

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

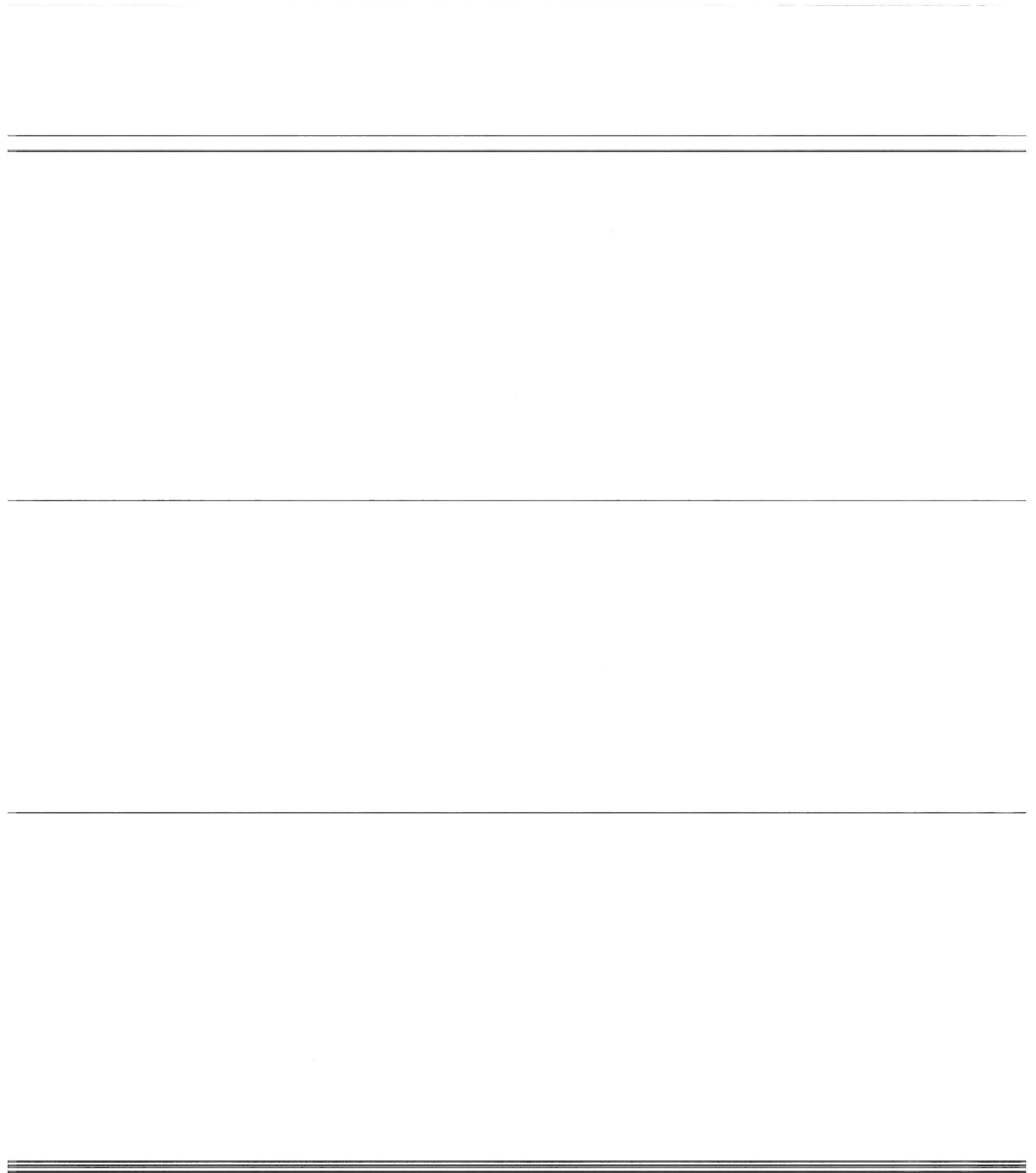
NATIONAL ASSEMBLY	
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THE AUDITOR-GENERAL

