REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

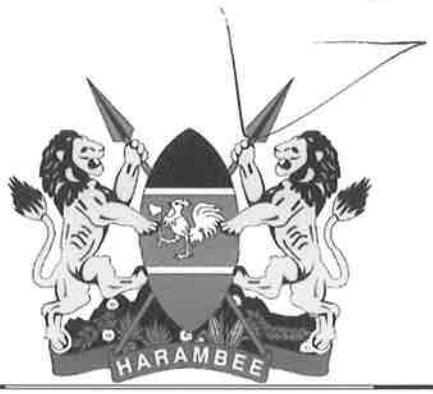
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF MERU

FOR THE YEAR ENDED 30 JUNE 2016



COUNTY ASSEMBLY OF MERU

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2016

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

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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.906,186,904 against actual payment of Ksh.856,493,276 representing a performance of 94.4%. The key challenge experienced the last financial year include inadequate staff capacity to use IFMIS modules, 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.

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

OFFICE OF THE CLERK
MERU COUNTY ASSEMBLY

Clerk
County Assembly of Meru

III. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Sections 163,164 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, 2016. 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, 2016, 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, 2016.

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 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of County Assembly of Meru set out on pages 6 to 21 which comprise the statement of assets as at 30 June, 2016, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation for the year then ended, and a summary of significant accounting policies, and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility 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.

The 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the Assembly's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1.0 Cash and Cash Equivalents

The financial statements reflect a cash and cash equivalents balance of Kshs. 49,693,627 as at 30 June 2016. However, the cash books and bank reconciliations indicate cash and cash equivalents balance of Kshs.27,003,988 resulting into unexplained and unreconciled difference of Kshs. 22,689,639 as at 30 June 2016 as follows;

Description	Balance as per financial statements (Kshs)	Balance as per cash book (Kshs)	Variance (Kshs)
Equity Bank A/c No. 0140261449618	-	162,001	162,001
CBK Recurrent A/c	20,174,600	1,841,987	(18,332,613)
CBK Development A/c	29,519,028	-	(29,519,028)
Equity Bank – Mortgage & Car Loan A/c No. 0140267706704	-	25,000,000	25,000,000
Total	**49,693,628**	**27,003,988**	**22,689,640**

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 49,693,627 as at 30 June 2016 could not be ascertained.

2.0 Omission of Outstanding Imprest

The trial balance reflected an outstanding imprest balance of Kshs.96,551,297 as at 30 June 2016. However, the financial statements did not reflect or disclose any outstanding imprest balance as accounts receivable. Further, a schedule of outstanding imprests and imprests register from IFMIS showing issuance and surrender of imprests were not provided for audit review.

Consequently, the accuracy and completeness of the financial statements as at 30 June 2016 could not be ascertained.

3.0 Nugatory Contributions to County Assembly Forum (CAF)

During the year under review, the Meru County Assembly spent Kshs 3,499,270 towards membership fees, dues and subscriptions to professional and trade bodies.

Included in the Kshs.3,499,270 expenditure was Kshs. 2,700,000 paid to County Assembly Forum.

However, the approved budget including any other authorisation for the expenditure were not made available for audit review.

As a result, the expenditure of the Kshs.2,700,000 appears irregular, and may not be a proper charge to public funds.

4.0 Irregular Recruitment of Ward Employees

During the financial year under review, the County Assembly spent Kshs.35,116,000 to pay staff working at the County wards. However, the staff recruitment records including advertisements, shortlisting of applicants and score sheets from the interviewing panels were not provided to show that the vacancies were filled competitively and in line with Article 232(1)(g), (h) and (i) of the Constitution and Section 65(e) of the County Government Act, 2012.

In the circumstances, it has not been possible to ascertain that the expenditure of Kshs.35,116,000 on County ward employees as at 30 June 2016 was a proper charge to public funds.

5.0 Incomplete Fixed Assets Register

Note 5 to the financial statements reflects that the County Assembly spent Kshs.81,884,967 on acquisition of assets during the year under review. However, the fixed assets register made available for audit review was not updated as it did not include a building which had been refurbished at accumulated cost of Kshs.160,843,006, even though the same had been included as part of the assets in annex 2 – summary of fixed assets of the annexures to the financial statements. Further, the assets in possession by the County Assembly from the defunct local authorities have not been included in the assets register.

In the circumstances, the accuracy and completeness of the Assembly's summary fixed assets register as at 30 June 2016 could not be confirmed.

