REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF MERU

FOR THE YEAR ENDED 30 JUNE 2017

KENYA NATIONAL AUDIT OFFICE
EMBU HUB
06 APR 2018
2351
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COUNTY ASSEMBLY OF MERU
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017

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

Table of Content

		Page
i.	KEY COUNTY ASSEMBLY OF MERU INFORMATION AND MANAGEMENT	1
ii.	FORWARD BY THE CLERK	3
iii.	STATEMENT OF MANAGEMENT RESPONSIBILITIES	4
iv.	REPORT OF THE INDEPENDENT AUDITORS ON THE COUNTY ASSEMBLY OF MERU	5
v.	STATEMENT OF RECEIPTS AND PAYMENTS	6
vi.	STATEMENT OF ASSETS	7
vii.	STATEMENT OF CASHFLOW	8
viii.	SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED	9
ix.	SUMMARY STATEMENT OF APPROPRIATION: RECURRENT	10
x.	SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT	11
xi.	SIGNIFICANT ACCOUNTING POLICIES	12
xii.	NOTES TO THE FINANCIAL STATEMENTS	14

I. KEY COUNTY ASSEMBLY OF MERU INFORMATION AND MANAGEMENT

(a) Background information

The County Assembly is constituted as per the constitution of Kenya is headed by the County Speaker, who is responsible for the general policy and strategic direction of the County..

(b) Key Management

The County Assembly of Meru day-to-day management is under the following key organs:

- The Office of the Speaker;
- The Office of the Clerk;

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation		Name
1.	Clerk- Accounting Officer	-	Justus K. Ariithi
2.	Director Finance & Accounts	-	Lawrence Gitari
3.	Principal Finance	-	Stanley Karonai

(d) Fiduciary Oversight Arrangements

The County Assembly of Meru

(e) County Assembly of Meru Headquarters

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

(f) County Assembly of Meru Contacts

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

(g) County Assembly of Meru Bankers

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

2. Equity bank ltd
   Meru branch

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

II. FORWARD BY THE CLERK

It has been another year of challenge and achievement for County Assembly of Meru. In the face of significance operational and financial pressures, we have achieved notable success through focusing on our top priorities as approved by the County Assembly of Meru.

Our approved budget for the County Assembly of Meru was Ksh.921,209,231 against actual payment of Ksh.904,515,580 representing a performance of 98.19%. The key challenge experienced the last financial year included inadequate staff capacity to utilise IFMIS modules, scrapping of payables by Controller of Budget at the last minute and late release of cash by the national Treasury.

The above mentioned challenges have been addressed by collaborating with the national treasury in training the County Treasury staff on IFMIS modules and COB on way forward on payables.

We thank the national Assembly through National Treasury for their continued support.

Clerk
County Assembly of Meru

III. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Sections 164 and 165 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the county assembly shall prepare financial statements of its operations, receiver of revenue and forward the same to the executive for consolidated financial statements for all County Assembly entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Clerk of the Assembly is responsible for the preparation and presentation of the County Assembly's financial statements, which give a true and fair view of the state of affairs of the County Assembly for and as at the end of the financial year ended on June 30, 2017. 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;
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 Assembly;
v. Selecting and applying appropriate accounting policies; and
vi. Making accounting estimates that are reasonable in the circumstances.

The Clerk accepts responsibility for the County Assembly'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 Clerk is of the opinion that the County Assembly's financial statements give a true and fair view of the state of the County Assembly's transactions during the financial year ended June 30, 2017, and of its financial position as at that date. The Clerk further confirms the completeness of the accounting records maintained for the County Assembly which have been relied upon in the preparation of the its financial statements as well as the adequacy of the systems of internal financial control.

The Clerk confirms that the County Assembly has complied fully with applicable Assembly Regulations and the terms of external financing covenants (where applicable), and that the County Assembly's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Clerk confirms that the County Assembly'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 Assembly's financial statements were approved and signed by the Clerk on 27th September, 2017.

