

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

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THE AUDITOR-GENERAL

ON

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

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

Revised 30th June 2023



MERU COUNTY GOVERNMENT
OFFICE OF THE CLERK
COUNTY ASSEMBLY OF MERU



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

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

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

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

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County Assembly of Meru Staff Car Loan and Housing Scheme Fund
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1. Acronyms and Glossary of Terms

a) Acronyms

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

b) Glossary of Terms

Fiduciary Management- The key management personnel who had financial responsibility

Management Committee -The loan management committee established under regulation 6

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

Staff of the Assembly -Any person appointed by the Board on contract or permanent terms but does not include an employee of the Board working or engaged at the County Assembly of Meru Ward Office

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

2. Key County Assembly of Meru Staff car loan and Housing Scheme Fund Information and Management

a) Background information

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

The fund's objective is to provide loan facilities for the purchase, development, renovation or repair of residential houses and purchase of personal motor vehicles to members of the scheme.

b) Principal Activities

The Fund's principal activities are:

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

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

c) Fund Administration Committee

Ref	Name	Position
1.	Hon. Ayub Bundi Solomon	Chairperson
2.	Mr. Jacob Kirari	Member
3.	Mr. Charles Murithi Launi	Member
4.	Mr. Lawrence Gitaari Ndi	Member
5.	Mr. Stanley Kipkosgei Karonai	Secretary
6.	Mr. Elias Kirimi Marete	Member
7.	Mr. Mercy Mwakachiu Nthuku	Member
8.	Mr. Benson Kinyua Ngure	Member
9.	Mr. Edward Karundu Murithi	Member
10.	Ms. Phillipa Mwendwa Kiao	Member
11.	Ms. Emily Kendi	Member

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d) Key Management team

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

e) Fiduciary Oversight Arrangements

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

f) Registered Offices

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

g) Fund Contacts

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

h) Fund Bankers

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

Equity Bank Limited
Njuri Ncheke street
P.O. Box 400-60200
Meru, Kenya

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i) Independent Auditors

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

j) Principal Legal Adviser





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

k) County Attorney






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

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3. Fund Administration Committee

IMAGE AND NAME	KEY ACADEMIC QUALIFICATION/ WORK EXPERIENCE	D.O.B	DESIGNATION
	Hon. Ayub Bundi Solomon Academic Profile Bachelor of Education	1969	Chairman
	Mr. Jacob Kirari Academic Profile Bachelor of Business Admin MBA, LLB	1968	Member
	Mr. Charles Murithi Launi Academic Profile Bachelor of Arts Public Administration MBA	1964	Member
	Mr. Lawrence Gitari Ndii Academic Profile CPA(K) Bachelor of Business Administration MBA	1971	Member

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	<p>Mr. Stanley Kipkosgei Karonai Academic Profile CPA(K) CPS (K) BBA Dip. Project Management</p>	1979	Secretary
	<p>Mr. Elias Kirimi Marete Academic Profile BBA MBA (Human Resource) Member of Institute of HR Practitioners</p>	1968	Member
	<p>Ms. Mercy Mwakachiu Nthuku Academic Profile Degree in Mass Communication (Public Relations) Member of PRSK Diploma in Journalism Pursuing Master's degree in Public Policy and Administration</p>	1980	Member
	<p>Mr. Benson Kinyua Ngure Academic Profile LLB, Diploma in Law (KSL)</p>	1988	Member
	<p>Mr. Edward Karundu Murithi Academic Profile Bsc. Sports Science Diploma in Forensic Accounting Diploma in Criminal Investigation</p>	1984	Member

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	Bachelor of Business Management CPA(K)	1984	Member
Phillipa Mwendwa Kiao			
	Bachelor of Business Management MBA CPA Part II	1987	Member
Emily Kendi			

County Assembly of Meru Staff Car Loan and Housing Scheme Fund
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4. Management Team

Name/Image	Details of qualifications and experience	DOB	DESIGNATION
	Mr. Jacob Kirari Academic Profile BBA MBA LLB	1968	Clerk- Member
	Mr. Charles Murithi Launi Academic Profile Bachelor of Arts-Public Administration MBA	1964	Member
	Mr. Lawrence Gitari Ndi Academic Profile CPA(K) BBA MBA	1971	Member
	Mr. Stanley Kipkosgei Karonai Academic Profile CPA(K) CPS(K) BBA DIP-Project Management	1979	Secretary

5. Fund Chairperson's Report

It is my pleasure to present, on behalf of the fund, the Meru County Assembly Staff Car Loan and Housing Scheme Fund financial statements for the year ending 30th June, 2023. The financial statements present the financial performance of the fund over the past year.

