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REPORT  
OF  
THE CONTROLLER  
AND AUDITOR-GENERAL  
ON  
THE ABSTRACTS OF  
ACCOUNTS OF THE COUNTY  
COUNCIL OF MERU SOUTH  
FOR THE YEAR ENDED  
30 JUNE 2005

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## KENYA NATIONAL AUDIT OFFICE

### **REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ABSTRACTS OF ACCOUNTS OF THE COUNTY COUNCIL OF MERU SOUTH FOR THE YEAR ENDED 30 JUNE 2005**

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The attached Abstracts of Accounts of the County Council of Meru South for the year ended 30 June 2005 have been audited under my direction in accordance with Section 23 of the Public Audit Act, 2003.

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

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

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

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

#### **3.0 Qualification Points**

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

- (i) As previously reported, the division of assets and liabilities between the County Council of Meru Central, Tharaka and the County Council of Meru South has not been finalized. Under the circumstances, it was not possible to confirm the accuracy of the opening balances brought forward into the Accounts for the year 1992/1993 and for all the subsequent years, including the year 2004/2005.

- (ii) The Abstracts of Accounts for the year 2004/2005 were prepared using the Simplified Accounting Systems (SAS) format which has not been approved by the Minister for Local Government as required under Section 229 (2) of the Local Government Act, Cap. 265. The Council was therefore in breach of the law. Included in the Balance Sheet under Current Liabilities is a Suspense Account of Kshs.35,794,402.00 (2003/2004 – Kshs.21,476,399.00) representing 47% of the total assets of the Council as at 30 June, 2005. Further, separate and distinct records such as cash books ledgers and Vote books in respect of LATF were not maintained as required. Under the circumstances, it has not been possible to confirm the accuracy of the Accounts, as a whole.

### **3.2 Fixed Assets**

The Fixed Assets balances increased by Kshs.41,542,704.00 from Kshs.17,833,077.00 as at 30 June 2004 to Kshs.59,375,781.00 as at 30 June 2005. The increase was mainly as a result of valuation of assets during the year. Although the Council presented some valuation reports which included Kinondoni Self Service Lodge, the Town Council of Chogoria is in court contesting the ownership of the Lodge which is located in her area of jurisdiction. Further, the Council did not maintain an appropriate Fixed Assets Register (FAR) as only a listing of the assets was maintained. In addition, the Council did not produce for audit review all the ownership documents of land, buildings and some motor vehicles. The Council also did not set aside renewals funds for financing replacement of its depreciating assets as required by Section 219 (1) of the Local Government Act or even provide for the depreciation in the Income and Expenditure Accounts. The Council was in breach of the law. In the circumstances, it has not been possible to ascertain the ownership, security, location and accuracy of the Fixed Assets or confirm whether they are fairly stated in the Accounts.

### **3.3 Sundry Debtors**

The Council's Sundry Debtors balances increased from Kshs.12,284,960.00 as at 30 June 2004 to Kshs.15,915,915.00 as at 30 June 2005. The Sundry Debtors were mainly composed of Contributions in Lieu of Rates and plot rates and rents of Kshs.8,502,362.00 and Kshs.7,413,553.00 respectively. However, the Council did not provide adequate supporting documents such as Debtors ledgers, schedules, listings or analysis for audit verification. Further, no provision was made in the Accounts for bad and doubtful debts. In the circumstances, it has not been possible to determine the recoverability of the debts or confirm that they are fairly stated in the Accounts as at 30 June 2005.

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

The Balance Sheet Cash and Bank balances increased from Kshs.52,857.00 as at 30 June 2004 to Kshs.850,682.00 as at 30 June 2005. Although the Council produced the bank balances confirmation certificates, there were no bank reconciliations done to agree the confirmed balances with bank statements and the cash books. In addition, the Council did not constitute the required boards of survey to confirm the Cash on Hand balances as at the close of the financial year. Consequently, it was not possible to confirm the accuracy of the Cash and Bank balances included in the Accounts as at 30 June 2005.