6.0 Pending Bills (Payables)

Annex 1 attached to the financial statements and Note 8.1 reflect pending bills of Kshs.21,658,245 as at 30 June 2016. However, bills amounting to Kshs.16,152,378 were not supported with relevant documentation. Further, detailed creditors' ledger showing the movement of creditors' account including the date the bills were incurred and the due dates was not made available for audit review.

In view of the foregoing, it has not been possible to ascertain the source, accuracy, completeness, authenticity and existence of pending bills balance of Kshs. 21,658,245 as at 30 June 2016.

7.0 Unresolved 2014/2015 Audit Issues

The following audit issues raised in the 2014/2015 audit report remain unresolved as at 30 June 2016.

(i) Overpayment of consultancy fees on modernization of County Assembly Chambers by Kshs.456,729.

(ii) Unreceived taxes of Kshs.1,728,000 on airtime allowances to MCAs and County Assembly Clerk.

(iii) The propriety of hire of ward offices at Kshs.4,777,100 has not been confirmed.

As a result, the expenditure of Kshs.6,961,829 remain irregular and unrecovered as at 30 June 2016.

Qualified Opinion

In my opinion, except for the effect of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the County Assembly of Meru as at 30 June 2016, 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.

Other Matter

1.0 Budgetary Control and Performance

The approved budget for the County Assembly of Meru for the year under review amounted to Kshs.973,858,201 comprising of Kshs.795,968,360 (87%) for recurrent and Kshs.177,889,841 (13%) for development respectively.

However, out of the Kshs.973,858,201 approved budget for the year, only Kshs.838,515,605 was received resulting to a revenue shortfall of Kshs.67,671,297 (7.5%). In addition to the Kshs.838,515,605, the Assembly had a cash balance of Kshs.67,671,299 brought forward from the 2014/2015. Therefore, the total available funds for the Assembly during the year totaled Kshs.973,858,201.

Item	Budget (Kshs)	Actual (Kshs)	Variance (Kshs)
Cash Balance b/f	67,671,299	67,671,299	-
Exchequer	906,186,902	838,515,605	67,671,297
Total	**973,858,201**	**906,186,904**	**67,671,297**

As at 30 June 2016, out of the total available funds of Kshs. 973,858,201 during the year, only Kshs. 856,493,276 was spent comprising of Kshs. 776,331,409 (91%) for

recurrent and Kshs. 80,161,867 (70%) for development respectively resulting to an under expenditure Kshs.117,364,925 which remained unutilized as at 30 June 2016.

Item	Original Budget (Kshs)	Adjustment (Kshs)	Final Budget (Kshs)	Actual (Kshs)	Variance (Kshs)
Recurrent	792,116,982	3,851,378	795,968,360	776,331,409	19,636,951
Development	114,069,920	63,819,921	177,889,841	80,161,867	97,727,974
Total	**906,186,902**	**67,671,299**	**973,858,201**	**856,493,276**	**117,364,925**

In the circumstances, the County residents did not receive services equivalent to the unspent approved recurrent and development budget of Kshs.19,636,951 and Kshs.97,727,974 respectively both totaling Kshs.117,364,925.

2.0 Ethnic Balancing

An ethnic composition analysis of seventy four (74) staff working in the County Assembly revealed that 95% (or 70 staff) of the employees were from the Meru ethnic community contrary to the requirements of Article 232(1)(g), (h) and (i) of the Constitution, Section 7(1) and (2) of the National Cohession and Integration Act, 2008 and Section 65(1) (e) of the County Governments Act, 2012.

In view of the foregoing, the County Assembly of Meru was in breach of the law.

3.0 Non Establishment of an Internal Audit Committee

The County Assembly did not have an audit committee in place contrary to the requirements of Section 155 (5) of the PFM Act, 2012. Further, the Internal Audit function did not have an audit Charter which defines the purpose, the authority and responsibility of the internal audit function.

In the absence of Internal Audit Committee and Internal Audit Charter, the internal control systems were weak and consequently the risk to public resources entrusted to the Assembly appeared high.

4.0 Irregular Bank Accounts

During the year under review, the County Assembly operated four bank accounts, two of which were operated in commercial banks while the other two at Central Bank of Kenya. The two bank accounts in commercial banks were in respect to imprest held at Equity bank A/c No. 0140261449618 and Mortgage and Car loan held in Equity bank A/c No. 0140267706704. However, the bank account no. 0140267706704 held with the commercial bank (Equity Bank Ltd) was maintained contrary to Section 82(1) (b) of the Public Finance Management (County Government) Regulation 2015 which stipulates that all County Government bank accounts shall be opened at the central bank of Kenya except for imprest bank accounts for petty cash.

