

REPUBLIC OF KENYA

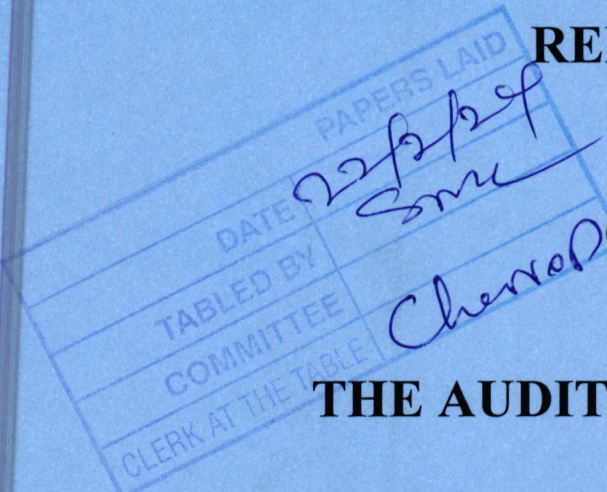


OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT



OF

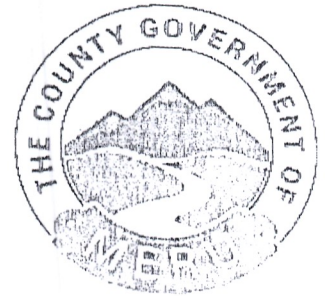
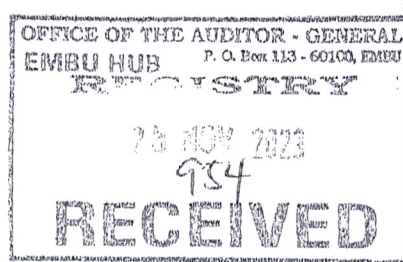
THE AUDITOR-GENERAL

ON

COUNTY REVENUE FUND

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

COUNTY GOVERNMENT OF MERU



COUNTY REVENUE FUND

County Government of Meru

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE, 2023

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

	Page No.
Table of contents.....	
1. Acronyms and glossary of terms.....	ii
2. Key Entity Information and Management	iii
3. Statement by the CECM Finance	v
4. Management Discussion and Analysis	vii
5. Overview of the County Revenue Fund Operations	viii
6. Statement of Management Responsibility.....	ix
7. Report of the Independent Auditor on the County Revenue Fund of County Government of Meru for the Year ended 30 th June, 2023.....	x
8. Statement of Receipts and Payments for the Year Ended 30 th June 2023.....	1
9. Statement of Comparison of Budget Actual Amounts for the Year Ended 30 th June, 2023.	2
10. Significant Accounting Policies.....	3
11. Notes to the Financial Statements.....	5
12. Annexes	10

1. Acronyms and glossary of terms

a) Acronyms

CA	County Assembly
COB	Controller of Budget
CRF	County Revenue Fund
FY	Financial Year
IPSAS	International Public Sector Accounting Standards
Kshs	Kenya Shillings
NT	National Treasury
OSR	Own Source Revenue
PFMA	Public Finance Management Act
PSASB	Public Sector Accounting Standards Board
ROR	Receiver of Revenue

b) glossary of terms

Comparative FY	Comparative Prior Financial Year
Fiduciary Management	The key management personnel who had financial responsibility

2. Key Entity Information and Management

a) Background information

Article 207 of the Constitution of Kenya provides for the establishment of the County Revenue Fund into which shall be paid all money raised or received by or on behalf of the County Government.

b) Key Management Team

The County Revenue Funds day-to-day management is under the following key organs:

No.	Designation	Name
1.	CECM Finance and Economic planning	CPA Monica Kaithiori Kathono
2.	C.O Finance	CPA Charles Mwenda Kaibiria
3.	Director Accounting Services/Finance	CPA Douglas Kobia Domiziano

c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June, 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CECM Finance and Economic Planning	CPA Monica Kaithiori Kathono
2.	Accounting Officer in charge of Finance	CPA Edwin Mutuma Murangiri
3.	Director Accounting Services/Finance	CPA Timothy Kaaria Meru

d) Fiduciary Oversight Arrangements

The key fiduciary oversight bodies at the County for the year ended 30th June, 2023 were:

1. County Assembly of Meru- Approved budget for the county which was received through the Meru County Revenue Fund.
2. Public Accounts Committee of the County assembly of Meru- Provided oversight on the Spending of County Funds.
3. Budget and Appropriations Committee- appropriated Funds from County Revenue fund.
4. Senate Sectorial Committee on Public Accounts and Investment - provided oversight on the spending of funds by the county Government.