Clerk- County Assembly of Meru

Director- Finance and Accounts

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF MERU FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Meru set out on pages 6 to 19, which comprise the statement of financial assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and a summary statement of appropriation: recurrent and development combined for the year then ended, and other explanatory information in accordance with the provisions of Article 229 of the Constitution 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 as at 30 June 2017, 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 and the County Government Act, 2012.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, based on the procedures carried out, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1.0 Cash and Cash Equivalents Balances

The Statement of Assets reflects cash and cash equivalents balance of Kshs.24 as at 30 June 2017. However, the cashbooks and the bank reconciliations reflected cash and cash equivalent balance of Kshs. 160,258 resulting in an unexplained and unreconciled variance of Kshs.160,234 as at 30 June 2017 as follows:

Description	Balance as per Financial statements (Kshs)	Balance as per cashbook (Kshs)	Variance (Kshs)
Central Bank of Kenya Recurrent 1000194677	24	3,895	3,871
Equity Bank Account number 0140261449618	0	156,363	156,363
	24	**160,258**	**160,234**

Further, the audited 2015/2016 financial statements reflected a cash and cash equivalents balance of Kshs.49,693,627 as at 30 June 2016. However, this balance was not brought forward to the year under review in the cashflow statement nor has its utilization been explained in the financial statements. In addition, the Revolving Fund account had a balance of Kshs.1,995,645 which has been omitted in the cash and cash equivalents balance as at 30 June 2017.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.24 as at 30 June 2017 cannot be confirmed.

2.0 Accuracy and Completeness of the Financial Statements

The financial statements reflects a balance of Kshs. 204,394,039 as at 30 June 2017 under seven (7) items while the related supporting ledgers reflected a balance of Kshs. 176,483,877 resulting into an unexplained and unreconciled overstatement of the financial statements by Kshs. 27,910,162 as follows:

Component	Financial Statements (Kshs.)	Ledger (Kshs.)	Variance (Kshs.)
Domestic & Subsistence	155,278,307	135,278,307	20,000,000
Other Operating Expenses	41,757,300	36,895,784	4,861,516
Routine Maintenance- Vehicle and Other Assets	2,553,296	1,114,060	1,439,236
Routine Maintenance- Vehicle	283,900	345,700	(61,800)
Purchase of office Furniture and General Equipment	1,619,526	1,559,650	59,876
Purchase of ICT Equipment	1,277,500	1,290,376	(12,876)
Overhaul and Refurbishment of Chamber	1,624,210	-	1,624,210
	204,394,039	**176,483,877**	**27,910,162**

In view of the foregoing, the accuracy and completeness of the financial statements as at 30 June 2017 cannot be confirmed.

3.0 Nugatory Contributions

During the financial year under review the County Assembly of Meru paid Kshs. 3,000,000 as membership fees, dues and subscriptions to professional and trade bodies, The expenditure included Kshs.2,700,000 paid in respect to annual subscription to the County Assemblies Forum (CAF). However, documentary evidence has been provided to support the receipt of the Kshs. 2,700,000 by the County Assemblies Forum (CAF), the specific activities funded and the basis for such payments.

In the circumstances, it has not been possible to confirm the propriety of the payments totaling Kshs.2,700,000 made to the CAF during the year under review. payments including whether the expenditure was a proper charge to public funds as at 30 June 2017.

4.0 Irregular Excess and Unbudgeted for expenditure

Note 4 to the financial statements reflects other operating expenses of Kshs. 41,757,300 as at 30 June 2017 which include Kshs.1,317,453 in respect to reimbursement of medical expenses incurred by Member of the County Assembly in 2013 before operationalization of the medical scheme. However, the payment was not reflected as a pending bill in the previous years and further, was not budgeted for in the year under review contrary to Section 154 (2) of the Public Finance Management Act, 2012.

In the circumstances, the County Assembly of Meru breached the law and therefore the excess expenditure of Kshs.1,317,453 is irregular. .

5.0 Unsupported Ward Office Expenses

During the financial year under review, the County Assembly spent Kshs. 21,444,000 on Other Operating Expenses which included unsupported standing imprests for ward offices totaling to Kshs.9,900,000. Further, no returns were filed on the expenditure including a memorandum cash book to account for the detailed use of the standing imprest contrary to Section 93 (14) of the Public Finance Management (County Government) Regulations, 2015.

In the circumstances, the propriety of the expenditure of Kshs. 9,900,000 for Ward Office Expenses as at 30 June 2017 cannot be confirmed.