ON

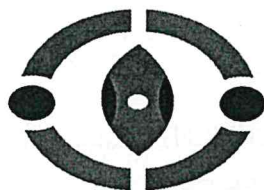
**INTERGOVERNMENTAL RELATIONS
TECHNICAL COMMITTEE (IGRTC)**

**FOR THE YEAR ENDED
30 JUNE, 2019**





Revised Template 30th June 2019



IGRTC
INTERGOVERNMENTAL
RELATIONS TECHNICAL
COMMITTEE

Consultation, Cooperation & Coordination in Devolution

International Public Sector Accounting Standards (IPSAS)
Annual Financial Reporting Template for
Regulatory and Other Non – Commercial Government Owned Entities
*(Semi - Autonomous Government Agencies and Public Funds Established by an Act of Parliament
or a Legal Notice)*

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE

REGULATORY AND OTHER NON-COMMERCIAL ENTITIES

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2019

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

Intergovernmental Relations Technical Committee
Annual Reports and Financial Statements
For the year ended June 30, 2019

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I. KEY ENTITY INFORMATION AND MANAGEMENT

Background information

IGRTC is a state agency responsible for the day to day functioning of the National and County Government Co-ordinating Summit (the summit) and the Council of County Governors (CoG). By law, it is charged with the responsibility of facilitating the activities of the Summit and CoG, as well as implementing the decisions of the two bodies. IGRTC was established in the fifth year of the implementation of the Constitution of Kenya, 2010 and the third year of the implementation of the system of devolved government established by the Constitution.

Vision Statement

Harmonious and effective intergovernmental relations.

Mission Statement

To support successful devolution through cooperative, consultative and coordinating intergovernmental relations

Mandate

Section 12 of the Intergovernmental Relations Act, 2012 states that the IGRTC shall:

- (a) Be responsible for the day to day administration of the Summit and of the Council and in particular
 - (i) Facilitate the activities of the Summit and of the Council; and
 - (ii) Implement the decisions of the Summit and of the Council;
- (b) Take over the residual functions of the transition entity established under the law relating to transition to devolved government after dissolution of such entity;
- (c) Convene a meeting of the forty-seven County Secretaries within thirty days preceding every Summit meeting; and
- (d) Perform any other function as may be conferred on it by Summit, the Council, this Act or any other legislation.

Core Values

- a) **Professionalism:** IGRTC members and staff will be guided by the constitution, the law and administrative competency in the delivery of services to the institution's stakeholders. The institution will place a premium on delivering outputs that are technically sound.
- b) **Accountability:** IGRTC will be primarily accountable to the Summit and the Council of Governors. As a public entity, it will ultimately be accountable to the Kenyan people through the relevant oversight institutions and the appropriate forms of public participation in its programmes
- c) **Impartiality:** IGRTC members and staff will provide unbiased services, including advice to the Summit and the Council of Governors.
- d) **Transparency:** IGRTC will conduct its affairs openly and grant oversight institutions the access to information that they require to hold it to account to the Kenyan people.

Intergovernmental Relations Technical Committee
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e) **Integrity:** IGRTC will conduct all its affairs above board and will, amongst others, enforce a policy of zero tolerance to corruption. It will comply with integrity requirements in public service.

f) **Public participation:** IGRTC will involve members of the public in diverse ways, as appropriate, in the formulation of policies and its other work.

Key Management

The IGRTC day-to-day management is under the following key organs:

- Chairman
- Members
- Chief Executive Officer/ Secretary
- Directors
- Heads of Departments

Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Peter K. Leley
2.	Senior Accountant	John K. Kimathi

FIDUCIARY OVERSIGHT ARRANGEMENTS

1. Finance and Institutional Development Committee

Deals with day to today operations on internal financial and administrative issues while ensuring that programmes and activities are implemented as planned and that they are within the budget

2. Audit committee

This is an internal oversight committee responsible for systems and expenditure review and advises management on necessary internal controls aimed at securing and safeguarding the assets of the organization.

OVERVIEW

The Intergovernmental Relations Technical Committee (IGRTC) is established pursuant to section 11 of the Intergovernmental Relations act 2012 with responsibility of the day to day administration of the summit and the council of Governors among other functions. It also took over residual functions of the defunct Transition Authority which was established under the law relating to transition to devolved government.

The IGRTC was set in motion following the appointment of members by the Cabinet Secretary Ministry of Devolution and Planning In march 2015. The team comprises of the chairman and seven other full-time members and the Principal Secretary, State Department of Devolution.