5. County Audit Committee –Received Internal Audit Reports on the Expenditure of the County Government.
6. Controller of budget- Approved all the funds drawn from the County Revenue Fund.
7. Office of Auditor General- Audited County Spending.

e) County Headquarters

P.O. Box 120 - 60200
County Headquarters Building
Meru - Makutano Road
Meru, Kenya

f) County Contacts

Telephone: (254) 720088043
E-mail: merucounty@meru.go.ke
Website: www.meru.go.ke

g) County Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
NAIROBI, KENYA

h) Independent Auditor

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
NAIROBI, KENYA

i) Principal Legal Adviser

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

3. Statement by the CECM Finance

Pursuant to section 164 of the Public Finance Management Act, 2012 at the end of each Financial Year, the County Treasury shall prepare Financial Statements in respect of the entity in formats to be prescribed by the Accounting Standards Board.

It is my pleasure to present the County Government of Meru- County Revenue Fund financial statements for the year ended 30th June 2023. The financial statements present the financial performance of the County Government over the past year.

The promulgation of the Constitution of Kenya, 2010 under Chapter 11 ushered Kenya into a new system of governance, replacing the centralized system with a devolved system of governance.

Financing of the County Governments

Article 202 of the Constitution of Kenya provides that revenue raised nationally shall be shared equitably among the National Government and the County Governments. Each County Government's equitable share of revenue raised nationally, is determined yearly through the County Allocation of Revenue Act (CARA). The revenue sharing formula is developed by the Commission on Revenue Allocation and approved by Parliament in accordance with Article 217 of the Constitution.

The County also finances its operations through own generated revenues. These are revenues collected within the County. The key local revenue sources for County included business permits, Vehicle parking fees, land rates, plot rents, business plan approval, advertising fees, cesses and various other administrative charges.

The County Government will deepen reforms for resource mobilization towards improved local revenue collection by:

- i. Fully rolling-out automation of revenue collection system and sensitizing the public on use of the same.
- ii. Capacity builds staff to enhance accountability and efficiency in operations.
- iii. Enhance revenue enforcement.
- iv. Enhance monitoring of revenue collection in order to seal loopholes and leakages among other interventions

Financial Performance

a) Revenue

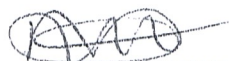
In the year ended 30th June, 2023, the County had projected revenues of Ksh 11,971,705,228 to be received at the County Revenue fund consisting of Kshs 9,493,857,338 equitable share, Kshs 759,508,587 undisbursed exchequer release for the previous year, Transfers from other Government agencies Ksh 1,084,669,253 Local revenue of Kshs 600,000,000 and Kshs 33,670,051.15 as AIA collectable from Kaguru ATC.

Out of the projected revenue, the County was able to realize **Kshs 11,063,811,914** in actual revenues, representing 92.8% performance. Failure to meet the revenue budget was as result of failure to meet local revenue budget along with failure to receive all the budgeted donor funds.

b) Payments

Our total expenditure for the year amounted to Kshs **11,108,766,718** comprising of Kshs **9,792,683,630** transferred to county Executive Kshs **1,316,083,088** transferred to County assembly.





.....
CECM Finance and Economic Planning
County Government of Meru

4. Management Discussion and Analysis

Article 202 of the Constitution of Kenya provides that revenue raised nationally shall be shared equitably among the National Government and the County Governments. Each County Government's equitable share of revenue raised nationally, is determined yearly through the County Allocation of Revenue Act (CARA). The revenue sharing formula is developed by the Commission on Revenue Allocation and approved by Parliament in accordance with Article 217 of the Constitution.

The public financial management act 2012 provides each county treasury to maintain single treasury account which all monies appropriated by the county are deposited. The Meru County Revenue fund acts as the single treasury account where all monies are deposited and which are approved by the Controller of Budget before they are accessed by the County.