6.0 Irregular Recruitment of Ward County Employees

During the financial year under review, the County Assembly of Meru spent Kshs.35,160,767 on wages for two hundred and twenty (220) ward employees. However, relevant documents including advertisements for the posts, shortlisted applicants, selection minutes and score sheets from the interviewing panel were not provided for audit. The missing records and documents would have confirmed whether the vacancies were filled competitively in line with Article 232 (1) (g), h, I of the Constitution of Kenya, 2010 and Section 65 (e) of the County Government Act, 2012.

In view of the foregoing, it has not been possible to ascertain that the expenditure of Kshs.35,160,767 on County ward employees incurred during the year under review was a proper charge to public funds.

7.0 Foreign Travel Expenditure

The financial statements and ledger for the year under review reflected foreign travel expenditure of Kshs. 52,407,411 as at 30 June 2017. However, the payment vouchers made available for audit reflected expenditure totaling Kshs.45,993,314 resulting to unaccounted for expenditure of Kshs. 6,414,097. Further, review of foreign travel expenditures totaling to Kshs. 44,947,387 reflected travels to various destinations in Singapore, UAE, China, USA and Canada. However, these travels were not supported by back-to--office reports and evidence of attendance of the conferences and seminars cited. As a result, , the impact of the foreign trips on the role of the County Assembly as envisioned in Article 185 of the Constitution cannot be confirmed.

Consequently, the propriety and value-for-money of the expenditure of Kshs. 44,947,387 incurred on foreign travel during the year under review cannot be ascertained.

8.0 Incomplete Fixed Assets Register

Annex 2 to the financial statements reflects accumulated assets totaling to Kshs.174,596,711 as at 30 June 2016 while assets worth Kshs. 4,521,236 were procured during the year under review thereby increasing the accumulated assets to Kshs. 179,117,947 as at 30 June 2017. However, the fixed assets register made available for audit reflected fixed assets stated at Kshs.244,165,620 as at 30 June 2017 resulting to an unexplained and unreconciled variance of Kshs. 65,047,673. Included, in the assets register was land and buildings stated at Kshs.71,500,000 and Kshs.137,538,920 respectively both totaling to Kshs. 209,038,920 which had not been valued and whose ownership documents were not availed for audit. In addition, the two fixed assets stated at an aggregate value of Kshs.209,038,920 were not included in the asset balances in the financial statements. Further, the assets obtained by the County Assembly from the defunct local authorities have not been included in the assets register. In addition, a Nissan Xtrail vehicle KAV 325E (12CG033A) s grounded on 24 October 2016 had not been repaired as at the time of physical verification on 9 February 2018.

In the circumstances, the accuracy, completeness and security of the County Assembly's fixed assets totaling to Kshs.179,117,947 as at 30 June 2017 cannot be confirmed.

9.0 Pending Bills

Annex 1 to the financial statements reflects pending bills balance of Kshs.10,245,916 as at 30 June 2017. However, the creditors' ledgers were not made available to ascertain the creditors' movement from Kshs. 21,658,245 as at 30 June 2016 to Kshs. 10,245,916 as at 30 June 2017. Further, local purchase orders and /or

invoices and contracts were not made available for audit review to confirm the authenticity and correctness of a creditor with a balance of Kshs. 3,899,314.

As a result, the validity completeness, and existence of the pending bills balance of Kshs. 10,245,916 as at 30 June 2017 cannot be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Assembly of Meru in accordance with ISSAI 30 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 judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, I confirm that there were no Key Audit Matters to report in the year under review.

Other Matter

1.1 Budgetary Control and Performance

During the Financial Year under review, the County Assembly had an approved expenditure budget of 921,209,230 comprised of Kshs.910,301,177 for the recurrent vote being 99% and Kshs.10,908,054 for development vote being 1% of the total expenditure respectively. However, the Assembly spent Kshs. 901,728,438 of the recurrent expenditure budget and Kshs. 597,904 of the development expenditure budget totaling to Kshs.902,326,342 and thus resulting to an under -expenditure of Kshs.18,882,889 as shown below:

	Budget (Kshs)	**Actual (Kshs)**	**Under Expenditure (Kshs)**	**Absorption Rate**
Recurrent	910,301,177	901,728,438	8,572,739	99%
Development	10,908,054	597,904	10,310,150	0.6%
Total	**921,209,231**	**902,326,342**	**18,882,889**	**99.6%**

Further, out of the Kshs. 921,209,230 approved budget for the year, the Assembly received exchequer releases of Kshs. 894,515,604 and a transfer of Kshs. 10,000,000 from the Meru County Executive both totaling to Kshs. 904,515,604 resulting to a revenue shortfall of Kshs. 16,693,627.