### **3.5 Sundry Creditors**

The Balance Sheet for the year under review reflects Sundry Creditors' balance of Ksh.8,270,067.00 as at 30 June 2005. However, the Council did not provide the necessary records, such as Creditors' ledger, listings or analysis in support of the balances for audit verification. In the circumstances, it was not possible to ascertain the level of indebtedness of the Council as at 30 June 2005.

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

During the year 2004/2005, the Council received a grant of Kshs.13,137,486.00 in respect of LATF. The detailed LATF Revenue Account indicates that the Council spent Kshs.11,024,074.00 resulting in a surplus of Kshs.2,113,412.00 which differed materially from the LATF Cash and Bank balances of Kshs.782,464.00 as at 30 June 2005. However, the Council did not prepare a LATF Balance Sheet, as at 30 June 2005 and the detailed Revenue Account did not include the 2003/2004 comparative figures as required. In the circumstances, it was not possible to ascertain the accuracy of the LATF balances and the Accounts, as a whole, for the year ended 30 June 2005.

### **3.7 Budget and Budgetary Control**

During the year under review, the Council did not operate within the approved estimates as it incurred over-expenditure to the tune of Kshs.4,166,407.00. Further, the Council incurred expenditures totalling to Kshs.1,250,707.00 against items that were not budgeted for. The Council did not seek Ministerial approval as required or prepare the necessary supplementary estimates on the over expenditures for approval by the Minister as required by Section 212 of the Local Government Act, Cap. 265. The Council was therefore in breach of the law.

### **3.8 Non Response to Draft Audit Report**

A draft report that the Controller and Auditor General intended to issue on the Abstracts of Accounts for the year ended 30 June 2005 was submitted to the Council through a letter dated 16 November 2006 for comments. However, the Council has not responded to the draft report to-date.

### **4.0 Opinion**

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

- a) All the information and explanations required for the purpose of the audit were received;
- b) The Accounts have been properly maintained and are in order;
- c) The Balance Sheet gives a true and fair view of the state of financial affairs of the Council as at 30 June 2005;
- d) The Revenue and Expenditure Accounts give a true and fair view of the income and expenditure of the Council for the year ended 30 June 2005;
- e) Due provision has been made for the repayment of all monies borrowed by the Council;
- f) Adequate amounts have been set aside for depreciation and renewal of assets of the Council; and
- g) The Accounts comply with the Local Government Act, Cap 265.

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

Nairobi

23 February 2007

MERU SOUTH COUNTY COUNCIL

ABSTRACT OF ACCOUNTS

FOR

THE YEAR ENDED

30<sup>TH</sup> JUNE 2005.

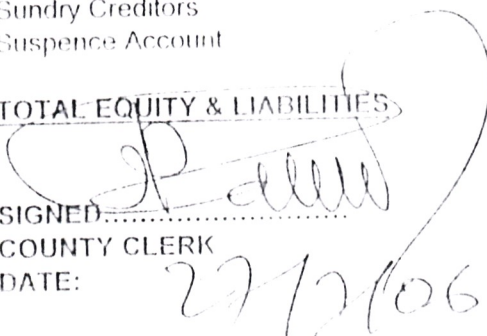
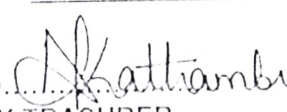
MERU SOUTH COUNTY COUNCIL

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PERU SOUTH COUNTY COUNCIL  
ABSTRACTS OF ACCOUNTS  
BALANCE SHEET AS AT 30TH JUNE 2005.

