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THE AUDITOR-GENERAL

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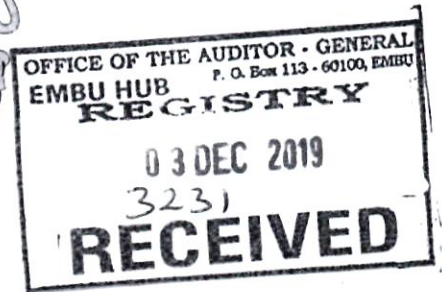
**COUNTY ASSEMBLY OF MERU MEMBERS
CAR LOAN AND HOUSING SCHEME FUND**

**FOR THE SIXTEEN (16) MONTHS'
PERIOD ENDED 30 JUNE, 2019**



10/10/2010

PROTINAM



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

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE 16 MONTHS ENDED
JUNE 30, 2019**

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

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**County Assembly of Meru Members Car Loan and Housing Scheme Fund
Reports and Financial Statements
For the 16 months period ended June 30, 2019**

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Fund is constituted as per the constitution of Kenya and established through an Act of the County Assembly. The County Executive Member for Finance established the County Assembly of Meru Car Loan Fund and County Assembly of Meru Housing Scheme Fund pursuant to Section 116 (1) Public Financial Managements Act, 2012 through the County Assembly of Meru Car Loan Scheme Fund Regulations, 2017 and County Assembly of Meru Housing Scheme Fund Regulations, 2017. These regulations were merged into "The County Assembly of Meru Members (Car Loan and Housing Scheme Fund) Regulations, 2019.

b) Principal Activities





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

c) Fiduciary Management

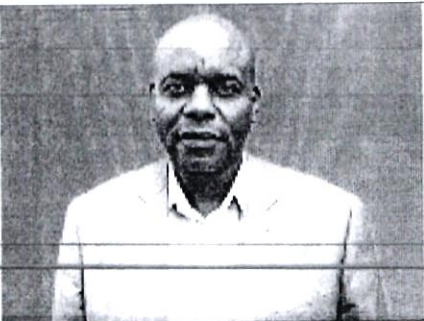



The key management personnel who held office during the financial period ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Clerk- Accounting Officer	- Charles M. Launi
2.	Director Finance & Accounts	- Lawrence Gitari
3.	Principal Finance Officer	- Stanley Karonai

d) Key Management

O	IMAGE	NAME	D.O.B	DESIGNATION
		Hon Joseph Kaberia A. I Academic Profile -LLB, Diploma In Law(KSL) -MBA -Pursuing Phd	1970	-Hon. Speaker -Chairman
		Hon Victor Karithi Mutumah -MCA Athwana Ward Academic Profile -Degree UON	05.12.1979	Member
		Hon Ayub Bundi Solomon -MCA Abuthuguchi Central Ward Academic Profile Bachelor of Education(Moi)	01.01.1969	Member
		Hon Linus Thiaine Athinya -MCA Kiguchwa Ward	20.07.1975	Member

**County Assembly of Meru Members Car Loan and Housing Scheme Fund
Reports and Financial Statements
For the 16 months period ended June 30, 2019**

5.		Hon John Kithinj Ethaiba MCA Nkomo Ward Academic Profile -Diploma	1964	Member
6.		Hon Jediel Mauta Mwambia MCA Ntunene Ward Academic Profile -Diploma in Education -Diploma in Building and Construction	1972	Member
7.		Hon Lucy Makena Jason Nominated MCA Academic Profile -Degree in Community Development -Diploma in Governance and Leadership -Pursuing Certicate in Senior Management	1967	Member
8.		Mr. Justus Kiambi Ariithi Academic Profile -CPA(K) -BCOM -MBA -Pursuing Phd	28.10.1956	-County Assembly Clerk -Secretary

e) Registered Offices

County Assembly of Meru Headquarters

P.O. Box 3 - 60200
County Headquarters Building
Kenyatta Highway
Meru, KENYA

f) County Assembly of Meru Members Car Loan and Housing Scheme Fund Contacts

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

g) County Assembly of Meru Members Car Loan and Housing Scheme Fund Bankers

1. Equity bank ltd
Meru branch

h) Independent Auditors

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

**County Assembly of Meru Members Car Loan and Housing Scheme Fund
Reports and Financial Statements
For the 16 months period ended June 30, 2019**