In the circumstances, the County residents did not receive promised and expected service equivalent to Kshs. 18,882,889 under-expenditure as at 30 June 2017.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such 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.

In preparing the financial statements, management is responsible for assessing the Assembly's ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting. unless the management either intends to liquidate the Assembly or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Assembly's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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.

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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Assembly's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Assembly'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 Assembly 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 Assembly's 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

16 July 2018

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017	2015-2016
		Kshs.	Kshs.
Balance B/F			67,671,299
RECEIPTS			
Transfer from National Treasury	1	894,515,604	838,515,605
Transfers from other Govt entities	2	10,000,000	-
TOTAL REVENUES		904,515,604	906,186,904
PAYMENT			
Compensation of Employees	3	448,796,737	438,699,705
Use of goods and services	4	396,197,607	310,908,604
Other grants and transfers	5	55,000,000	25,000,000
Acquisition of Assets	6	4,521,236	81,884,967
TOTAL PAYMENTS		904,515,580	856,493,276
BALANCE C/D		24	49,693,628

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The County Assembly of Meru financial statements were approved on 27th September 2017.

Clerk- County Assembly of Meru

Director- Finance and Accounts

VI. STATEMENT OF ASSETS

	Note	2016-2017	2015-2016
		Kshs.	Kshs.
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	7	24	49,693,627
Total Cash and Cash Equivalents		**24**	**49,693,627**
Fund Balance B/F	**8**		**67,671,299**
Surplus/Deficit for the Year		**24**	**(17,977,671)**
NET FINANCIAL POSITION		**-**	**49,693,627**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The County Assembly of Meru financial statements were approved on 27th September 2017.

Clerk- County Assembly of Meru

Director- Finance and Accounts

VII. STATEMENT OF CASHFLOW

	Note	2016-2017 Kshs.	2015-2016 Kshs.
CASHFLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Transfers from National Treasury	1	894,515,604	838,515,605
Transfers from other Govt entities	2	10,000,000	
		904,515,604	**838,515,605**
Payments for operating expenses			
Compensation of Employees	3	448,796,737	438,699,705
Use of goods and services	4	396,197,607	310,908,604
Other grants and transfers	5	55,000,000	25,000,000
		899,994,344	**774,608,309**
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	6	4,521,260	81,884,967
		4,521,236	**81,884,967**
NET INCREASE IN CASH AND CASH EQUIVALENT		24	**(17,977,671)**
Cash and cash equivalent at BEGINNING of the year	7		**67, 671,299**
Cash and cash equivalent at END of the year		**24**	**49,693,627**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The County Assembly of Meru financial statements were approved on 27th September 2017.

Clerk-County Assembly of Meru

Director- Finance and Accounts

VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Revenue/ expense item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization difference	% of Utilization Difference to Final Budget
	a	b	C=a+b	d	E=d-c	F=d/c%
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Balance B/F						
RECEIPTS						
Exchequer releases	894,515,604	-	894,515,604	894,515,604		
County Executive	10,000,000		10,000,000	10,000,000		
Total Receipts	**904,515,604**		**904,515,604**	**904,515,604**		
Payments						
Compensation of Employees	507,069,927	(58,203,044)	448,866,883	448,796,737	70,146	99.98%
Use of Goods and Services	346,720,276	55,735,462	402,455,738	396,197,607	6,258,131	98.45
Other Grants and Transfers	55,000,000	-	55,000,000	55,000,000	-	100%
Acquisition of Assets	12,419,027	2,467,583	14,886,610	4,521,236	10,365,374	30.37
Total	**921,209,230**	-	**921,209,230**	**904,515,580**	**16,693,651**	**97.95%**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The County Assembly of Meru financial statements were approved on 27th September 2017.