	<u>NOTES</u>	<u>2005</u> <u>KSHS</u>	<u>2004</u> <u>KSHS</u>
<b><u>NON CURRENT ASSETS</u></b>			
	2		
Land & Buildings		21,752,903	8,617,903
Motor Vehicles		7,542,331	7,542,331
Machines & Equipments		1,287,312	830,368
Furniture & Fittings		1,863,360	692,600
Roads & Bridges		149,875	149,875
Infrastructural services		26,780,000	0
		<u>59,375,781</u>	<u>17,833,077</u>
<b><u>CURRENT ASSETS</u></b>			
Sundry Debtors	3	15,915,915	12,284,960
Cash At Bank - GRF	4	68,218	59,063
Cash in hand - Imprest unremitted		0	2,634,014
Cash at Bank - LATF	5	782,464	(6,206)
<b>Total Current Assets</b>		<u>16,766,597</u>	<u>14,971,831</u>
		<u>76,142,378</u>	<u>32,804,908</u>
<b><u>TOTAL ASSETS</u></b>			
<b><u>EQUITY AND LIABILITIES</u></b>			
<b><u>CAPITAL DISCHARGED</u></b>			
Reserve Contribution to Capital	6	41,285,360	199,600
Revenue Contribution to Capital		9,129,702	9,129,702
LATF Contribution to Capital		5,449,674	4,992,730
		<u>55,864,736</u>	<u>14,322,032</u>
<b><u>FUND BALANCE</u></b>			
Deficit GRF		(19,475,492)	(15,288,200)
Surplus LATF		(4,311,335)	(6,424,747)
		<u>(23,786,827)</u>	<u>(21,712,947)</u>
<b><u>CURRENT LIABILITIES</u></b>			
Sundry Creditors	7	8,270,067	18,719,424
Suspence Account		35,794,402	21,476,399
		<u>76,142,378</u>	<u>32,804,908</u>
<b><u>TOTAL EQUITY &amp; LIABILITIES</u></b>			
SIGNED: 			
COUNTY CLERK			
DATE: 27/7/06			
SIGNED: 			
COUNTY TRASURER			
DATE: 27/7/06			





**MERU SOUTH COUNTY COUNCIL**  
**ABSTRACTS OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2005**  
**CLERKS DEPARTMENT**

**MISSION STATEMENT**

- A. To provide advice to the council in the policy management of the council  
 B. To provide leadership to paid staff and to ensure smooth operations, effective personnel administration and take legal action as provided by the law.

	<u>2005</u> <u>ACTUAL</u> <u>KSHS</u>	<u>2005</u> <u>APPROVED</u> <u>KSHS</u>	<u>2005</u> <u>VARIANCES</u> <u>KSHS</u>
SERVICE RECEIPTS	0	0	0
EXPENDITURE			
PERSONAL			
Salaries & Wages			
Council contribution to NSSF	809,310	1,092,420	(283,110)
Council contribution to P.F.S.F	9,600	16,800	(7,200)
House Allowance	160,692	253,860	(93,168)
Staff acting/ SP duty allowance	381,000	600,000	(219,000)
Provision for leave allowance	55,360	0	55,360
<b>Total Personal</b>	<b>22,256</b>	<b>29,100</b>	<b>(6,844)</b>
OPERATIONS			
Travelling & Subsistence	692,168	250,000	442,168
Training courses and exams	48,800	10,000	38,800
Printing stationery & advertising	196,946	60,000	136,946
Postage & Telephone	168,645	100,000	68,645
Clothes, Uniforms and soap	5,808	6,000	(192)
Electricity, water & conservancy	65,950	30,000	35,950
Petrol, oil & tyres	219,199	170,000	49,199
Vehicle licence & insurance	0	0	0
Office cleaning materials	43,250	20,000	23,250
Misc ALGAK Subscriptions & AGAF	83,700	10,000	73,700
Entertainments	144,910	50,000	94,910
<b>Total Operations</b>	<b>1,669,376</b>	<b>706,000</b>	<b>963,376</b>
MAINTENANCE			
Repairs & maintenance	65,569	20,000	45,569
Vehicle repairs and maintenance	0	0	0
<b>Total maintenance</b>	<b>65,569</b>	<b>20,000</b>	<b>45,569</b>
<b>TOTAL EXPENDITURE</b>	<b>3,173,163</b>	<b>2,718,180</b>	<b>454,983</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>(3,173,163)</b>	<b>(2,718,180)</b>	<b>(454,983)</b>

MERU SOUTH COUNTY COUNCIL  
ABSTRACTS OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2005  
TREASURER'S DEPARTMENT