2. FUND CHAIRPERSON'S REPORT

It is my pleasure to present, on behalf of the fund, the Meru County Assembly Car Loan and Housing Scheme Fund financial statements for the 16 months' period ended 30th June 2019. The financial statements present the financial performance of the fund over the past 16 months.

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.

Review of performance

Income

The fund earned revenues amounting to KShs. 350,000,000 from the County Government of Meru. Disbursements during the period were carried out as per the plan with the coordinated efforts by all stakeholders. The fund had no opening cash balance as this is the first the year of operation.


Expenditures

The total disbursements amounted to Kshs. 363,820,000/= made to 71 members. The total expenditures during the period amounted to KShs. 2,504,303/=.

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.

I look forward to your continued support in the year 2019/2020.

Signed: 

Hon. Joseph Kaberia I.A, MBS

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

3. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the Meru County Assembly car loan and mortgage scheme fund financial statements for the 16 months period ended 30th June 2019. The financial statements present the financial performance of the fund over the past year. The fund was established on 21st March 2018 and started with an initial amount of KShs 350,000,000/= which was received in the period under reporting.

a) Revenue

In the year ended 30th June 2019, the fund had projected revenues of KShs 350,000,000 that the fund was able to realise KShs 350,000,000 in actual revenues, representing 100% performance. 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	
Transfers from County Assembly	350,000,000	350,000,000	100%
Interest income	11,211,001	11,211,001	100%
Total income	361,211,001	361,211,001	100%

b) Cash flows

In the FY 2018/2019, we have not had many liquidity disruptions. However, the funds were received way into the financial year and therefore the members were only able to benefit from the fund and repay in less than 4 years as opposed to the approved repayment period of 5 years. This meant that there was a financial strain on the members as a result of the reduced repayment period occasioned by the increased repayment instalments.

c) Conclusion

I take this opportunity to thank the fund 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 car loan and housing fund achieves its mission.

Signed: 

Charles M. Launi
Fund Administrator

**County Assembly of Meru Members Car Loan and Housing Scheme Fund
Reports and Financial Statements
For the 16 months period ended June 30, 2019**

4. STATEMENT OF FUND ADMINISTRATOR RESPONSIBILITIES

Sections 116 (7) of the Public Finance Management Act, 2012 requires that, at the end of each financial period, the administrator for a county public fund shall prepare financial statements in respect of that fund.

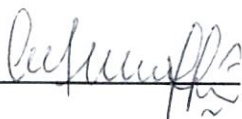
The administrator in charge of County Assembly of Meru Members Car Loan and Housing Scheme Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial period ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the County Assembly of Meru Members Car Loan and Housing Scheme 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 accepts responsibility for the Fund's financial statements, which have been prepared on the Accrual Basis of accounting method under the International Public Sector Accounting Standards (IPSAS). The administrator is of the opinion that the Fund's financial statements give a true and fair view of the state of the Fund's transactions during the financial period ended June 30, 2019, and of its financial position as at that date. The Administrator further confirms the completeness of the accounting records maintained for the 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 Administrator confirms that the Fund has complied fully with applicable Government Regulations and that the funds received during the period under audit were utilized for the eligible purposes for which they were intended and were properly accounted for. Further the Administrator confirms that the Fund's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Fund of Kenya.

Approval of the financial statements

The Fund's financial statements were approved and signed by the administrator on 19th November 2019.



Charles M. Launi

Ag. Clerk, County Assembly of Meru

5. CORPORATE GOVERNANCE STATEMENT

In the year under review, the management committee conducted twenty one (21) meetings and disbursed loans to sixty seven (67) applicants.