5. Overview of the County Revenue Fund Operations

Background

Article 207 of the Constitution of Kenya provides for the establishment of a County Revenue Fund into which shall be paid all money raised or received by or on behalf of the County Government. As outlined under Section 109 of the Public Finance Management (PFM) Act, 2012 the County Treasury is responsible for administration of the County Revenue Fund. The County Revenue Fund is maintained as the County Exchequer Account at the Central Bank of Kenya.

Receipts into the County Revenue Fund

County Government revenue is received through appointed County Receiver of Revenue by the County Executive Committee Member for finance to the County Treasury pursuant to Section 157 (1) of the PFM Act 2012. Receipts include Exchequer releases, grants from development partners, and other miscellaneous deposits in the County Revenue Fund Account.

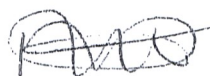
Transfers from the County Revenue Fund

The withdrawal of funds from the County Revenue Fund is authorized by the County Appropriation Act. The County Treasury is required to seek the Controller of Budget's approval for withdrawal of funds from the County Revenue Fund to the County Executive and County Assembly bank accounts. These entities are responsible for the administration of their respective approved budgets.

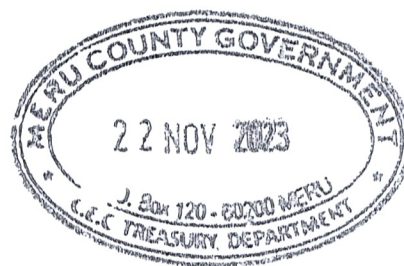
Financial Reporting requirements

The Accounting Officer for the County Revenue Fund is required to prepare and submit the financial statements to the Auditor-General and a copy to the Controller of Budget, and the Commission on Revenue Allocation.

This statement therefore covers the operations of the County Exchequer Account for the financial year ended 30th June, 2023.



.....
**CEC Member – Finance and Economic Planning
County Government of Meru**



6. Statement of Management Responsibility

Article 207 of the Constitution, Sections 109 and 167 of the Public Finance Management Act, 2012 requires a County Revenue Fund established by the Constitution, an Act of Parliament or county legislation shall prepare financial statements for the Fund for each financial year in a form prescribed by the Public Sector Accounting Standards Board and submit to the Auditor General and a copy to the Commission on Revenue Allocation and the Controller of Budget.


The Accounting Officer of the County Government is responsible for the preparation and presentation of the County Revenue Fund financial statements, which give a true and fair view of the state of affairs of the Fund as at the end of the financial year ended on June 30, 2022. 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 County Revenue 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 County Executive; (v) Selecting and applying appropriate accounting policies; and (iv) Making accounting estimates that are reasonable in the circumstances.

The Accounting Officer accepts responsibility for the County Revenue Fund's financial statements, which have been prepared on the Cash Basis Method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the County Revenue Fund's financial statements give a true and fair view of the state of the County Revenue Fund's transactions during the financial year ended June 30, 2023, and of its financial position as at that date.

The Accounting Officer further confirms the completeness of the accounting records maintained for the County Revenue Fund which have been relied upon in the preparation of its financial statements as well as the adequacy of the systems of internal financial control. The Accounting Officer confirms that the County Revenue Fund has complied fully with applicable Government Regulations and the terms of external financing covenants (*where applicable*). Further, Accounting Officer confirms that the County Revenue Fund's Financial Statements have been prepared in a form that complies with relevant Accounting Standards prescribed by the Public Sector Accounting Standards Board of Kenya.

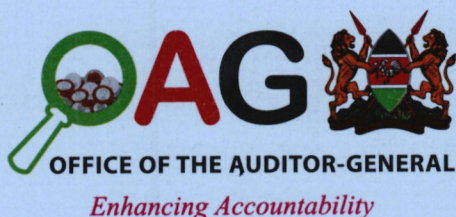
Approval of the Financial Statements

The County Revenue Fund's financial statements were approved and signed on 21st 2023.

Signature 
Name: CPA. Edwin Mutuma-Murangiri
Chief Officer - Finance
County Government of Meru.

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 REVENUE FUND FOR THE YEAR ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF MERU

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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the 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, risk management environment and 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 Revenue Fund - County Government of Meru set out on pages 1 to 10, which comprises of the statement of receipts and payments and the statement of comparison of budget and actual amounts

Report of the Auditor-General on County Revenue Fund for the year ended 30 June, 2023 - County Government of Meru

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 Revenue Fund - County Government of Meru 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 (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies of Own Source Revenue

The statement of receipts and payments reflects own source revenue amounting to Kshs.393,647,505 which differs with the county own source revenue collections reflected in the statement of County Government of Meru - Receiver of Revenue amounting to Kshs.396,641,415 resulting to unexplained variance of Kshs.2,993,910. Further, the amount excludes proceeds from sale of assets amounting to Kshs.160,000 which was recorded in the cashbooks.