As a result, the County Assembly did not comply with the Public Finance Management Regulations.

My opinion is not qualified in respect of these matters.

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

Nairobi

15 August 2017

Appendix I: Budget Analysis - Revenue Analysis

Item	Budget Kshs.	Actual Kshs.	Variance Kshs.	Absorption Rate
Cash Balance b/f	67,671,299	67,671,299	-	
Exchequer	906,186,902	838,515,605	67,671,297	93
Total	**973,858,201**	**906,186,904**	**67,671,297**	
EXPENDITURE ANALYSIS				
Item	**Budget Kshs.**	**Actual Kshs.**	**Variance Kshs.**	**Absorption Rate**
Compensation of employees	439,075,701	438,699,705	375,996	100
Accommodation-Domestic travel	1,500,000	1,361,770	138,230	91
Daily subsistence allowance	17,454,425	17,416,425	38,000	100
Foreign Travel and subsistence, and other transportation costs	5,000,000	5,000,000	-	100
Publishing and printing services	1,200,000	491,121	708,879	41
Advertising, awareness and publicity campaign	3,349,602	387,062	2,962,540	12
Hire of transport-Equipment	70,000	-	70,000	0
Hire of equipment, plant and machinery	150,000	108,800	41,200	73
Training expenses	23,954,263	23,954,263	-	100
National celebrations	26,325	26,325	-	100
Accommodation-Domestic travel	44,151,797	44,000,149	151,648	100
Daily subsistence allowance	32,221,737	32,215,832	5,905	100
Trade show and exhibitions	246,400	115,405	130,995	47
Board committee conferences and seminars	59,635,010	59,615,790	19,220	100
Electricity	700,000	658,020	41,980	94
Water and sewerage charges	550,000	456,482	93,518	83

Gas expenses	15,000	-	15,000	0
Telephone, Telex Facsimiles and mobile phone services	15,000	-	15,000	0
Internet connections	840,000	641,531	198,469	76
Courier & Postal services	13,250	4,000	9,250	30
Communication, supplies	1,100,000	744,460	355,540	68
Accommodation-Domestic travel	25,554,498	25,451,810	102,688	100
Subscription to newspapers, magazines and periodicals	639,080	387,220	251,860	61
Advertising, awareness and publicity campaign	2,000,000	1,673,958	326,042	84
Payment of rents and rates-Residential	1,380,000	1,380,000	-	100
Training expenses	2,000,000	1,970,200	29,800	99
Hospitality supplies	2,023,860	1,951,590	72,270	96
Group personal insurance	1,593,163	1,224,238	368,925	77
Building insurance	863,763	863,763	-	100
Motor vehicle insurance	1,519,959	1,500,000	19,959	99
Medical insurance	21,738,529	21,462,325	276,204	99
Education and library supplies	130,900	130900	-	100
Constituency office expenses	21,600,000	21,600,000	-	100
Temporary committee expenses	2,030,530	1,918,110	112,420	95
Purchase of uniforms and clothing-staff	680,000	646,550	33,450	95
General office supplies	4,670,856	3,432,886	1,237,970	74
Refined fuels and lubricant for transport	3,750,000	3,542,165	207,835	95
Bank charges	120,000	120,000	-	100

Contracted guards and cleaning services	3,451,520	2,595,416	856,104	75
Membership fees, dues and subscription to bodies	3,500,000	3,499,270	730	100
Legal dues/fees, arbitration and compensation payments	500,000	500,000	-	100
Laundry expenses	519,776	362,676	157,100	70
Constituency office expenses	2,006,000	2,006,000	-	100
Maintenance expenses-Motor vehicles	5,000,000	2,968,423	2,031,577	59
Maintenance expenses-Office furniture and equipment	210,000	88,144	121,856	42
Donations	3,000,000	2,728,558	271,442	91
Budget reserve	16,000,000	16,000,000	-	100
Purchase of computers, printers and other IT equipment	1,469,700	1,039,700	430,000	71
Purchase of other office equipment	4,000,000	630,400	3,369,600	16
Purchase of ICT Networking equipment	44,960	53,000	(8,040)	118
Housing loans to public servants	25,000,000	25,000,000	-	100
Payables from previous financial period	3,851,378	3,706,967	144,411	96
Total Recurrent	**792,116,982**	**776,331,409**	**15,785,573**	
Development Expenditure				
Non-Residential buildings(offices, schools, hospitals, etc)	50,000,000	18,988,711	31,011,289	38
Payables from previous fy	64,069,920	61,173,156	2,896,764	96
Total Development Expenditure	**114,069,920**	**80,161,867**	**33,908,053**	70
Gross Total	**906,186,902**	**856,493,276**	**49,693,626**	