The County Assembly of Meru car loan and housing scheme fund has the following mandate:

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

The management committee has not undertaken any induction and training. The fund administrator has written to the Senate to have an induction of the committee to assist enhance the capacity of the committee.

The committee has a commitment to maintain high standards of integrity in executing its mandate.

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Reports and Financial Statements
For the 16 months period ended June 30, 2019

6. MANAGEMENT DISCUSSION AND ANALYSIS

The County Assembly of Meru car loan and housing scheme fund has received a total of Kshs. 350,000,000/= summarized as follows:

Revenue	Revenue Budget (KShs)	Actual (KShs)
	KShs	KShs
Transfers from County Govt. 2018-2019	350,000,000	350,000,000
Total income	350,000,000	350,000,000

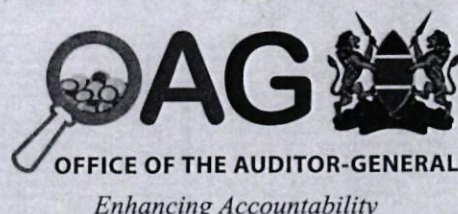
In the year under review, a total of Kshs. 363,820,000/= was disbursed to various loan applicants. The management committee is optimistic that it will grow the fund to be able to meet all the needs of the members of the County Assembly.

7. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The County Assembly of Meru staff car loan and housing fund management committee did not carry out any corporate social responsibility activity in the financial period under review. The committee commits to identify at least one activity in the financial year 2019/2020 to be undertaken.

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF MERU MEMBERS CAR LOAN AND HOUSING SCHEME FUND FOR THE SIXTEEN (16) MONTHS' PERIOD ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Meru Members Car Loan and Housing Scheme Fund set out on pages 12 to 25, which comprise the statement of financial position as at 30 June, 2019, 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 period 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 the County Assembly of Meru Members Car Loan and Housing Scheme Fund as at 30 June, 2019, and of its financial performance and its cash flows for the period then ended, in accordance with International Public Sector Accounting Standards IPSAS (Accrual Basis) and comply with County Assembly of Meru Housing Scheme Fund Regulations, 2017 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Presentation of the Financial Statements

The Fund's financial statements provided for audit review reflects the following anomalies

- i) The Fund's financial statements on pages 16 to 25 reflects a header indicating that the financial statements are for the year ended 30 June, 2019 implying that the financial statements are for twelve (12) months from 30 June, 2018 to 30 June, 2019. However, the financial statements have been prepared for the sixteen (16) months' period ended 30 June, 2019.
- ii) The statement of changes in net assets is indicated as being for "16 months as at 30 June, 2019" contrary to International Public Sector Accounting Standards

(IPSAS) 1 (IG 4 at pages 76 and 77) which stipulates that the statement of changes in net assets should be for the 16 months' period ended 30 June, 2019.

In the circumstances, the presentation of the financial statements for the sixteen (16) months period ended 30 June, 2019 are not in accordance with the prescribed PSASB and IPSAS format.

2.0 Cash and Cash Equivalents

The Fund's statement of financial position as at 30 June, 2019 reflects Kshs.89,506,338 in respect to cash and cash equivalents. However, the bank reconciliation statements provided for audit review reflects Kshs.89,511,297 as the cashbook balance for the year ended, resulting to an unexplained and unreconciled variance of Kshs.4,959. In addition, the bank reconciliation statements reflects Kshs.2,960 in respect to payments in the bank statement not recorded in the cash book resulting to an overstatement of the cash and cash equivalents balance by a similar amount.

In the circumstances, the validity and accuracy of the cash and cash equivalents balance of Kshs.89,506,338 as at 30 June, 2019 could not be confirmed.

3.0 Accounts Receivables

The Fund's statement of financial position as at 30 June, 2019 reflects Kshs.9,296,308 in respect to accounts receivables. However, the respective supporting schedules and ledgers in support of this balance were not provided for audit review.