In the circumstances, the accuracy and completeness of the own source revenue amounting to Kshs.393,647,505 could not be confirmed.

2. Inaccuracy of Fund Balance

The statement of receipts and payments reflects fund balance amounting to Kshs.30,854,770 as further disclosed in Note 7 to the financial statements. However, the amount differs with the bank statement balance amounting to Kshs.1,410,416,341 resulting to unreconciled variance of Kshs.1,379,561,571. Further, monthly bank reconciliation statements were not prepared and provided for audit. This is contrary Section 90 (1 and 3) of the Public Finance Management (County Governments) Regulations, 2015 which requires an Accounting Officers to ensure bank accounts reconciliations are completed for each bank account held by that Accounting Officer, every month and any discrepancies noted during bank reconciliation exercise are investigated immediately and appropriate action taken including updating the relevant cash books

In the circumstance, the accuracy and completeness of the fund balance amounting to Kshs.30,854,770 could not be confirmed.

3. Inaccuracy in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects total receipts budget utilization difference amounting to Kshs.1,222,499,440 which differs with the computed amount of Kshs.908,385,469 resulting to unexplained variance of Kshs.314,113,971. Similarly, the statement reflects total payments budget utilization difference amounting to

Kshs.1,177,052,481 which differs with the computed amount of Kshs.862,938,510 resulting to unexplained variance of Kshs.314,113,971.

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

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling to Kshs.11,971,705,228 and Kshs.11,063,319,759 respectively resulting to underfunding of Kshs.908,385,469 or 8% of the budget. Similarly, the County Revenue Fund disbursed Kshs.11,108,766,718 against an approved budget of Kshs.11,971,705,228 resulting to an under-funding of Kshs.862,938,510 or 7% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the residents of Meru County. This is an indication of lack of proper planning for efficient and effective budgetary execution.

My opinion is however not modified in respect of the above 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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and 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. Revenue not Declared by the Meru Alcoholic Licensing and Control Board

The County Government of Meru Receiver of Revenue had an approved final receipts budget amounting to Kshs.580,000,000. The amount excludes budget amounting to Kshs.56,797,233 and actual receipts amounting to Kshs.59,260,515 in respect to Meru Alcoholic Licensing and Control Board. However, the actual receipts amounting to Kshs.59,260,515 was not remitted to the County Revenue Fund but was directly spent by the Board. This is contrary to Section 109 (2) of the Public Finance Management Act, 2012 provides that the County Treasury shall ensure that all money raised or received by or on behalf of the County Government is paid into the County Revenue Fund, except money that may, in accordance with other legislation, be retained by the county government entity which received it for the purposes of defraying its expenses.

In the circumstance, Management was in breach of the Public Finance Management Act, 2012.

2. Irregular Transfers to the County Assembly

The statement o receipts and payments reflects transfers to County Assembly amounting to Kshs.1,316,083,088 or 12% of the total revenue of the County Government of Meru totalling to Kshs.11,063,319,759. This is contrary to Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015, which states that the approved expenditure of a County Assembly shall not exceed seven per cent of the total revenue of the county government or twice the personnel emoluments of the County Assembly whichever is lower.

In the circumstance, Management was in breach of the Public Finance Management Act, 2012.

The audit was conducted in accordance with the 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 comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and 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 governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain 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 project or cease its operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015. In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify

my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 January, 2024

8. Statement of Receipts and Payments for the Year Ended 30th June 2023.

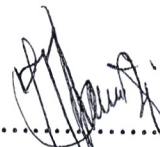
		2022/23	2021/22
	Notes	Kshs.	Kshs.
Receipts			
Exchequer releases	1	10,253,365,924	8,734,348,752
Transfers from other government agencies	2	416,306,329	251,359,418
Own Source Revenue	3	393,647,505	398,186,647.90
Return to CRF issues	4	492,156	155,027
Total Receipts		11,063,811,914	9,384,049,845
Payments			
Transfers to County Executive	5	9,792,683,630.00	9,767,991,505
Transfers to County Assembly	6	1,316,083,088.00	970,838,760
Total Payments		11,108,766,718.00	10,738,830,265
Net increase/ (decrease) in cash for the year		(44,954,804)	(1,354,780,420)
Add Opening fund balance b/f	7	75,809,574	1,430,589,994
Closing Fund balance for the year	7	30,854,770	75,809,574