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015-2016	2014-2014
		Kshs.	Kshs.
Balance B/F		67,671,299	101,056,545
RECEIPTS			
Transfer from National Treasury	1	838,515,605	665,839,565
TOTAL REVENUES		906,186,904	766,896,110
PAYMENT			
Compensation of Employees	2	438,699,705	384,420,876
Use of goods and services	3	310,908,604	222,092,191
Other grants and transfers	4	25,000,000	-
Acquisition of Assets	5	81,884,967	92,711,744
TOTAL PAYMENTS		856,493,276	699,224,811
BALANCE C/D		49,693,628	67,671,299

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 2016.

Clerk- County Assembly of Meru

Director- Finance and Accounts

VI. STATEMENT OF ASSETS

	Note	2015-2016	2014-2015
		Kshs.	Kshs.
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	6	49,693,627	67,671,299
Total Cash and Cash Equivalents		49,693,627	67,671,299
Fund Balance B/F	7	67,671,299	101,056,545
Surplus/Deficit for the Year		(17,977,671)	(33,385,246)
NET FINANCIAL POSITION		49,693,627	67,671,299

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 2016.

Clerk- County Assembly of Meru

Director- Finance and Accounts

VII. STATEMENT OF CASHFLOW

	Note	2015-2016 Kshs.	2014-2015 Kshs.
CASHFLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Transfers from National Treasury	1	838,515,605	665,839,565
		838,515,605	665,839,565
Payments for operating expenses			
Compensation of Employees	2	438,699,705	384,420,876
Use of goods and services	3	310,908,604	222,092,191
Other grants and transfers	4	25,000,000	-
		774,608,309	606,513,067
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	5	81,884,967	92,711,744
		81,884,967	92,711,744
NET INCREASE IN CASH AND CASH EQUIVALENT		(17,977,671)	(33,385,246)
Cash and cash equivalent at BEGINNING of the year	7	67, 671,299	101,056,545
Cash and cash equivalent at END of the year		49,693,627	67,671,299

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 2016.

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	67,671,299		67,671,299	67,671,299		
RECEIPTS						
Exchequer releases	838,515,605		838,515,605	838,515,605		
Total Receipts	**906,186,904**		**906,186,904**	**906,186,904**		
Payments						
Compensation of Employees	486,514,723	47,439,022	439,075,701	438,699,705	375,996	100%
Use of Goods and Services	278,002,259	44,524,362	322,526,621	310,908,604	11,618,017	96%
Other Grants and Transfers	-	25,000,000	25,000,000	25,000,000	-	100%
Acquisition of Assets	116,669,921	2,194,660	119,584,581	81,884,967	37,699,614	68%
Total	**881,186,903**	**25,000,000**	**906,186,903**	**856,493,276**	**49,693,627**	**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 2016.

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	32,637,610		32,637,610	32,637,610		
RECEIPTS						
Exchequer releases	753,964,712		753,964,712	753,964,712		
Total Receipts	**786,602,322**		**786,602,322**	**786,602,322**		
Payments						
Compensation of Employees	486,514,723	47,439,022	439,075,701	438,699,705	375,996	100%
Use of Goods and Services	278,002,259	44,524,362	322,526,621	310,908,604	11,618,017	96%
Other Grants and Transfers	-	25,000,000	25,000,000	25,000,000	-	100%
Total	**764,501,982**	**22,085,340**	**786,602,322**	**774,608,309**	**11,994,013**	**98%**

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 2016.

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	35,033,688		35,033,688	35,033,688		
RECEIPTS						
Exchequer releases	84,550,893		84,550,893	84,550,893		
Total Receipts	**119,584,581**		**119,584,581**	**119,584,581**		
Payments						
Acquisition of Assets	2,600,000	2,194,660	5,514,660	1,723,100	3,791,560	31%
Other Expenses	114,069,921		114,069,921	80,161,867	33,908,054	70%
Total	**116,669,921**	**2,194,600**	**119,584,581**	**81,884,967**	**37,699,614**	**68%**

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 2016.