In addition, the statement of comparison of budget and actual amounts reflects Kshs.366,324,303 in respect to actual receipts which includes an amount of Kshs.5,116,302 in respect to repayments. However, the respective supporting documents including ledgers were not provided for audit review.

In the circumstances, the accuracy and completeness of the accounts receivables balance of Kshs.9,296,308 and repayments of Kshs.5,116,302 both totaling to Kshs.14,412,610 for the period under review could not be confirmed.

4.0 Loan Disbursements

The statement of cash flow reflects Kshs.363,820,000 in respect to loan disbursements during the period under review. However, included in the Kshs.363,820,000 is an amount of Kshs.105,000,000 in respect to subsequent loan disbursements which were not supported by building valuation certificates from a qualified valuer. This is contrary to Section 9(b) of the County Assembly of Meru Housing Scheme Fund Regulations, 2017 which requires that the subsequent disbursements be based on the rate of completion of the various phases of development as certified by a qualified valuer at the cost of the applicant.

In the circumstances, the Fund was in breach of the law and the accuracy and validity of the subsequent loan disbursements of Kshs.105,000,000 during the period under review 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 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.

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 during the year under review.

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, I confirm that, nothing 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

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 for 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 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 Financial Reporting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Members Car Loan and Housing Scheme Fund ability to sustain services, disclosing, as applicable, matters related to going concern 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 Members Car Loan and Housing Scheme Fund financial reporting process, reviewing the effectiveness of how the entity 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 control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Members Car Loan and Housing Scheme Fund's 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 the Management.
- Conclude on the appropriateness of the 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 as a going concern or 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 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.



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


15 December, 2021

County Assembly of Meru Members Car Loan and Housing Scheme Fund
 Reports and Financial Statements
 For the 16 months period ended June 30, 2019

9.2. STATEMENT OF FINANCIAL POSITION FOR 16 MONTHS AS AT 30 JUNE 2019

	Note	16 months ended 30/06/2019
		Kshs
ASSETS		
Current Assets		
Cash and Cash Equivalents	4	89,506,338
Receivables	7	9,296,308
Current Portion of Long term balances	5	90,939,410
Total Current Assets		189,742,056
Non-Current Assets		
Long term loan balances	6	168,964,642
Total Non-Current Assets		168,964,642
TOTAL ASSETS		358,706,698
REPRESENTED BY		
Capital Contribution	1	350,000,000
Surplus/Deficit for the year		8,706,698
NET FINANCIAL POSITION		358,706,698

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 19th November 2019 and signed by:



Assembly Clerk/ Administrator of the Fund
 Charles M. Launi



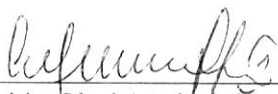
Director-Finance & Accounts
 CPA Lawrence Gitari Ndii
 ICPAK Member No. 9200

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Reports and Financial Statements
For the 16 months period ended June 30, 2019

9.3. STATEMENT OF CHANGES IN NET ASSETS FOR 16 MONTHS AS AT 30 JUNE 2019

	Note	REVOLVING FUND Kshs	REVALUATION RESERVE Kshs	ACCUMULATED SURPLUS Kshs	TOTAL Kshs
Balance as at 01.03.2018		-	-	-	-
Additional Revolving Fund	1	350,000,000			350,000,000
Surplus (Deficit) for the year				8,706,698	8,706,698
Balance as at 30.06.2019		350,000,000	-	8,706,698	358,706,698

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 19th November 2019 and signed by:



Assembly Clerk/ Administrator of the Fund
 Charles M. Launi



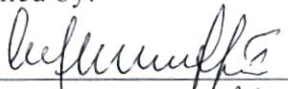
Director-Finance & Accounts
 CPA Lawrence Gitari Ndi
 ICPAK Member No. 9200


County Assembly of Meru Members Car Loan and Housing Scheme Fund
 Reports and Financial Statements
 For the 16 months period ended June 30, 2019