Sustainability

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured. The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options. There were no changes in the management team of the fund during the period under review.

Review of performance

Income

The Meru County Assembly staff car loan and Housing Scheme fund initial capital consisted of monies appropriated by the County Assembly in the FY 2017/2018 amounting to Kshs. 25,000,000 to operate as a revolving fund with annual increase from the Assembly's budget based on anticipated credit needs projections, funds available or repayments from beneficiaries. In the year under review the fund earned revenues amounting to KShs. 5,209,187 from the County Government of Meru in the year ended 30th June, 2023.

Disbursements during the period were carried out as per the plan with the coordinated efforts by all stakeholders.

Expenditures

The total disbursements amounted to Kshs. 56,492,155 made to twelve members. The total expenditures during the period amounted to KShs. 3,495,595.

Future outlook

I appreciate the progressive growth in the seed capital from the initial Kshs, 25,000,000 in the year 2017 to the current position of Kshs. 217,000,000. The outlook of the Fund for 2023/2024 looks brighter since a further budgetary allocation of Kshs. 30,000,000 has been budgeted. The fund focus is looking to build a robust and sustainable fund with a motivated workforce and structures that enhance efficiency and effectiveness in the service delivery since there is still a deficit of over Kshs. 200,000,000 if all the staff members are to benefit from the fund.

Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the County Government of Meru and the County Assembly of Meru, the management committee and staff for their continued support which has enabled us to attain these results.

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

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

Hon. Ayub Bundi Solomon

Signature.....



Date.....

18.09.2023

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

6. Report of the Fund Administrator

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

The fund was established on 21st June, 2017 and started with an initial amount of Kshs. 25,000,000 which was received in the period ended 30th June, 2017. The fund has grown over the years and currently has a seed capital of Kshs. 217,692,366. The rate of interest charged is 3% annum on a reducing balance for the duration of the loan as per the regulation and SRC guidelines while the period of loan is a maximum of five and twenty years for car loan and mortgage respectively.

Since its establishment a total of fifty-five members of staff have benefited from the fund, out of these, nine Members got loans to purchase their personal motor vehicles while forty-six members are beneficiaries of mortgage that has enabled them to buy land and others build their residential houses.

The car loan and mortgage fund has enabled staff members better their lives so as to provide quality services to the county Assembly. In line with vision 2030, and in accordance with the Big 4 agenda. Members of staff who have benefited from the fund have been able to have better houses to live in and better means of transport.

Financial Performance

a) Revenue

In the period under consideration, the fund received any transfers from the exchequer. In the table below, we present an analysis of revenue performance during the year.

Revenue classification	Revenue budget (KShs)	Actual (KShs)	Realisation (%)
Revenue	KShs	KShs	
Interest income	6,000,000	5,209,187	87%
Total income	6,000,000	5,209,187	87%

b) Loans

During the period under reporting, the fund disbursed loans to twelve (12) members of staff making the total loan beneficiaries to fifty five since its inception for the Housing Fund.

Cash flows

In the FY 2022/2023, we requisitioned the budgeted amount of Kshs. 55,246,824 and received the whole amount of Kshs. 55,246,824 which was disbursed to 12 members. In the year under review, we did not have any liquidity disruptions. This was as a result of proper planning. The cash and

**County Assembly of Meru Staff Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the year ended 30th June, 2023**

cash equivalent increased from Kshs. 138,325 as at 1st July, 2022 to Kshs. 12,833,635 as at 30th June, 2023.

The fund has witnessed a systematic growth albeit a slow one since inception. The fund has seen a growth as shown in the table below:

2016-2017	2017-2018	2018-19	2019-20	2020-21	2021-22	2022-2023	Total
Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Ksh.	Ksh	Kshs.
80,000,000	50,000,000	12,000,000	-	20,445,542	-	55,246,824	217,692,366

However as at 30th June, 2023 there was a fund deficit since there was a requirement of Kshs. 118,600,000 in pending applications for housing scheme. This means that the County Assembly requires this amount to be able to settle all the applications.