MISSION STATEMENT

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

	2,005 <u>ACTUAL</u> KSHS	2,005 <u>APPROVED</u> KSHS	2,005 <u>VARIANCES</u> KSHS
<b>SERVICE RECEIPTS</b>			
House rent	0	8,000	(8,000)
Misc. receipts on GRF	0	22,800	(22,800)
Registration forms	0	0	0
Misc. income	69,730	30,000	39,730
<b>Total service receipts</b>	<b>69,730</b>	<b>60,800</b>	<b>8,930</b>
<b>Licences</b>			
Single business permits	3,665,304	2,500,000	1,165,304
Penalties on licences	0	132,000	(132,000)
<b>Total licences</b>	<b>3,665,304</b>	<b>2,632,000</b>	<b>1,033,304</b>
<b>Cesses</b>			
20% coffee cess	71,328	50,000	21,328
20% tea cess	114,125	80,000	34,125
Sand Cess	230,995	50,000	180,995
Tobacco cess	211,398	23,500	187,898
Surrender of Imprest	19,581	0	19,581
Other Agricultural cess	142,656	100,000	42,656
<b>Total cesses</b>	<b>790,083</b>	<b>303,500</b>	<b>486,583</b>
<b>Total revenue</b>	<b>4,525,117</b>	<b>2,996,300</b>	<b>1,528,817</b>

**EXPENDITURE**

**PERSONNEL**

Salaries & Wages	964,500	1,390,320	(425,820)
Council contribution to NSSF	20,800	26,400	(5,600)
Council contribution to PF/SF	212,775	323,748	(110,973)
House allowances	454,000	768,000	(314,000)
Staff acting/SP duty allowance	77,143	0	77,143
Provision for leave allowances	28,935	38,532	(9,597)
<b>Total Personnel</b>	<b>1,758,153</b>	<b>2,547,000</b>	<b>(788,847)</b>

MERU SOUTH COUNTY COUNCIL  
ABSTRACTS OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2005  
TREASURER'S DEPARTMENT - CONT'D

**OPERATIONS**

Travelling & subsistence allowance			
Training & course	420,982	180,000	240,982
Printing & Stationery (LAFT)	20,000	20,000	0
Insurance	156,940	20,000	136,940
Accountancy fees	0	200,000	(200,000)
Bank charges	0	114,000	(114,000)
Legal fees	160,822	40,000	120,822
Clothing & uniforms	60,299	100,000	(39,701)
Licence books and discs	5,000	5,000	0
Petrol, oil and tyres	2,400	60,000	(57,600)
Vehicle licence & Insurance	43,820	100,000	(56,180)
Total operations	0	50,000	(50,000)
	<u>870,263</u>	<u>889,000</u>	<u>(18,737)</u>

**MAINTENANCE**

Vehicle repairs & maintenance	19,060	50,000	(30,940)
Equipment, tools & materials	68,820	10,000	58,820
Total maintenance	<u>87,880</u>	<u>60,000</u>	<u>27,880</u>

**TOTAL EXPENDITURE**

	<u>2,716,296</u>	<u>3,496,000</u>	<u>(779,704)</u>
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**NET SURPLUS/(DEFICIT)**

	<u>1,808,821</u>	<u>(499,700)</u>	<u>2,308,521</u>
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MERU SOUTH COUNTY COUNCIL  
ABSTRACTS OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2005  
COUNCILLORS/CIVIC DEPARTMENT

MISSION STATEMENT

- A. To facilitate the presentation of the public views to the council.  
 B. To ensure that policies of the council are in accordance with aspiration of the public.

<u>2005</u> <u>ACTUAL</u> <u>KSHS</u>	<u>2005</u> <u>APPROVED</u> <u>KSHS</u>	<u>2005</u> <u>VARIANCES</u> <u>KSHS</u>
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>

SERVICE RECEIPTS

EXPENDITURE

PERSONNEL

Chairman allowance	255,928	288,000	(32,072)
Councillors sitting allowance	2,644,592	2,976,000	(331,408)
<b>Total personnel</b>	<b>2,900,520</b>	<b>3,264,000</b>	<b>(363,480)</b>

OPERATIONS

Councillors travelling & sub. Allowance	295,610	300,000	(4,390)
Councillors expenses and education	0	400,000	(400,000)
Other Purchases - robes & photos	12,260	12,000	260
Misc Entertainments	92,894	40,000	52,894
<b>Total operations</b>	<b>400,764</b>	<b>752,000</b>	<b>(351,236)</b>