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

	2015-2016	2014-2015
	Kshs.	Kshs.
Total exchequer releases for quarter 1	227, 728, 634	87,382,162
Total exchequer releases for quarter 2	242,148,438	131,073,243
Total exchequer releases for quarter 3	223,859,593	181,639,411
Total exchequer releases for quarter 4	144,778,940	265,744,750
Total	**838,515,605**	**665,839,565**

2. COMPENSATION OF EMPLOYEES

	2015-2016	2014-2015
	Kshs.	Kshs.
Basic salaries of permanent employees	162,432,719	135,589,392
Basic wages of temporary employees	35,116,000	32,266,640
Personal allowances paid as part of salary	204,710,245	211,746,993
Personal allowances paid as reimbursements	-	1,500,000
Pension and other social security contributions	36,227,141	3,082,852
Compulsory national social security schemes	213,600	232,000
Total	**438,699,705**	**384,420,876**

3. USE OF GOODS AND SERVICES

	2015-2016	2014-2015
	Kshs.	Kshs.
Utilities, supplies and services	1,114,502	782,635
Communication, supplies and services	1,389,991	2,353,710
Domestic travel and subsistence	136,445,986	94,022,404
Foreign travel and subsistence	5,000,000	14,000,000
Printing, advertising and infor. Supplies and services	3,054,766	10,964,353
Rentals of produced assets	1,488,800	21,831,034
Training expenses	25,924,463	12,280,559
Hospitality supplies and services	61,593,705	26,240,689
Insurance costs	25,050,326	20,503,029
Specialized materials and services	777,450	651,936
Office and general supplies and services	3,432,886	3,240,200
Other operating expenses	35,330,030	10,018,200
Routine maintenance- vehicles and transport equip	2,968,423	1,118,524
Routine maintenance- other assets	88,144	262,648
Fuel, oil and lubricants	3,542,165	3,822,270
Payables from previous financial year	3,706,967	-
Total	**310,908,604**	**222,092,191**

4. OTHER GRANTS AND OTHER PAYMENTS

	2015-2016	2014-2015
	Kshs.	Kshs.
Other current transfers and grants	25,000,000	-
Total	**25,000,000**	-

5. ACQUISITION OF ASSETS

	2015-2016	2014-2015
	Kshs.	Kshs.
Construction of buildings	-	80,681,139
Overhaul and refurbishment of chamber	80,161,867	-
Purchase of office furniture and Gen equip	630,400	7,745,025
Purchase of ICT Equip	1,092,700	4,055,500
Purchase of specialized equip and machinery	-	230,080
Total	**81,884,967**	**92,711,744**

6. A. BANK ACCOUNTS

Name of bank, account No. & Currency	Amount in bank A/c currency	Recurrent, development	Exc rate (foreign) Currency	2015-2016	2014-2015
				Kshs.	Kshs.
Equity bank- 0140261449618		Imprest A/C		-	33,957,324
IFMIS		Recurrent		20,174,600	33,713,975
IFMIS		Development		29,519,028	
TOTAL				**49,693,627**	**67,671299**

B. REVOLVING FUND ACCOUNT

Name of bank, account no & currency	Amount in bank account currency	2015-2016	2014-2015
		Kshs.	Kshs.
Equity bank- 0140267706704		25,000,000	-
Total		**25,000,000**	**-**

7. BALANCES BROUGHT FORWARD

Name of bank, account no & currency	Amount in bank account currency	2015-2016	2014-2015
		Kshs.	Kshs.
Equity bank- 0140261449618		33,957,324	-
CBK- Recurrent		33,713,973	101,056,545
Total		**67,671,299**	**101,056,545**

8. OTHER IMPORTANT DISCLOSURES

8.1: PAYABLES (See Annex 1)

	2015-2016	2014-2015
	Kshs.	Kshs.
Pending bills	21,658,245	67,671,305
Total	**21,658,245**	**67,671,305**

9. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No. on the external Audit Report	Issue/Observation from Auditor	Management Comments	Focal Point person to resolve the issue	Status	Time frame
1	Budgetary control and performance	Making realistic budgets	Finance Office	Resolved	
2	Late transfer of unspent funds to CRF	Unspent funds are re-budgeted for the following year	Budget unit	Resolved	
3	Foreign travel	Strict rules on approval of foreign trips	Speaker and Clerk	Resolved	
4	Un-procedural award of tender on modernization of chamber	The overpayment of Kshs. 456,729 to be refunded	Speaker and Clerk	Unresolved	June 2017
5	Non-Establishment of an Internal Audit Committee	Establishment of Internal Audit Committee	Speaker and Clerk	Resolved	
6	Direct procurement of county assembly Speaker's residential house	The speaker's residence was fairly procured	The Clerk	Resolve	
7	ICT environment	IFMIS in full operation	Finance Office	Resolved	

