b>2,404,935</b>

(iii) **Unpaid Rental Income**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
FY 2018/19 Unpaid Rental Income	720,000	-
<b>Total Unpaid Rental Income</b>	<b>720,000</b>	<b>-</b>

(iv) **FY 2017/18 Accrued Rent Received in FY2018/19**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
FY 2017/18 Accrued Rent Received	577,500	-
<b>Total Income Received</b>	<b>577,500</b>	<b>-</b>

**4 Staff Costs**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Salaries and Wages	14,074,254	14,843,533
Staff Gratuity/pension	4,135,610	5,212,220
Staff Training Expenses	1,981,820	641,285
Social Security Contribution	74,800	76,000
Other Staff Costs	8,306,690	10,715,104
<b>Total</b>	<b>28,573,174</b>	<b>31,488,142</b>

**5 General Expenses**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Domestic Travel and Subsistence	3,480,530	2,480,830
Electricity and Water Expenses	109,430	236,940
Fuel and Oil costs	339,386	154,000
Telephone Internet & Postage	527,691	433,512
Printing, Stationery and Office Supplies	938,104	1,074,099
Security Costs	841,882	955,886
Board Allowances	3,915,446	3,343,261
Legal Expenses	8,500	5,593,307
Hospitality	481,979	329,282
Other Expenses	4,410,014	2,392,931
<b>Total</b>	<b>15,052,962</b>	<b>16,994,047</b>

**6 Bank Balance**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Fixed Deposits Account	-	-
Bank Balance-Current Account	1,468,273	1,792,735
Others	-	-
<b>Total Cash and Cash Equivalents</b>	<b>1,468,273</b>	<b>1,792,735</b>

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

b) **Detailed analysis of the cash and cash equivalents are as follows:**

Financial Institution	Account Number	FY2018/2019	FY2017/2018
		KShs	KShs
<b>Current account</b>			
Kenya Commercial Bank	1168502845	22,777	1,514,735.00
Kenya Commercial Bank	1176612611	1,340,265	278,000.00
Kenya Commercial Bank	1225554969	105,231	
<b>Grand total</b>		<b>1,468,273</b>	<b>1,792,735.00</b>

**7. Accounts Receivables**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
<b>Current Receivables</b>		
Receivable From County Treasury		20,000,000
Accrued Rent	2,352,500	2,222,500
<b>Total Current Receivables</b>	<b>2,352,500</b>	<b>22,222,500</b>
<b>Non-Current Receivables</b>		
<b>Total Non-Current Receivables</b>	-	-
<b>Accounts Receivables</b>	<b>2,352,500</b>	<b>22,222,500</b>

**8. Property, Plant and Equipment**

	Capital work	Motor Vehicles-4yrs	Computer and Related Equipment-3yrs	Office Equipment Furniture and Fittings-12.5yrs	Total
	In progress				
Cost	KShs	KShs	KShs	KShs	KShs
<b>At 1<sup>st</sup> July 2016</b>	<b>44,641,775</b>	<b>5,900,000</b>	<b>1,807,610</b>	<b>2,124,742</b>	<b>54,474,127</b>
Additions	107,664,883	-	465,754	574,813	108,705,450
Disposals	-	-	-	-	-
Transfers/adjustments	20,294,897	-	-	-	20,294,897
<b>At 30<sup>th</sup> June 2017</b>	<b>132,011,761</b>	<b>5,900,000</b>	<b>2,273,364</b>	<b>2,699,555</b>	<b>142,884,680</b>
<b>At 1<sup>st</sup> July 2017</b>	<b>132,011,761</b>	<b>5,900,000</b>	<b>2,273,364</b>	<b>2,699,555</b>	<b>142,884,680</b>
Additions	77,630,964	-	299,640	25,619	77,956,223
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
<b>At 30<sup>th</sup> June 2018</b>	<b>209,642,725</b>	<b>5,900,000</b>	<b>2,573,004</b>	<b>2,725,174</b>	<b>220,840,903</b>
<b>At 1<sup>st</sup> July 2018</b>	<b>209,642,725</b>	<b>5,900,000</b>	<b>2,573,004</b>	<b>2,725,174</b>	<b>220,840,903</b>
Additions/ revaluation	102,861,388	-	880,000	755,000	104,496,388
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
<b>At 30<sup>th</sup> June 2019</b>	<b>312,504,113</b>	<b>5,900,000</b>	<b>1,645,394</b>	<b>3,480,174</b>	<b>325,337,291</b>
<b>Depreciation and impairment</b>					
At 1 <sup>st</sup> July 2016	-	-	-	-	-