In the financial year 2022-2023 the fund had a budget allocation of Kshs. 50,680,432 which was low compared to the pending applications. The fund collects an average of Kshs. 1,400,000/= from monthly repayments which is used to offset applications on a first come first served basis.

e) Key Risk Management Strategies

The car loan and housing scheme fund enabled the members of staff the County Assembly of Meru to purchase motor vehicles and construct or purchase residential premises. As a risk management strategy, the County Assembly ensured that all the collateral used by the staff to access the loans were properly secured and the title deeds charged accordingly at the lands registry.

The loans taken by the members of staff of the County Assembly were also insured for the entire period of the loans.

d) Cash flows

In the Financial Year, 2022/2023, the fund had a budget of Kshs. 50,680,432 which amount was too low compared to the pending applications. This means that there is need to further enhance the staff car loan and housing scheme fund to ensure that all members of staff benefit from the fund in the short term.

e) Conclusion

I take this opportunity to thank the members of the management committee for their support. I would also want to thank all staff whom we have worked hand in hand to ensure that County Assembly of Meru staff car loan and housing fund achieves its mission.

Signed: _____

Jacob Kirari
Fund Administrator

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

Introduction

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

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

- a) To provide budgetary provisions sufficient to progressively enable all the 87 staff to benefit from the members car loan and housing scheme fund;
- b) That the staff car loan and housing scheme fund management committee is in place to process the loan applications by all members and safe custody of collaterals
- c) Develop mechanisms for the generation of progress reports on the developments carried out using the fund disbursements and satisfy the committee that funds are used only for intended purposes.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

The County Assembly currently has 86 members of staff out of whom only 55 members have taken car loans and mortgages. The management committee is committed to ensure that the fund is managed and grown for the objective of meeting future demands of the fund. This will include mechanisms to provide further funds to enable all the members of staff benefit from the fund.

Program	Objective	Outcome	Indicator	Performance
Increase in revolving fund	To increase the revolving fund	Increased revolving fund	34% increase in the staff car loan and housing scheme fund	Increase in the revolving fund from Kshs. 162,445,542 to Kshs. 217,692,366
Increase in disbursement of loans to staff	To provide car loans and housing scheme funds for all staff	Increased number of staff accessing the loans	23% increase of beneficiaries in 2023	Increased number of beneficiaries from 52 to 64 staff

8. Corporate Governance Statement

The County Assembly of Meru Staff Car Loan and Housing Scheme Fund management committee held several meetings between 1st July, 2022 and 30th June, 2023. The meetings were fully attended. The Salaries and Remuneration Commission circular is used to pay the members sitting allowances as follows: Chairperson –Kshs. 6,500, Vice Chairperson Kshs. 5,200 and Members Kshs. 3,900. Apart from the sitting allowances paid to the fund management committee, there were no remuneration paid to the members during the financial year under review.

Section 6 (1) of the County Assembly of Meru Staff Car Loan and Housing Scheme Fund regulations, 2019 appoints the following as members of the loans management committee:

- a) One member of the County Assembly Service Board nominated by a resolution of the Board who shall be the Chairperson,
- b) The Clerk of the County Assembly,
- c) The Deputy Clerk of the County Assembly,
- d) The Principal Finance Officer who shall be the Secretary to the Committee and ex officio member,
- e) All heads of departments,

The committee shall perform the following functions:

- d) Consider and approve applications for loans presented to it in accordance with existing terms and conditions for borrowing;
- e) Liaise with a housing company (if any) to set up a revolving fund for the disbursement of the loans
- f) Supervise the day to day running of the fund

The fund conducted an induction training for the members of the committee together with the secretariat in Nairobi in December, 2022. The induction was conducted by Parliamentary staff owing to their experience in the management of parliament's car loan and mortgage fund.

During the financial year the staff car loan and housing scheme fund management committee spent Kshs. 473,200 on sitting allowances for the meetings attended.

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

During the year under review, there was no case of conflict of interest reported or brought to the attention of the management committee.

The management committee has no major succession plan issues it is mostly occasioned by General Elections.