Name: CPA Edwin Mutuma Murangiri
 Chief Officer - Finance

ICPAK Member No: 20800

Date: 21/11/2023



Name: CPA Timothy Kaaria Meru
 Director Accounting Services

ICPAK Member No: 3263

Date: 21-11-2023

9. Statement of Comparison of Budget Actual Amounts for the Year Ended 30th June, 2023.

Receipt/Payments	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Realization Difference	% of Realization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts	Kshs	Kshs	Kshs	Kshs	Kshs	
Exchequer releases	9,493,857,338	759,508,587	10,253,365,924	10,253,365,924	0	100
Transfers from other government agencies	965,210,579	119,458,674	1,084,669,253	416,306,329	668,362,924	38
Own Source Revenue	633,670,051		633,670,051	393,647,506	240,022,545	62
Return to CRF issues					-	
Total Receipts	11,092,737,968	878,967,261	11,971,705,228	11,063,319,759	908,385,469	92
Payments						
Transfers to County Executive	9,934,300,370	648,753,183	10,583,053,553	9,792,683,630	790,369,923	93
Transfers to County Assembly						
Others	1,158,437,598	230,214,077	1,388,651,675	1,316,083,088	72,568,587	95
Total Payments	11,092,737,968	878,967,260	11,971,705,228	11,108,766,718	862,938,510	93
Balance				-45,446,959	-	

The under collection in transfer from other government was as a result of failure by the treasury to disburse all budgeted funds. Further there was under collection by the County on Local revenues.

10. Significant Accounting Policies

a) Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the Cash-Basis of accounting, as prescribed by the PSASB and Section 167 of the PFM Act 2012.

The Financial Statements are presented in Kenya Shillings, which is the functional and reporting currency of the Fund, all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

b) Reporting entity

This report relates to financial operations of the County Revenue Fund domiciled at the County Treasury and bank account maintained at Central Bank of Kenya.

c) Receipts

Receipts include funds deposited in the County Revenue Fund pursuant to Article 207 of the Constitution of Kenya and Section 109 of the PFM Act 2012.

The receipts collected include Exchequer releases, own source revenue, grants from development partners, proceeds from domestic and foreign borrowings, and other miscellaneous deposits in the County Exchequer Account.

Transfers from the exchequer and own source revenue are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

d) Payments

Payments are based on the County Government Appropriation Act. The exchequer requests are received by County Treasury, which rationalizes the requests based on the available balance, consolidates the requests and forwards them to Controller of Budget (COB) for approval. Once the approval of COB is obtained, the funds are released to the County Assembly and County Executive operational accounts appropriately.

Significant Accounting Policies (Continued)

e) Fund Balances

Fund balances comprise bank balances in County Exchequer Account held at Central Bank of Kenya.

f) Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation or *There were no restrictions on cash during the year. (Entity to indicate the amount of funds restricted for use or relating to conditional allocations.)*

11. Notes to the Financial Statements

1. Exchequer releases

The following is an analysis by revenue type of the receipts collected in the County Revenue Fund:

Description	2022/23	2021/22
	Kshs.	Kshs.
Equitable Share (a)	9,493,857,338	8,734,348,752
Level 5 hospitals (b)	-	-
Others - <i>Equitable share for financial year 2021-2022</i> (c)	759,508,586.00	-
Total (d=a+b+c)	10,253,365,924	8,734,348,752

2. Transfers from other government agencies

Description	2022/23	2021/22
	Kshs.	Kshs.
Road Maintenance Levy	-	-
Covid-19	-	-
Development of Youth Polytechnics-State Department of TVETS	-	-
User Fees Foregone -Ministry of Health	-	-
World Bank -Transforming Health Systems for Universal Care Project (THUSP)-Ministry of Health	-	-
World Bank-NARIGP-State Department of Crop Development	194,824,366	209,722,871
World Bank-NAVCDP-State Department of Crop Development	67,192,729	-
World Bank Kenya Climate Smart Agriculture (KCSAP) -State Department of Crop Development	22,000,000	-
DANIDA Grant -Primary Health care in devolved context -Ministry of Health	25,860,375	8,905,875
IDA (World Bank) Credit: Water & Sanitation Development Project (WSDP)-Min. Water, Sanitation and Irrigation	-	-
SIDA Agricultural Sector Development Support	9,945,897	15,048,425