Kenya Regulatory & Non - Commercial (Indicate actual name of the entity)
Annual Reports and Financial Statements
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a. Full-time members



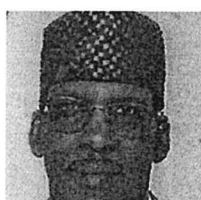
Mrs. Njambi Muchane
-Member



Prof Karega Mutahi,
CBS-Chairman



Prof Shanyisa
Khasiani -Member



Dr. Billow Khalid -
Member



Ms. Allyce Kureiya –
Vice Chairperson



Prof Judith Miguda-
Attyang -Member



I Dr. Nyeris Raymond-
Member



Mrs Angeline Hongo-
Alt Member



Dr. Francis Fondo -
Member



Mr. Peter Leley
Chief Executive Officer

b. Members

The Principal Secretary in the State department responsible for matters relating to devolution.

The members of the Committee listed in (a) above, apart from the secretary, may designate an officer from their respective State department to represent them.

Since inception in March 2015, the IGRTC has accomplished various tasks in fulfilment of its mandate. The tasks continue being implemented in consultation and partnerships with the County Governments, Government Ministries, Departments and Agencies (MDAs), the Constitutional and Independent offices including Commission on Revenue Allocation (CRA), Office of Auditor General, Office of Controller of Budget; Development partners and Non- State Actors among others.

(a) Entity Headquarters

Parklands Plaza
MEZZANINE, 3TH & 4TH Floor.
Nairobi, KENYA

Entity Contacts

Parklands Plaza
P.O. Box 44880-00100
NAIROBI.
Telephone:
Landline: 0202101489
E-mail: info@igrtc.go.ke, igrtc2015@gmail.com
Website: www.igrtc.go.ke

(b) Entity Bankers

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

(c) Independent Auditors

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

(d) Principal Legal Adviser

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

II. FORWARD BY THE CHIEF EXECUTIVE OFFICER

It gives me great pleasure to present the 2018/2019, Intergovernmental Relations Technical Committee (IGRTC) Financial Report. The IGRTC is responsible for facilitating the activities of the Summit and CoG, as well as implementing the decisions of the two bodies. It also took over residual functions of the defunct Transition Authority which was established under the law relating to transition to devolved government that is the Transition to Devolved Government Act (TDGA) 2012. During this reporting period, there were considerable achievements in the various departments and committees of the IGRTC. I am confident to state that the Committee worked diligently to deliver desirable results while leveraging opportunities that arose from time to time. Strategically, the Committee adopted and implemented practical approaches, which continue to guide the transition process, while drawing from successful models around the world.

The end of the financial year is a perfect time to take stock. The Committee continued to deliver on its mandate and seek more effective and efficient ways to support devolution. With county governments in place and most process taking off, the Committee has focused more on operational issues.

Key among them is;

- ▶ **Summit meetings.** IGRTC Organized and managed Summit meetings and Implemented the resolutions of the Summit.
- ▶ **The Assets and liabilities for the defunct local authorities.** IGRTC in consultation with IBEC and MODP developed framework for the verification and transfer of the assets and liabilities of the defunct local authorities to the County Governments.
IGRTC facilitated and coordinated the exercise in line with Gazette Notice no. 2701 dated 24th march 2017, which established institutional structures for the identification, verification and validation of the assets and liabilities belonging to the Defunct Local Authorities as at 27th March 2013.

To deliver on its mandates, IGRTC required funding. During the 2018/2019 Financial Year, IGRTC approved recurrent budget was Kshs.444,920,000. Under the same period, total expenditure amounted to Kshs 344,810,451 leaving a balance of Kshs 100,109,549. This expenditure represents an absorption rate of 77.5%

We at IGRTC are committed to ensuring that the Committee continues to utilize its budgetary allocation for the intended purposes. I would therefore urge all our stakeholders to continue supporting our activities, so that we can collectively achieve success and entrench devolution in our country.

KEY ACHIEVEMENTS

Transfer and verification of Assets and liabilities of the defunct local authorities.

The Committee continued to engage other stakeholders in verification of public Assets and liabilities. Towards this end IGRTC in consultation with the IBEC and MODP issued gazette notice number 2701 dated 24th march 2017 establishing the institutional structure for identification, verification and validation of assets and liabilities of the defunct Local authorities as at 27th March 2017.