9. Management Discussion and Analysis

The County Assembly of Meru Staff Car Loan and Housing Scheme Fund Management Committee has not been able to disburse car loans and mortgages to all the members of staff of the County Assembly of Meru. The recoveries from the payroll are received on a monthly basis and the committee is optimistic that progressive budgetary allocations will be allocated annually to boost the seed capital to accommodate more staff members.

The fund management committee has discussed options for investments to grow the fund into a self-sufficient and robust fund that will meet the future objectives of the fund. The County Assembly of Meru staff Car Loan and Housing Scheme Fund started with a seed capital of Kshs. 25,000,000. The seed capital has since grown to Kshs. 217,692,366.

In the period under review, a total of Kshs. 55,096,530 was disbursed to twelve loan applicants making a total of fifty-five beneficiaries since its inception. The management committee is optimistic that it will grow the fund to be able to meet all the needs of the members of staff of the County Assembly.

This will be attained through the annual budget process where the management committee has provided for an additional allocation Kshs. 30,000,000 in the financial year 2023/2024 to benefit more staff.

10. Environmental and Sustainability Reporting

The County Assembly of Meru Staff Car Loan and Housing Scheme exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on the following pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

1. Sustainability strategy and profile –

The management is committed to ensure that the fund is built up progressively to the level where all the members of the County Assembly would access loan on a timely basis. The decision to invest in fixed deposit is geared towards achieving this goal in the long term.

2. Environmental performance

The fund has not developed an environmental policy.

3. Employee welfare

The fund has not hired staff but makes use of the existing County Assembly establishment. The human resource policy guides the hiring process.

4. Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

The organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors by adhering to the Public Procurement and Asset Disposal Act, 2015 and the Public Procurement and Asset Disposal Regulations, 2020.

b) Responsible Supply chain and supplier relations- explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and ethical marketing practices are complied with by ensuring that the registered suppliers are accorded an equal opportunity in the market through the use of open tendering which are advertised in local dailies.

d) Product stewardship- outline efforts to safeguard consumer rights and interests

5. Community Engagements-

The County Assembly of Meru did not engage in any corporate social responsibility activities in the year under review.

11. Report of the Trustees

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

Principal activities

The principal activities of the Fund continue to be;

- a) Consider and approve applications for loans presented to it in accordance with existing terms and conditions for borrowing;
- b) Liaise with the housing company (if any) to set up a revolving fund for the disbursement of the loans;
- c) Supervise the day to day running of the fund.

Results

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

Trustees

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

Auditors

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

By Order of the Board



Hon. Ayub Bundi Solomon

Chair of the Fund Administration Committee

12. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by the County Assembly Service Act, 2017 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the County Assembly Service Act, 2017. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the period under review, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

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



.....
Jacob Kirari
Administrator of the County Public Fund

REPUBLIC OF KENYA

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 COUNTY ASSEMBLY OF MERU STAFF CAR LOAN AND HOUSING SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Meru Staff Car Loan and Housing Scheme Fund set out on pages 1 to 25, which comprise of the

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of County Assembly of Meru Staff Car Loan and Housing Scheme Fund as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis), and comply with the Public Finance Management Act, 2012 and the County Assembly of Meru Staff (Car Loan and Housing Scheme Fund) Regulations, 2019.

Basis for Qualified Opinion

1.0 Inaccuracies in the Financial Statements

i) The statement of financial performance reflects total revenue of Kshs.5,209,187. The correct recast total revenue amount is however Kshs.60,456,011 resulting to unexplained and unreconciled variance of Kshs.55,246,824.

In the circumstances, the accuracy and completeness of total revenue amount of Kshs.5,209,187 could not be confirmed.

ii) The statement of comparison of budget and actual amounts reflects total revenue budget and actual on comparable basis of Kshs.6,000,000 and Kshs.5,209,187 while the recast totals are Kshs.61,246,824 and Kshs.60,456,011 respectively, resulting to unexplained and unreconciled variances of Kshs.55,246,824 for each. Further, the statement reflects fund administration expenses performance difference of Kshs.704,405 while a re-computed difference is Kshs.2,504,405 resulting to unexplained and unreconciled variance of Kshs.1,800,000.