TOTAL EXPENDITURE

NET SURPLUS/(DEFICIT)

<b>3,301,284</b>	<b>4,016,000</b>	<b>(714,716)</b>
<b>(3,301,284)</b>	<b>(4,016,000)</b>	<b>714,716</b>

**MERU SOUTH COUNTY COUNCIL**  
**ABSTRACTS OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2005**  
**WORKS DEPARTMENT**

**MISSION STATEMENT**

- A. To ensure the general cleanliness of the council's area and to provide toilets.
- B. To provide proper town planning and development controls.
- C. To maintain council buildings

	<u>2005</u> <u>ACTUAL</u> <u>KSHS</u>	<u>2005</u> <u>APPROVED</u> <u>KSHS</u>	<u>2005</u> <u>VARIANCES</u> <u>KSHS</u>
<b>SERVICE RECEIPTS</b>			
Hire of councils vehicles	78,200	83,000	(4,800)
Hire of Graders	15,000	200,000	(185,000)
<b>Total service receipts</b>	<u>93,200</u>	<u>283,000</u>	<u>(189,800)</u>
<b>EXPENDITURE</b>			
<b>PERSONNEL</b>			
Salaries & Wages	111,360	111,360	0
NSSF	4,800	4,800	0
Provident fund	5,563	57,600	(17,237)
Leave Allowance	3,340	3,340	0
House allowance	6,000	60,000	0
<b>Total personal</b>	<u>187,063</u>	<u>247,300</u>	<u>(17,237)</u>
<b>OPERATIONS</b>			
Travelling & Subsistence	2,204	10,000	(4,204)
Furnitures and fittings	540	0	540
Clothing & Uniforms	0	5,000	(5,000)
Vehicle licences & Insurance	1,050	200,000	(194,950)
Petrol, oils & tyres	7,007	200,000	(129,993)
<b>Total Operations</b>	<u>10,801</u>	<u>415,000</u>	<u>(305,199)</u>
<b>MAINTENANCE</b>			
Repairs & maintenance - buildings	2,040	0	2,040
Repairs & maintenance - vehicles	141,356	100,000	41,356
<b>Total maintenance</b>	<u>143,396</u>	<u>100,000</u>	<u>43,396</u>
<b>TOTAL EXPENDITURE</b>	<u>433,260</u>	<u>732,300</u>	<u>(279,040)</u>
<b>NET SURPLUS/(DEFICIT)</b>	<u>(340,060)</u>	<u>(449,300)</u>	<u>89,240</u>

MERU SOUTH COUNTY COUNCIL  
 ABSTRACTS OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2005  
 COMMUNITY DEPARTMENT

MISSION STATEMENT

- A. To educate self - help groups how to run income generating project  
 B. To give special economic education to the general public through public barazas.

	<u>2005</u> ACTUAL KSHS	<u>2005</u> APPROVED KSHS	<u>2004</u> VARIANCES KSHS
<b>SERVICE RECEIPTS</b>			
<b>Total service receipts</b>	0	0	0
<b>EXPENDITURE</b>			
<b>PERSONNEL</b>			
Salaries & Wages	565,320	565,320	0
NSSF	16,800	16,800	0
Provident Fund	110,338	122,598	(12,260)
House allowance	252,000	252,000	0
Provision for leave allowance	15,546	16,954	(1,408)
Special duty allowance	1,760	0	1,760
<b>Total personnel</b>	<b>961,764</b>	<b>973,672</b>	<b>(11,908)</b>
<b>OPERATIONS</b>			
Travelling & Subsistence	14,110	15,000	(890)
Training courses & exams	5,000	5,000	0
Seminars	20,000	40,000	(20,000)
<b>Total Operations</b>	<b>39,110</b>	<b>60,000</b>	<b>(20,890)</b>
<b>TOTAL EXPENDITURE</b>	<b>1,000,874</b>	<b>1,033,672</b>	<b>(32,798)</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>(1,000,874)</b>	<b>(1,033,672)</b>	<b>32,798</b>

**MERU SOUTH COUNTY COUNCIL**  
**ABSTRACTS OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2005**  
**TRADE & MARKET DEPARTMENT**  
**MISSION STATEMENT**