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Depreciation	-	2,950,000	1,360,325	385,943	<b>4,696,268</b>
Impairment	-	-	-	-	-
<b>At 30<sup>th</sup> June 2017</b>	-	<b>2,950,000</b>	<b>1,360,325</b>	<b>385,943</b>	<b>4,696,268</b>
<b>At 1<sup>st</sup> July 2017</b>	-	<b>2,950,000</b>	<b>1,360,325</b>	<b>385,943</b>	<b>4,696,268</b>
Depreciation	-	1,475,000	857,668	218,014	<b>2,550,682</b>
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
<b>At 30<sup>th</sup> June 2018</b>	-	<b>4,425,000</b>	<b>2,217,993</b>	<b>603,957</b>	<b>7,246,950</b>
<b>At 1<sup>st</sup> July 2018</b>	-	<b>4,425,000</b>	<b>2,217,993</b>	<b>603,957</b>	<b>7,246,950</b>
Depreciation	-	1,475,000	548,465	278,414	<b>2,301,879</b>
Disposals	-	-	-	-	-
Impairment/ revaluation	-	-	-	-	-
Transfer/adjustment	<b>(5,200,000)</b>	-	-	-	-
Revaluation Gain		<b>2,820,000</b>			
<b>At 30<sup>th</sup> June 2019</b>		<b>5,900,000</b>	<b>2,766,458</b>	<b>882,371</b>	<b>9,548,829</b>
<b>Net book values</b>					
<b>At 30<sup>th</sup> June 2018</b>	<b>209,642,725</b>	<b>1,475,000</b>	<b>355,011</b>	<b>2,121,217</b>	<b>213,593,953</b>
<b>At 30<sup>th</sup> June 2019</b>	<b>307,304,113</b>	<b>2,820,000.00</b>	<b>686,546</b>	<b>2,597,803</b>	<b>313,408,462</b>

**The computer and related equipment as at 1st July 2016 indicated in the table above have fully depreciated over the estimated useful life hence having not re-valued/disposed as at the closure of 2018/19fy they have been recognised at zero value. Further the motor vehicle was re-valued to Kshs 2,820,000 as recognised.**

**9 Investments**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
<b>Cost</b>		
At Beginning of the Year	63,230,345	37,922,674
Additions	225,933	25,307,671
<b>At End of the Year</b>		<b>63,230,345</b>
<b>NBV</b>	<b>63,456,278</b>	<b>63,230,345</b>

**10 (i) Assets Payable**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Prepaid Rent	378,333	278,000
AIA Consultant	21,357,105	21,357,105
Board Accrued Expenses-	60,000	75,443
Pending Legal Expense	-	5,541,307
10% Contractors Retention Fees	19,493,449	11,360,820
Accrued operations expense	881,573	-
Mugambo Jwetu (Maintel technical services)	1,030,000	-
Office block (Norkun Intakes & vat)	2,484,862	
<b>Total Trade and Other Payables</b>	<b>45,685,322</b>	<b>38,612,675</b>

**ii Trade Payable**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Board Accrued Expenses-PAYE	60,000	-
Accrued Operations Expense	881,573	-
<b>Totals</b>	<b>941,573</b>	<b>-</b>