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

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total interest income budget and actual on comparable basis of Kshs.6,000,000 and Kshs.5,209,187 respectively, resulting to under collection of Kshs.790,813 or 13% of the budget. Similarly, the Fund expended 3,495,595 against a budget of Kshs.6,000,000, resulting to under absorption of Kshs.2,504,405 or 42 % of the budget.

The under-collection and under-expenditure affected implementation of the planned activities and programs and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, some issues remained unresolved as at 30 June, 2023 contrary to section 149(2)(l) of Public Finance Management Act, 2012 which requires accounting officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis of Conclusion

Non-Compliance with the Regulations

The statement of financial position and as disclosed in Note 5 to the financial statements reflects balances of Kshs.13,321,650 and Kshs.206,711,268 in respect to current portion

of long-term receivables from exchange transactions and long-term receivables from exchange transactions respectively and both totaling to Kshs.220,032,918. However, ownership documents for the motor vehicle, land and building were not provided to enable establish the purpose for the loans. Thus, the securities for the loans advanced and assets acquired could not be confirmed without the requisite details.

Further, mortgage protection policy and fire policy for the insurance were not provided contrary to Section 20(1) of the County Assembly of Meru Staff (Car Loan and Housing Scheme Fund) Regulations, 2019.

In addition, twelve (12) members of staff were advanced loans totaling to Kshs.57,252,135. However, the Management did not provide evidence of the loan applicants having provided the required supporting documents including title deeds, valuation reports, bills of quantities, land search certificate and land charge document.

In the circumstances, the regularity of the awarded loans could not be confirmed. In addition, the Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis of Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls 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 controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

06 February, 2024


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

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Transfers From the County Government	1	55,246,824	-
Revenue From Exchange Transactions			
Interest Income	2	5,209,187	4,919,838
		5,209,187	4,919,838
Total Revenue		5,209,187	4,919,838
Expenses			
Use of goods and services	3	3,495,595	1,439,030
Total Expenses		3,495,595	1,439,030
Surplus/(Deficit) for the Period		1,713,592	3,480,808

(The notes set out on pages 6 to 24 form an integral part of these Financial Statements)

Note: The transfer from the County Government of Kshs. 55,246,824 is part of the capital and not part of the Revenue of the Fund.


.....
Name: Jacob Kirari
Clerk, County Assembly of Meru
Administrator of the Fund



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


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

15. Statement of Financial Position as at 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	4	12,833,635	138,325
Current Portion of Long- Term Receivables From Exchange Transactions	5	13,321,650	11,701,432
Total current assets		26,155,285	11,839,757
Non-Current Assets			
Long Term Receivables from Exchange Transactions	5	206,711,268	164,066,380
Total non- current assets		206,711,268	164,066,380
Total Assets		232,866,553	175,906,137
Net Assets			
Revolving Fund		217,692,366	162,445,542
Reserves		-	-
Accumulated Surplus		15,174,187	13,460,595
Total Net Assets and Liabilities		232,866,553	175,906,137

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 18th September 2023 and signed by:


.....
Name:
Administrator of the Fund


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

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

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

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2021	162,445,542	-	9,979,787	151,979,787
Surplus/(Deficit) For the Period	-	-	3,480,808	3,480,808
Balance As At 30 June 2022	162,445,542	-	13,460,595	175,906,137
Balance As At 1 July 2022	162,445,542	-	13,460,595	175,906,137
Surplus/(Deficit) For the Period	-	-	1,713,592	1,713,592
Funds Received During the Year	55,246,824	-	-	55,246,824
Balance As At 30 June 2023	217,692,366	-	15,174,187	232,866,553

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

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

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the county government	1	55,246,824	20,445,542
Interest received	2	5,209,187	4,919,838
Total receipts		60,456,011	25,365,380
Payments			
Fund administration expenses	3	3,495,595	1,439,030
Net cash flows from operating activities		56,960,416	23,926,350
Cash flows from investing activities			
Proceeds from loan principal repayments		10,831,424	15,437,610
Loan disbursements paid out		-55,096,530	-39,996,500
Net cash flows used in investing activities		-44,265,106	-24,558,890
Cash flows from financing activities			
Net increase/(decrease) in cash & cash Equivalents		12,695,310	-632,541
Cash and cash equivalents at 1 July		138,325	770,865
Cash and cash equivalents at 30 June	4	12,833,635	138,324