- A. To provide market sites for local traders to undertake their business.  
 B. To generate revenue to the Council  
 C. To maintain feeder roads and market centres

	2005 <u>ACTUAL</u> KHS	2005 <u>APPROVED</u> KSHS	2005 <u>VARIANCES</u> KSHS
<b>SERVICE RECEIPTS</b>			
Market stall rent	17,189	7,400	9,789
Plot rent	1,603,582	1,033,000	570,582
Barter market fees	866,800	650,000	216,800
Slaughter fees	297,430	238,947	58,483
Plot indication fees	15,600	0	15,600
Market fees ( Stock auction)	118,070	240,000	(121,930)
Sale of plans & services	1,152,070	180,000	972,070
Appl. Forms fee/ Land sub. & plots	303,580	310,000	(6,420)
Contribution in lieu of rates	1,564,825	1,088,130	476,695
<b>Total service receipts</b>	<b>5,939,146</b>	<b>3,747,477</b>	<b>2,191,669</b>
<b>EXPENDITURE</b>			
<b>PERSONNEL</b>			
Salaries & Wages	1,833,170	1,865,190	(32,020)
Council contribution to NSSF	57,600	58,800	(1,200)
Provident fund	322,100	409,830	(87,730)
House Allowance	851,000	867,000	(16,000)
Provision for leave allowance	17,064	55,960	(38,896)
<b>Total Personnel</b>	<b>3,080,934</b>	<b>3,256,780</b>	<b>(175,846)</b>
<b>OPERATIONS</b>			
Travelling & subsistence	409,273	120,000	289,273
Training & courses	5,000	5,000	0
Clothing & uniforms	20,000	20,000	0
Other Building costs - materials	105,977	0	105,977
Petrol, oils & Tyres	69,880	65,000	4,880
Vehicle licence & Insurance	0	200,000	(200,000)
Misc. expenditure planning	29,090	5,000	24,090
Tree nurseries	0	20,000	(20,000)
<b>Total operations</b>	<b>639,220</b>	<b>435,000</b>	<b>204,220</b>
<b>MAINTENANCE</b>			
Vehicle repairs & maintenance	41,609	50,000	(8,391)
Equipments, tools & materials	1,060	20,000	(18,940)
<b>Total maintenance</b>	<b>42,669</b>	<b>70,000</b>	<b>(27,331)</b>
<b>TOTAL EXPENDITURE</b>	<b>3,762,823</b>	<b>3,761,780</b>	<b>1,043</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>2,176,323</b>	<b>(14,303)</b>	<b>2,190,626</b>



MERU SOUTH COUNTY COUNCIL  
ABSTRACTS OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2005  
KINONDONI SELF S. LODGE DEPARTMENT

	<u>2005</u> ACTUAL KHS	<u>2005</u> APPROVED KSHS	<u>2005</u> VARIANCES KSHS
<b>SERVICE RECEIPTS</b>			
Canteen Bar & House rent	3,900	10,800	(6,900)
Boarding fees cottages	578,074	330,000	248,074
Misc. Income camp site	135,610	96,700	38,910
<b>Total service receipts</b>	<b>717,584</b>	<b>437,500</b>	<b>280,084</b>
<b>EXPENDITURE</b>			
<b>PERSONNEL</b>			
Salaries & wages	452,080	535,260	(83,180)
Council contribution to NSSF	12,400	14,400	(2,000)
Provident fund	102,312	120,790	(18,478)
House allowance	230,000	270,000	(40,000)
Acting allowance	73,024	103,200	(30,176)
Provision for leave allowance	13,562	15,100	(1,538)
<b>Total Personnel</b>	<b>883,378</b>	<b>1,058,750</b>	<b>(175,372)</b>
<b>OPERATIONS</b>			
Travelling and subsistence allowance	14,910	10,000	4,910
Training & courses	5,000	5,000	0
Clothing & uniforms	280	8,000	(7,720)
Printing & stationery	0	2,000	(2,000)
Petrol, oils & tyres	78,621	50,000	28,621
Office cleaning materials	31,290	15,000	16,290
Electricity & water	22,160	30,000	(7,840)
Govt tax & forest loyalty	0	60,000	(60,000)
<b>Total Operations</b>	<b>152,261</b>	<b>180,000</b>	<b>(27,739)</b>
<b>MAINTENANCE</b>			
Repairs & maintenance of buildings	6,000	0	6,000
Vehicle repairs & maintenance	8,930	50,000	(41,070)
Equipment, tools & materials	4,070	10,000	(5,930)
<b>Total Maintenance</b>	<b>19,000</b>	<b>60,000</b>	<b>(41,000)</b>
<b>TOTAL EXPENDITURE</b>	<b>1,054,639</b>	<b>1,298,750</b>	<b>(244,111)</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>(337,055)</b>	<b>(861,250)</b>	<b>524,195</b>