**Account Payable FY2017/18 Accrued Expenses Paid in FY2018/19**

iii	Description	FY2018/2019	FY2017/2018
		KShs	KShs
	Legal Expenses	3,783,307	-
	Accrued Operations Expense	75,443	-
	<b>Totals</b>	<b>3,858,750</b>	<b>-</b>

**11 Borrowings**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
<b>Balance at Beginning of the Period</b>		-
Borrowings From County Treasury	1,400,000	1,400,000
<b>Balance at End of the Period</b>	<b>1,400,000</b>	<b>1,400,000</b>

**12 Capital Contribution**

Description	Capital contribution
	KShs
At 1st July, 2016	139,860,000
Additions	79,326,482
At June 30, 2017	<b>219,186,482</b>
At July 1, 2017	219,186,482
Coffee Union – Shares	12,500,000
Coffee Marketing Agency – Shares	5,000,000
At June 30, 2018	<b>236,686,482</b>
At July 1, 2018	236,686,482
Additions	95,000,000
<b>At June 30, 2019</b>	<b>331,686,482</b>

**13 Prior Year Adjustment**

Description	FY2018/2019	FY2017/2018
Reversed Stale Cheques in Cash Book	14,196	-
<b>Totals</b>	<b>14,196</b>	<b>-</b>

**13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:  (Resolved / Not Resolved )	Timeframe:  (Put a date when you expect the issue to be resolved)
1.0 Variations in Legal Fees Charges	The corporation did abide by the RO 2014 in its determination of what a fair minimum amount of legal fees to pay would have been for both firms.	Management	Not Resolved	June 2020

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<p><b>2.0 Irregular Board Allowances</b></p>	<p>Management sought guidance from SRC and received guidelines on the said matter.</p>	<p>Management</p>	<p>Resolved</p>	
<p><b>3.0 Idle Slaughter House</b></p>	<p>The slaughter house has been advertised for leasing and attracted 3 responsive bidders</p>	<p>Management</p>	<p>Resolved</p>	
<p><b>4.0 Irregular Radio Station Implementation</b></p>	<p>The corporation invested in Mugambo Jwetu with an agreement as per the MoU that all the assets bought by the corporation would be retained by the corporation</p>	<p>Management</p>	<p>Not Resolved</p>	<p>June 2020</p>

<p>5.0 Nugatory Expenditure in Conference and seminars</p>	<p>The quarter per diem was paid as an out of pocket allowance to cater for incidental expenses for the two staff. The management has noted the concern and will ensure such expenditure will not be incurred by the corporation in future.</p>	<p>Management</p>	<p>Resolved</p>	
<p>Other Matter          1.0 Budget Control and performance          1.1 Revenue</p>	<p>The variance was due to delayed in disbursement of the money to MCIDC by the county treasury as a result of late release of the funds by the office of the controller of the budget.</p>	<p>Management</p>	<p>Resolved</p>	

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1.2 Expenditure	The Corporation received the non-disbursed development funds for the 2017/18fy	Management	Resolved	
Basis for Conclusion 1.0 Irregular Reallocation of Funds	The funds were refunded to MCIDC in the period under review	Management	Resolved	
2.0 Irregular Expenditure on Printing, Stationery and Office Supplies	The management has noted the concerned and the issue has been addressed in office supplies procurement in the period under review to ensure total compliance with the Public Procurement and Disposal (Amendment) Regulations, 2013.	Management	Resolved	
3.0 Ethnic.	The management will address the concern in future recruitment.	Management	Not Resolved	Future recruitment

<p><b>Basis for Conclusion</b>          1.0 Contract for Subaru Forester 12          15A</p>	<p>All the vehicles belong to the county government and are usually assigned to county entities and department depending on the need at hand. Hence the corporation was assigned double cabin pickup which could be able to take the officers to the field conveniently and also for fuel efficiency</p>	<p>Management</p>	<p>Not Resolved</p>	<p>June 2020</p>
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