9.4. STATEMENT OF CASH FLOW FOR THE 16 MONTHS ENDED 30 JUNE 2019

	Note	2018-2019 (16 MONTHS)
		Kshs
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts for operating income		
Transfers from County Assembly	1	350,000,000
Other Revenues		11,211,001
Receipts From operating Activities		94,619,640
Total Receipts		455,830,641
Payments for operating expenses		
Sitting Allowances		1,152,240
Domestic Travel	3	1,271,800
Printing and Stationery	3	65,630
Bank Charges	3	14,633
Loan Disbursements		363,820,000
		366,324,303
Net cashflow from operating activities		89,506,338
CASHFLOW FROM INVESTING ACTIVITIES		
Proceeds from Sale of Assets		
Net cash flows from Investing Activities		
CASHFLOW FROM BORROWING ACTIVITIES		
Proceeds from Domestic Borrowings		
Proceeds from Foreign Borrowings		
Repayment of principal on Domestic and Foreign borrowing		
Net cash flow from financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENT	4	89,506,338
Cash and cash equivalent at BEGINNING of the year		-
Cash and cash equivalent at END of the year	4	89,506,338

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 19th November 2019 and signed by:


 Assembly Clerk/ Administrator of the Fund
 Charles M. Launi


 Director-Finance & Accounts
 CPA Lawrence Gitari Ndi
 ICPAK Member No. 9200

County Assembly of Meru Members Car Loan and Housing Scheme Fund
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9.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
 FOR THE 16 MONTHS PERIOD ENDED 30th JUNE 2019

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfers from County Government	350,000,000	-	350,000,000	350,000,000	-	100%
Interest Income	11,211,001		11,211,001	11,211,001	-	100%
Repayments	5,113,002		5,113,002	5,113,002	-	100%
TOTAL REVENUES	366,324,303	-	366,324,303	366,324,303		100%
PAYMENTS						
Administrative Expenses	2,504,303	-	2,504,303	2,504,303	-	100%
Loan Disbursement to Members	363,820,000		363,820,000	363,820,000	-	100%
TOTAL	366,324,303	-	366,324,303	366,324,303	-	100%

9.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. 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.

2. 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.

Budget information

The original budget for FY 2017/2018 was approved by the County Assembly on 30.06.2017.

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

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

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

iii) 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.

iv) Intangible assets

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

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

v) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

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Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

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vi) 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 labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

vii) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain

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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.

viii) 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.

ix) Employee benefits – Retirement benefit plans

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

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

x) 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.

xi) 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.

xii) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa.

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Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

xiii) 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.

xiv) Comparative figures

Comparative figures for the previous financial year have not been indicated as this is the base year.

xv) Events after the reporting period

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

xvi) Currency

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

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9.7. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

Description	16 Months ended 30.06.2019
	KShs
Transfers from County Government	350,000,000
Total	350,000,000

2. Interest income

Description	16 Months ended 30.06.2019
	KShs
Interest income from loans(mortgage or car loans)	11,211,001
Total interest income	11,211,001

3. Fund administration expenses

Description	16 Months ended 30.06.2019
	KShs
Sitting Allowances -MCA Car Loan & Mortgage	1,152,240
Domestic Travel	1,271,800
Printing and Stationery	65,630
Bank Charges	14,633
Total	2,504,303.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Cash and Cash Equivalents

Description	16 Months ended 30.06.2019
	KShs
Equity Bank Acc. No. 0140276191615	89,506,338
Total cash and cash equivalents	89,506,338

5. Current Portion of Long -Term Loans

Description	16 Months ended 30.06.2019
	KShs
Loan Balances Due Within 1 year	90,939,410
Total	90,939,410

6. Long -Term Loan Balances

Description	16 Months ended 30.06.2019
	KShs
Loan Balances Due after 1 year	168,964,642
Total	168,964,642

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Accounts Receivable

Description	16 Months ended 30.06.2019
	KShs
Receivables- Insurance	1,311,138
Receivables- Repayments	7,985,170
Total	9,296,308



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