MERU SOUTH COUNTY COUNCIL  
ABSTRACTS OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2005  
LATF REVENUE ACCOUNT.

	<u>2005</u> <u>ACTUAL</u> <u>KHS</u>	<u>2005</u> <u>APPROVED</u> <u>KSHS</u>	<u>2005</u> <u>VARIANCES</u> <u>KSHS</u>
<b>INCOME</b>			
LATF services account allocation	7,882,492	7,882,492	0
LATF Services performance allocation	5,254,994	5,254,994	0
<b>Total Revenue receivable.</b>	<b>13,137,486</b>	<b>13,137,486</b>	<b>0</b>
<b>EXPENDITURE</b>			
<b>OPERATIONS</b>			
Bank charges	51,207	0	51,207
Audit & Accountancy fees	0	114,000	(114,000)
Printing & stationery	0	0	0
Other operations expenses	3,074,930	0	3,074,930
<b>Total Operations</b>	<b>3,126,137</b>	<b>114,000</b>	<b>3,012,137</b>
<b>CAPITAL PROJECT EXPENDITURE</b>			
Vehicle acquisition	0	500,000	(500,000)
Roads & bridges	611,854	1,200,000	(588,146)
Extension of special school	366,080	400,000	(33,920)
Market Rehabilitation	249,733	600,000	(350,267)
Extension of dispensaries	354,755	400,000	(45,245)
Provision of water	202,566	242,000	(39,434)
Purchases of computers	456,944	400,000	56,944
KSSL Renovations	197,174	200,000	(2,826)
Renovation of county hall	0	0	0
<b>Total capital projects expenditure</b>	<b>2,439,106</b>	<b>3,942,000</b>	<b>(1,502,894)</b>
<b>TOTAL EXPENDITURE</b>	<b>5,565,243</b>	<b>4,056,000</b>	<b>1,509,243</b>
<b>DEBT SOLUTION EXPENDITURE</b>			
Salaries & wages	2,864,759	1,500,000	1,364,759
Councillors allowance	931,459	0	931,459
Africa retail traders	0	0	0
Borrowing by GRF (Net transfers)	0	0	0
NHIF	91,820	0	91,820
NSSF	138,000	150,000	(12,000)
Muguni Sacco	340,561	340,000	561
Sundry Creditors	1,092,232	71,000	1,021,232
<b>Total Debt Resolution</b>	<b>5,458,831</b>	<b>2,061,000</b>	<b>3,397,831</b>
<b>TOTAL LAFT EXPENDITURE</b>	<b>11,024,074</b>	<b>6,117,000</b>	<b>4,907,074</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>2,113,412</b>	<b>7,020,486</b>	<b>(4,907,074)</b>

MERU SOUTH COUNTY COUNCIL  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2005.

**1. Accounting Concepts**

**Introduction**

The accounts are based firmly on the generally accepted accounting concepts of

- i. Going concern
- ii. Accruals/matching
- iii. Consistency
- iv. Prudence
- v. Materiality and Substance over form.

Adoption of these concepts ensures that accounts present fairly the financial position of the local authority. However given the unique nature of Kenya local government certain refinements have been introduced.

**a. Going concern concept**

In most cases the accounting system will treat value in the assumption that the authority will continue operating. Its unlikely that a local authority may be wound in the same way as a company. In the event of a local government re organization, the going concern concept should be applied although the authority itself may ceases to exist.