Clerk- County Assembly of Meru

Director- Finance and Accounts

IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Revenue/ expense item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization difference	% of Utilization Difference to Final Budget
	a	b	C=a+b	d	E=d-c	F=d/c%
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Balance B/F						
RECEIPTS						
Exchequer releases	894,515,604		894,515,604	894,515,604		
County Exec	5,478,764		5,478,764	5,478,764		
Total Receipts	**899,994,368**		**899,994,368**	**899,994,368**		
Payments						
Compensation of Employees	507,069,927	(58,203,044)	448,866,883	448,796,737	70,146	99.98%
Use of Goods and Services	346,720,276	55,735,462	402,455,738	396,197,607	6,258,131	98.45%
Other Grants and Transfers	55,000,000		55,000,000	55,000,000		100%
Total	**908,790,203**	**(2,467,582)**	**906,322,621**	**899,994,344**	**6,328,277**	**99.30%**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The County Assembly of Meru financial statements were approved on 27th September 2017.

Clerk- County Assembly of Meru

Director- Finance and Accounts

X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Revenue/ expense item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization difference	% of Utilization Difference to Final Budget
	a	b	C=a+b	d	E=d-c	F=d/c%
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Balance B/F						
RECEIPTS						
Exchequer releases	4,521,236		4,521,236	4,521,236		
Total Receipts						
Payments						
Acquisition of Assets	12,419,027	2,467,583	14,886,610	4,521,236	10,365,374	30.37
Other Expenses						
Total	**12,419,027**	**2,467,583**	**14,886,610**	**4,521,236**	10,365,374	30.37

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The County Assembly of Meru financial statements were approved on 27th September 2017.

Clerk- County Assembly of Meru

Director- Finance and Accounts

XI. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and applicable Assembly legislations and regulations. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the County Assembly of Meru and all values are rounded to the nearest whole number. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Assembly's standard chart of accounts.

2. Recognition of revenue and expenses

The County Assembly of Meru recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the County Assembly of Meru. In addition, the County Assembly of Meru recognises all expenses when the event occurs and the related cash has actually been paid out by the County Assembly of Meru.

3. In-kind contributions

In-kind contributions are donations that are made to the County Assembly of Meru in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the County Assembly of Meru includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

4. 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.

5. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the Assembly practice where the imprest payments are recognized as expenditure when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

6. Non-current assets

Noncurrent assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the County Assembly of Meru fixed asset register a summary of which is provided as a memorandum to these financial statements.

7. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the County Assembly of Meru at the end of the year. Pending bill form a first charge to the subsequent year budget and when they are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

8. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The County Assembly of Meru's budget was approved as required by Law and as detailed in the Assembly of Kenya Budget Printed Estimates. A high-level assessment of the County Assembly of Meru's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

9. Comparative figures

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

10. Subsequent events

Events subsequent to submission of the financial year end financial statements to the National Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of National Treasury.

XII. NOTES TO THE FINANCIAL STATEMENTS

1. EXCHEQUER RELEASES

	2016-2017	2015-2016
	Kshs.	Kshs.
Total exchequer releases for quarter 1	202,299,350	227, 728, 634
Total exchequer releases for quarter 2	260,647,570	242,148,438
Total exchequer releases for quarter 3	211,192,051	223,859,593
Total exchequer releases for quarter 4	220,376,633	144,778,940
Total	**894,515,604**	**838,515,605**

2. TRANSFERS FROM OTHER GOVT ENTITIES

	2016-2017	2015-2016
	Kshs.	Kshs.
Transfers from county executive	10,000,000	
Total	**10,000,000**	

3. COMPENSATION OF EMPLOYEES

	2016-2017	2015-2016
	Kshs.	Kshs.
Basic salaries of permanent employees	189,885,202	162,432,719
Basic wages of temporary employees	38,456,000	35,116,000
Personal allowances paid as part of salary	174,275,272	204,710,245
Pension and other social security contributions	46,180,263	36,227,141
Compulsory national social security schemes		213,600
Total	**448,796,737**	**438,699,705**