County Government of Meru
 County Revenue Fund
 For the financial year ended 30th June 2023

Description	2022/23	2021/22
Crop Development		
World Bank-Emergency Locust Response Project (ELRP) State Department of Crop Development	74,143,047	17,682,247
World Bank-Kenya Informal settlement improvement project (KISIP 11)-State Department of Housing & Urban Development	20,000,000	-
UNFPA-9th County Programme Implementation - Ministry of Health	-	-
EU Grant (Instruments for Devolution Advice and Support- (IDEAS)-State Department of Devolution	-	-
KFW German Development Bank- Drought Resilience Programme in Northern Kenya (DRPNK)-Min. Water, Sanitation and Irrigation	-	-
Kenya Urban Support Programme (KUSP)	2,339,915	-
Total	416,306,329	251,359,418

3. Own Source Revenue

Description	2022/23 Kshs.	2021/22 Kshs.
Cess	49,975,483	63,288,561
Land rate	26,921,066	26,076,524
Single/Business permits	129,343,568	95,795,560
Property rent	19,145,915	20,360,141
Parking fees	49,271,739	59,308,646
Market fees	33,533,526	44,674,733
Advertising	37,164,198	37,128,656
Hospital fees	-	-
Public health service fees	-	-
Physical planning and development	25,376,333	26,826,398
Hire of County Assets	47,330	20,310,301
Conservancy administration	282,200	-
Administration control fees and charges	9,514,671	4,092,678
Park fees	-	-
Proceeds from sale of assets	-	-
Other fines, penalties, and forfeiture fees	2,391,637	324,450
Miscellaneous	-	-
Others (<i>Kaguru ATC</i>)	10,679,839	-
Total	393,647,505	398,186,648

4. Return to CRF Issues

Description	2022/23 Kshs.	2021/22 Kshs.
Recurrent Account (<i>County Executive</i>)	2,349	2,736
Development Account (<i>County Executive</i>)	489,807	137,341
Recurrent Account (<i>County Assembly</i>)	-	14,950
Development Account (<i>County Assembly</i>)	-	-
Others (<i>Specify</i>)	-	-
Total	492,156	155,027

County Government of Meru
 County Revenue Fund
 For the financial year ended 30th June 2023

5. Transfers to County Executive

Description	2022/23	2021/22
	Kshs.	Kshs.
Recurrent Account	7,469,704,041	6,447,188,628
Development Account	1,783,312,637	2,930,731,413
Special Purpose Accounts	539,666,952	390,071,464
Others (<i>Specify</i>)	-	-
Total	9,792,683,630	9,767,991,505

6. Transfers to County Assembly

Description	2022/23	2021/22
	Kshs.	Kshs.
Recurrent Account	1,303,700,108	961,074,283
Development Account	12,382,980	9,764,477
Special purpose accounts	-	-
Others (<i>Specify</i>)	-	-
Total	1,316,083,088	970,838,760

7. Fund balance

Description	2022/23	2021/22
	Kshs.	Kshs.
County Exchequer Account - (<i>CBK Account number-1000170484</i>)	30,854,770	75,809,574
Total	30,854,770	75,809,574

Notes to the Financial Statements (Continued)

8. Disclosure of Balances in Revenue Collection Accounts

County Government Own source revenue is recognized in the financial statements when it has been swiped to CRF. Revenue collection account balances are disclosed as at the end of the reporting period as below.

Name Of Bank, Account No. & Currency	Amount in bank account currency*	Ex. rate (if in foreign currency)	Insert current FY	Insert Comparative FY
			Kshs	Kshs
Cooperative Bank of Kenya Account Number 0114148507201 Meru County Revenue Account			5,625,534	-
Kenya Commercial Bank Account Number 1140746316 Meru County Revenue Account			901,161	-
Kenya Commercial Bank Account Number 1293077178 Kaguru Agricultural Center Revenue Account			469,031	-
Total			6,995,726	-

(These balances should be reconciled by those reported by CRORs as balances due for disbursement to the CRF at the end of the reporting period.)