**b. Accrual / matching concept**

The matching or accrual concept can be defined as follows

Revenue and cost are accrued that is recognized as they are earned or incurred (and not as money is received or paid) and recorded in the financial statements at the period to which they relate. Provided that where the accrual concept is inconsistent with the prudence concepts the latter prevails.

Here the prudence concept is of significance in the preparation of the accounts as required by international accounting standards. The basis of accounting in this case is converted "receipts and payments" which means that accounting throughout the year is on cash basis, but for final accounts purposes accruals for material debtors and creditors the accounts to an income and expenditure basis, thus keeping in line the accrual concept of accounting.

**c. Consistency concept**

It is assumed that the accounting policies are consistent from one period to another. Consistency concept requires that there should be consistency of accounting treatment of like items within each accounting period and from one accounting period to the next.

**d. Prudence concept.**

Uncertainties inevitability surround many transactions. Exercising prudence in preparing financial statements should recognize this. Prudence does not however justify the creation of secret or hidden reserves.

The prudence concept requires that revenues be not anticipated until realization can be assessed with reasonable certainty. In our case we have treated incomes such as contribution in lieu of rates as receivables with a high degree of certainty. Plot rents have equally been given the same treatment and hence accrued against income and debtors.

e. Transaction and other events should be accounted for and presented in accordance with their substance and financial; reality and not merely with their legal form. Financial statements should close all items, which are material enough to affect evaluation or decisions.

**Accounting Policies.**

The accounts have been prepared under the historical cost convention.

**a) Revenue**

Plot rents and rate, contribution in lieu of rates, house rental income outstanding at the end of the year are accrued debtors and recognized as income in the accounts. This is in accordance with the prudence principle.

**b) Employees.**

Salary arrears are accrued as creditors. No accruals are made for paid leave entitlement not taken, as this is considered not material from year to year.

**c) Statutory and other deductions**

Unremitted statutory and other deductions are accrued as creditors.

**d) Supplies and Services.**

Material invoice for supplies and services received during the year but not yet paid are accrued as creditors within current liabilities. The same are expensed during the year.

**2. Non current assets.**

**a) Coverage**

Only assets that are readily identifiable as authority assets are included in the balance sheet. However a professional valuation of all council assets should be done to reflect the current market value of all assets.

**b) Assets Utilization.**

No charges have been made for the use of assets or their depreciation.

**MERU SOUTH COUNTY COUNCIL**

**ABSTRACTS OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2005**

**NOTES TO THE ACCOUNTS (CONTINUED)**

**NON CURRENT ASSETS**

	As at 1st July 2004	Additions/ Valuations	As at 30th June 2005
	kshs	kshs	kshs
Land & Buildings	8,617,903	13,135,000	21,752,903
Motor vehicles	7,542,331	0	7,542,331
Machines & Equipments	830,000	456,944	1,286,944
Furniture & Fittings	692,600	1,170,760	1,863,360
Roads & bridges	149,875	0	149,875
Infrastructural services	0	26,780,000	26,780,000
<b>Totals</b>	<b>17,832,709</b>	<b>41,542,704</b>	<b>59,375,413</b>

**3.Sundry debtors**

Contribution in lieu of leave	8,502,362
Markets plots	6,178,746
Markets stalls	1,234,807
	<u>15,915,915</u>

**4. GRF Bank balances**

KCB A/C 056 194089021	2,272
COOP A/C 011 20576993301	65,946
	<u>68,218</u>

**5. LATF Bank balances**

KCB A/C 056 194123157	779,387
COOP A/C 011 0057699300	4,148
COOP A/C 011 2057699300	(1,071)
	<u>782,464</u>

**6. Reserve Contribution to capital**

This account reflect the assets valued as per valuation report dated 12th may 2005. It is highly recommended that the other assets be valued to ascertain the current market value.

**7.Sundry Creditors**

Lonho, Alfa	276,712
Court Cases	326,667
Muguni Sacco	2,050,243
Telkom kenya ltd	260,000
NSSF	660,884
Cmc Motors	260,000
Provident fund	1,777,530
PAYE	159,126
CLGWU	311,906
Salaries & Wages	2,186,999
	<u>8,270,067</u>

**Currency**

These accounts are presented in kenya shillings.