4. USE OF GOODS AND SERVICES

	2016-2017	2015-2016
	Kshs.	Kshs.
Utilities, supplies and services	1,350,000	1,114,502
Communication, supplies and services	1,269,760	1,389,991
Domestic travel and subsistence	155,278,307	136,445,986
Foreign travel and subsistence	52,407,411	5,000,000
Printing, advertising and infor. Supplies and services	5,487,651	3,054,766
Rentals of produced assets	1,365,000	1,488,800
Training expenses	31,451,506	25,924,463
Hospitality supplies and services	63,426,222	61,593,705
Insurance costs	13,732,576	25,050,326
Specialized materials and services	924,555	777,450
Office and general supplies and services	4,634,550	3,432,886
Other operating expenses	41,757,300	35,330,030
Routine maintenance- vehicles and transport equip	2,553,296	2,968,423
Routine maintenance- other assets	283,900	88,144
Fuel, oil and lubricants	4,500,000	3,542,165
Payables from previous financial year	15,775,573	3,706,967-
Total	**396,197,607**	**310,908,604**

5. OTHER GRANTS AND OTHER PAYMENTS

	2016-2017	2015-2016
	Kshs.	Kshs.
Other current transfers and grants	55,000,000	25,000,000
Total	**55,000,000**	**25,000,000**

6. ACQUISITION OF ASSETS

	2016-2017	2015-2016
	Kshs.	Kshs.
Construction of buildings		-
Overhaul and refurbishment of chamber	1,624,210	80,161,867
Purchase of office furniture and Gen equip	1,619,526	630,400
Purchase of ICT Equip	1,277,500	1,092,700
	4,521,236	**81,884,967**

7. A. BANK ACCOUNTS

Name of bank, account No. & Currency	Amount in bank A/c currency	Recurrent, development	Exc rate (foreign) Currency	2016-2017	2015-2016
				Kshs.	Kshs.
Equity bank-0140261449618		Imprest A/C			
IFMIS		Recurrent		24	
IFMIS		Development		-	
TOTAL				**24**	

B. REVOLVING FUND ACCOUNT

Name of bank, account no & currency	Amount in bank account currency	2016-2017	2015-2016
		Kshs.	Kshs.
Equity bank- 0140267706704		1,995,645	25,000,000
Total		**1,995,645**	**25,000,000**

8. BALANCES BROUGHT FORWARD

Name of bank, account no & currency	Amount in bank account currency	2016-2017	2015-2016
		Kshs.	Kshs.
Equity bank- 0140261449618			20,174,600
CBK- Recurrent			29,519,028
Total			**49,693,627**

9. OTHER IMPORTANT DISCLOSURES

8.1: PAYABLES (See Annex 1)

	2016-2017	2015-2016
	Kshs.	Kshs.
Pending bills	10,245,916	21,658,245
Total	**10,245,916**	**21,658,245**

10. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

11. Ref No	Issue	Management Comments	Focal Point	Status	Time Frame
1.	Cash and cash equivalents	Undertaking bank reconciliation	Account office	Resolved	
2.	Omission of outstanding imprest	To clear imprest surrendered on both manual and in the IFMIS	Account office	Resolved	
3.	Nugatory contribution to CAF	To persue its legalisation	Clerk and speaker	Unresolved	
4.	Irregular recruitment of ward employees	SRC gave guidelines on recruitment	The county assembly service Board	Resolved	
5.	Incomplete fixed assets	Fixed assets fully updated	Finance officer	Resolved	
6.	Pending bills	Ensure all pending bills are fully supported	Finance officer	Resolved	
7.	Unresolved 2014/2015 audit issues	All issues were addressed	Principal accountant	Resolved	

Clerk-County Assembly

Director- Finance and Accounts

ANNEX 1: PENDING BILLS

No	Supplier	Purpose	Invoice	Amount
1	K&M Archplans	Consultancy		1,358,202
2	Delta Ayeman	Renovation		3,899,314
3	Skel Solutions	Mace		3,990,400
4	Ten Fences Africa Ltd	Parking Sheds		998,000
	TOTAL			**10,245,916**

ANNEX 2: SUMMARY OF FIXED ASSETS

	2016-2017	2015-2016
	Kshs.	Kshs.
Refurbishment of chamber	1,624,210	160,843,006
Office furniture and office equipment	1,619,526	8,375,425
ICT equipment	1,277,500	5,378,280
TOTAL	**4,521,236**	**174,596,711**

The above summary of fixed assets does not include the value of land and building prior to reestablishment under the County Assembly of Meru. This is because the Transition Authority has not finished the transition process to grant ownership or value of the same.