12. Annexes


Annex 1: Progress on follow up of 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)
Other Matter				
1.0	Budgetary control and performance	The county has put in mechanism to ensure it meets its budgeted amounts	Resolved	June 2023

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) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National/ County Treasury.

.....

 Name: CPA. Edwin Mutuma Murangiri
 Chief Officer Finance
 ICPAK Member No: 20800
 Date: 21/11/2023

County Government of Meru
County Revenue Fund

For the financial year ended 30th June 2023

Annex 2 . Analysis Of Receipts from The National Treasury Exchequer Releases

Period 2022-2023	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
Equitable Share	1,566,486,460	2,325,995,047	1,566,486,461	4,794,397,956	10,253,365,924
DANIDA - Universal Healthcare in Devolved Units Programme	-	-	-	25,860,375	25,860,375
World Bank – THUSCP	-	-	-	-	-
National Agricultural & Rural Inclusive Growth Project (NARIGP)	-	-	132,726,652	62,097,714	194,824,364
Kenya Devolution Support Programme	-	-	-	-	-
World Bank-NAVCDP-State Department of Crop Development	-	-	-	67,192,729	67,192,729
Kenya Urban Support Programme	-	-	-	2,339,915	2,339,915
Agriculture Sector Development Support Project (ASDSP)	-	-	9,945,897	-	9,945,897
World Bank-Emergency Locust Response Project (ELRP) State Department of Crop Development	-	-	29,847,518	44,295,529	74,143,047
Worldbank- Financing of Locally led Climate Action (FLOCCA)	-	-	11,000,000	11,000,000	22,000,000
Water and Sanitation Development Project	-	-	-	-	-
World Bank-Kenya Informal settlement improvement project (KISIP 11)-State Department of Housing & Urban Development	-	-	-	20,000,000	20,000,000
Total	1,566,486,460	2,325,995,047	1,750,006,528	5,027,184,218	10,669,672,253

County Government of Meru
County Revenue Fund

For the financial year ended 30th June 2023

Annex 3. Analysis of Receipts from Own Source Revenue per Quarter

Period 2022-2023	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
Cess	6,564,619	12,769,093	13,153,459	17,488,312	49,975,483
Land/Poll rate	827,997	1,253,056	8,181,814	16,658,199	26,921,066
Single/Business permits	3,583,240	7,889,188	65,239,049	52,632,092	129,343,568
Property rent	2,817,213	5,237,570	5,276,668	5,814,464	19,145,915
Parking fees	6,402,830	12,232,035	14,975,979	15,660,895	49,271,739
Market fees	4,116,470	8,942,310	11,195,449	9,279,297	33,533,526
Advertising	2,366,130	4,116,685	18,029,903	8,651,481	33,164,199
Physical planning and development	3,987,639	5,596,726	8,379,402	7,412,566	25,376,333
Hire of County Assets	8,000	20,000	14,830	4,500	47,330
Conservancy administration	17,600	31,600	255,940	81,000	386,140
Administration control fees and charges	629,763	948,854	2,146,395	9,685,718	13,410,729
Park fees					
Other fines, penalties, and forfeiture fees	81,000	371,650	520,087	1,418,900	2,391,637
Miscellaneous					
Others (KAGURU ATC)	2,994,667	3,152,139	1,496,635	3,036,398	10,679,839
TOTAL	34,397,168	62,560,906	148,865,609	147,823,821	393,647,505

County Government of Meru
County Revenue Fund

For the financial year ended 30th June 2023

Annex 4: Analysis of Transfers from the County Revenue Fund

Period 2022-2023	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
County Executive -Rec	1,439,991,907	2,028,098,724	1,326,320,980	2,675,292,430	7,469,704,041
County Executive -Dev	-	20,793,500	64,344,822	1,698,174,315	1,783,312,637
County Assembly -Rec	176,000,000	322,000,000	238,617,000	567,083,108	1,303,700,108
County Assembly -Dev	-	-	9,383,000	2,999,980	12,382,980
Special Purpose A/c (Specify)	49,483,369	-	189,793,415	300,390,168	539,666,952.00
TOTAL	1,665,475,276	2,370,892,224	1,828,459,217	5,243,940,001	11,108,766,718