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

County Assembly of Meru Staff Car Loan and Housing Scheme Fund
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18. Statement of Comparison of Budget and Actual Amounts for the Period Ended 30 June 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Transfer from County Government	55,246,824	-	55,246,824	55,246,824	-	100%
Interest Income	6,000,000	-	6,000,000	5,209,187	790,813	87%
Other Income	-	-	-	-	-	
Total Income	6,000,000	-	6,000,000	5,209,187	790,813	87%
Expenses						
Fund Administration Expenses	6,000,000	-	6,000,000	3,495,595	704,405	83%
Total Expenditure	6,000,000	-	6,000,000	3,495,595	704,405	83%
Surplus For the Period	-	-	-	1,713,592	86,408	

Budget notes

1. Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (IPSAS 24.14)

19. Notes to the Financial Statements

1. General Information

The County Assembly of Meru Staff car loan and Housing Fund is established by and derives its authority and accountability from Public Finance Management Act, 2012 and The County Assembly Service Act, 2017. The entity is wholly owned by the County Government of Meru and is domiciled in Kenya. The entity’s principal activity is to consider and approve applications for loans presented to it in accordance with existing terms of borrowing.

2. Statement of compliance and basis of preparation

The Fund’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 Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

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

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

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

County Assembly of Meru Staff Car Loan and Housing Scheme Fund
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Standard	Effective date and impact
	<p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023</p>

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

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

Standard	Effective date and impact:
	The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

(iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

Dividends

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

Summary of Significant Accounting Policies (Continued)

Rental income

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

b) Budget information

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

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

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

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

c) Property, plant and equipment

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

d) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated

Summary of Significant Accounting Policies (Continued)

amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

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

e) Investment property

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

f) Financial instruments

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

Financial assets

Classification of financial assets

The County Assembly of Meru Staff Car Loan and Housing Scheme Fund classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual

Summary of Significant Accounting Policies (Continued)

cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Summary of Significant Accounting Policies (Continued)

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

g) Inventories

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

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

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

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

h) Provisions

Provisions are recognized when the County Assembly of Meru Staff Car Loan and Housing Scheme Fund has a present obligation (legal or constructive) as a result of a past event, it is

Summary of Significant Accounting Policies (Continued)

probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the County Assembly of Meru Staff Car Loan and Housing Scheme Fund expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The County Assembly of Meru Staff Car Loan and Housing Scheme Fund recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

j) Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

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

Summary of Significant Accounting Policies (Continued)

l) Changes in accounting policies and estimates

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

m) Employee benefits – Retirement benefit plans

The County Assembly of Meru Staff Car Loan and Housing Scheme Fund 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.

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

The County Assembly of Meru Staff Car Loan and Housing Scheme Fund regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the County Assembly of Meru Staff Car Loan and Housing Scheme Fund, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

q) Cash and cash equivalents

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

r) Comparative figures

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

5. Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 21.

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

5. Notes To The Financial Statements

1. Transfers from County Government

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers From County Govt. –Operations	55,246,824	-
Total	55,246,824	-

2. Interest income

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest Income from Mortgage Loans	5,142,473	4,919,838
Interest Income From Car Loans	66,714	-
Total Interest Income	5,209,187	4,919,838

3. Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs.	Kshs.
General Office Expenses	2,774,600	1,145,000
Committee Allowances	473,200	235,130
Bank Charges	8,720	5,160
Lunch allowances	74,000	-
Fuel	15,000	-
Printing And Stationery	10,875	52,200
Stamp Duty	-	1,540
Conference facility	139,200	
Total	3,495,595	1,439,030

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

County Assembly of Meru Staff Car Loan and Housing Scheme Fund
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4. Cash and cash equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
County Assembly of Meru Staff Car Loan and Mortgage Account	12,833,635	138,325
Total Cash And Cash Equivalents	12,833,635	138,325

Notes to the Financial Statements Continued

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

Financial Institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
a) Current Account			
Family Bank		12,668,375	-
Equity Bank		165,260	138,325
Sub- Total		12,833,635	138,325