8	Irregular hire of ward offices	MCAs were in need of offices	Procurement Officer	Unresolved	June 2017
9	Irregular recruitment of county ward employees	SRC gave guidelines on recruitment	The Clerk and MCAs	Partly solved	June 2017
10	Unrecovered taxes paid for MCAs and Staff	The funds to be recovered from MCAs dues	Principal Accountant	Unresolved	May 2017
11	Incomplete fixed assets register	Fixed assets fully updated	Finance Officer	Resolved	

Clerk-County Assembly

Director- Finance and Accounts

ANNEX 1: PENDING BILLS FOR THE FY 2015/2016

	SUPPLIER	PURPOSE	INVOICE NO.	AMOUNT
				Kshs.
1	TOYOTA KENYA	MAINTENANCE OF SPEAKERS' OFFICIAL VEHICLE		887,945
2	EDUNA EAST AFRICAN LTD	CURTAINS AND VERTICAL BLINDS		3,300,000
3	BETTY NKATHA	MILK	AC01121/1	20,475
4	REAL SMART SYSTEMS	FUMIGATION AND PEST CONTROL		191,864
5	JUSTINE KIOGORA	TONNERS	AC01047	13,500
6	MULI BOOKSELLERS	GENERAL OFFICE SUPPLIES		510,000
7	OPERANDS LIMITED	ANTIVIRUS/HANSARD EQUIPMENT		386,500
8	EMAGINE CO. LTD	TONERS/CARTRIDGES		809,200
9	TECH HUB SOLUTIONS	INTERNET SERVICES FEB & MAR		159,816
10	EMAGINE COMPANY LTD	TONNERS55A,PRINTING PAPER		715,700
11	KRA	PAYE-CLERK OF WORKS	AC01004	13,432
12	MILLNIC ENTERPRISES	DRINKING WATER	AC01076	110,000
13	EQUITY BANK	CASUAL WAGES	AC01033	48,188
14	ANDREW MWITHALI	LUNCH ALLOWANCE	AC1006	4,250
15	HON. JOSEPH KABERIA	LUNCH FOR SPEAKERS GUESTS	AC1005	8,060
16	PHINEAS MWENDA	NIGHT OUT AND TRANSPORT	AC982/1	31,000
17	NATION MEDIA GROUP	ADVERTISEMENT	AC0945	65,772
18	COMMISIONER OF INCOME TAX	K& M ARCHPLANS	AC0739	272,472
19	IDEAL SECURITY LTD	PROVISION OF SECURITY SERVICES	AC01002	329,346
20	GATIMENE GARDENS	DAY CONFERENCE	AC0813	392,700
21	BENSON KINYUA	MCAS ALLOWANCES	AC0572/1	714,000
22	STANLEY MURITHI RUKUNGA	RESPONSIBILITY ALL	AC0966	8,572
23	CLINKS EAST AFRICA LTD	SCAPPERS,HAND GLOVES,HEDGE TRIMMER	AC0908	107,500
24	GATIMENE GARDENS	LUNCHEON	AC0814/2	81,170
25	CLERK-COUNTY ASSEMBLY	PUBLIC PARTICIPATION	AC01153/1	2,078,709
26	EQUITY BANK	WARD OFFICE RENT (APR-JUNE 2016)		2,661,000
27	TECHHUB SOLUTIONS LTD	KYOCERA BLACK TONNER	AC0879	305,000
28	INCOME TAX	PAYE		3,012,498
29	MUTINDWA ENTERPRISES	M/VEHICLE MAINTENANCE		1,358,202
30	LALJI RAMJI FILLING STATION	FUEL		1,542,346
	DEVELOPMENT			
1	DELTA AYEMAN CONTRACTORS			1,519,027
		TOTAL RECURRENT		**21,658,244.87**

ANNEX 2: SUMMARY OF FIXED ASSETS

	2015-2016	2014-2015
	Kshs.	Kshs.
Motor Vehicles	30,154,773	-
Refurbishment of chamber	160,843,006	80,6841,139
Office furniture and office equipment	13,918,067	7,745,025
ICT equipment	12,126,859	4,285,580
TOTAL	**217,042,707**	**92,711,744**

The above summary of fixed assets does not include the land and building 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.