5. Receivables from exchange transactions

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Receivables		
Current Loan Repayments Due	13,321,650	11,701,432
Total Current Receivables	13,321,650	11,701,432
Non-Current Receivables		
Long Term Loan Repayments Due	206,711,268	164,066,380
Total Non- Current Receivables	206,711,268	164,066,380
Total Receivables From Exchange Transactions	220,032,918	175,767,812

Notes To The Financial Statements (Continued)

6. Cash generated from operations

Description	2022/2023	2021/2022
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	3,345,301	1,439,030
Interest Income	5,209,187	4,919,838
Working Capital Adjustments		
Net Cash Flow From Operating Activities	1,863,886	3,480,808

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

Notes To The Financial Statements (Continued)

7. Financial risk management

The County Assembly of Meru Staff Car loan and Housing Scheme Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the County Assembly of Meru Staff Car loan and Housing Scheme Fund management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the fund's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2023				
Receivables From Exchange Transactions	220,032,918	220,032,918	-	-
Receivables From Non-Exchange Transactions		-	-	-
Bank Balances	12,833,635	12,833,635	-	-
Total	232,866,553	232,866,553	-	-
At 30 June 2022				
Receivables From Exchange Transactions	175,767,812	175,767,812	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	138,325	138,325	-	-
Total	171,654,465	171,654,465	-	-

Notes To The Financial Statements (Continued)

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

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

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the County Assembly of Meru Staff Car loan and Housing Scheme Fund's short, medium and long-term funding and liquidity management requirements. The County Assembly of Meru Staff Car loan and Housing Scheme Fund manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

c) Market risk

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

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

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

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

i. Foreign currency risk

The County Assembly of Meru Staff Car loan and Housing Scheme Fund has no transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
2022/2023			
Euro	10%	171,359	23,286,655
USD	10%	171,359	23,286,655
2021/2022			
Euro	10%	348,081	17,590,614
USD	10%	348,081	17,590,614

ii. Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of 171,359 (2022: Kshs 348,081). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 85,679 (2021 – Kshs 174,041).

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Notes To The Financial Statements (Continued)

d) Capital risk management.

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

Description	2022/2023	2021/2022
	Kshs	Kshs
Revaluation reserve		
Revolving fund	217,692,366	162,445,542
Accumulated surplus	15,174,187	13,460,595
Total funds	232,866,553	175,906,137
Total borrowings	-	-
Less: cash and bank balances	12,833,635	138,325
Net debt/(excess cash and cash equivalents)	12,833,635	138,325
Gearing	%	%

8. Events after the reporting period

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

9. Ultimate and Holding Entity

The County Assembly of Meru Staff Car loan and Housing Scheme Fund is a County Public Fund established by the County Assembly of Meru Staff Car Loan and Housing Fund regulations of 2019 pursuant to Section 116 of the Public Finance Management Act, 2012 as well as Section 45(2) of the County Assembly Service Act, 2017. Its ultimate parent is the County Government of Meru.

10. Currency

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

20. Annexes

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unsupported General Office Expenses	General office expenses supported	Resolved	
2.	Inaccurate statement of cashflow	Statement of cash flows amended	Resolved	
3.	Lack of approved Budget	Budget Approved	Resolved	
4.	Unbalanced Budget		Not resolved	30.06.2024
5.	Unresolved prior years Audit issues	Management is working with audit committee to resolve pending issues	Not resolved	30.06.2024
6.	Non Compliance with the regulations	Management is committed to enhance compliance	Not resolved	30.06.2024

Guidance Notes:

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


Jacob Kirari
Fund Administrator

Date. 18.09.2023

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



MERU COUNTY GOVERNMENT
OFFICE OF THE CLERK
MERU COUNTY ASSEMBLY

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

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

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

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


Confirmation of amounts received by County Assembly of Meru Members Car Loan and Housing Scheme Fund as at 30 th June 2023					
		Amounts Disbursed by Staff Car Loan and Housing Scheme Fund (Kshs) as at 30 th June 2023			Amount Received by Members Car

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Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)	Loan and Housing Scheme Fund (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Nil	Nil	Nil	Nil	Nil	Nil
Total	-						

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

Head of Accountants department of beneficiary Fund:

Name: Lawrence Gitari Ndii Sign.....Date 18/9/2023

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Annex IV: Reporting on Disaster Management Expenditure

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