Ultimately, draft reports have been prepared and hand over process is in progress.

Summit Meeting

In preparation for the summit meeting, IGRTC convened a meeting of all the 47 County Secretaries on 7th November 2016, pursuant to the provisions of section 12 (c) of the Intergovernmental Relations Act 2012. The meeting deliberated on matters of devolution in general and challenges facing intergovernmental relations. IGRTC prepared a report of the proceedings which will be shared with all county governments and relevant stakeholders.

Alternative Dispute Resolution (ADR)

Pursuant to section 33 of the IGR Act 2012, IGRTC is mandated to resolve intergovernmental disputes. As such, IGRTC has been instrumental in mediating disputes between and amongst the two levels of government. The disputes that IGRTC has successfully resolved include:

- ▶ Dispute between the Office of the Governor and the Office of the County Commissioner in West Pokot County over ownership of an Office Block. This dispute was amicably resolved
- ▶ Land ownership between Tharaka Nithi County Government and the Department of Prisons. Both parties have agreed to dialogue.
- ▶ Nairobi City County Government and Ministry of Agriculture, Livestock and Fisheries over the function of Meat inspection
- ▶ Ministry of Lands and Physical Planning and Kirinyaga and Embu County Governments over Mwea Settlement Scheme. Negotiations still ongoing.

Cost of Litigation

IGRTC, in conjunction with relevant stakeholders commissioned a study to establish the cost of litigation on intergovernmental-related issues and identify the challenges of operating without an ADR mechanism in place. The study will give a comprehensive report on ongoing court cases; the cost of litigation; recommendations on how to avoid litigation and embrace Alternative Dispute Resolution (ADR)

Civic Education and Public Participation

IGRTC commissioned a study on the status of public participation in both the National and County Governments and the report was launched on 30th August 2016 and disseminated the findings to the stakeholders. Among the key findings of the study was the general low level of funding of public participation in the country, a matter that had been identified during the Summit meeting of 10-11th February 2016 where the need to enhance the funding was identified.

Agriculture Levies and Licenses

IGRTC convened meetings with key stakeholders comprising of AFA, KRB and CoG to discuss the matter. It was resolved the National government would issue licenses for export and import while the counties would issue national ones.

Transfer of functions

The pending activities under transfer of functions involved, among others, strategic intervention on emerging issues arising from implementation of transferred functions and further unbundling and costing of residue functions.

IGRTC commissioned a study to identify various dynamics regarding transfer of devolved functions. These include identifying the functions that have been transferred but are still being performed by national government or are not yet operationalized by county governments.

IGRTC will also analyze the framework for management of concurrent functions and unbundling of functions relating to Regional Development Authorities, roads sector and water service boards which have an element of devolved functions

Rationalization and deployment of staff framework.

IGRTC is part of the process of inter-agency initiative spearheaded by the Public Service Commission for development of mechanisms for management of human resource in the health sector. IGRTC has also continued coordinating the process of posting of post-internship medical personnel where 693 medical officers, 152 pharmacists and 49 dental officers have been posted so far.

STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed in the Public Sector Accounting Standards Board of Kenya from time to time.

~~The Accounting Officer in charge of IGRTC is responsible for the preparation and presentation of the IGRTC's financial statements, which give a true and fair view of the state of affairs of the IGRTC for and as at the end of the financial year (2017/2018) ended on June 30, 2019.~~

This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (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 IGRTC; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

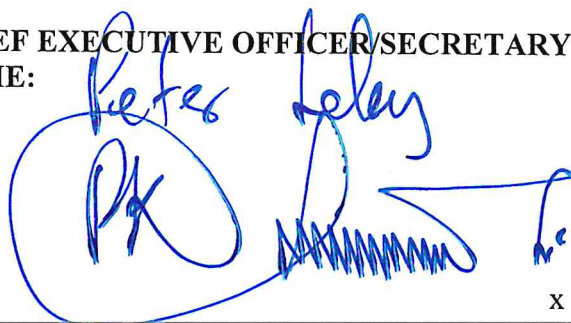
The Accounting Officer in charge of the IGRTC accepts responsibility for the Authority's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the IGRTC's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2019, and of the Committee's financial position as at that date. The Accounting Officer in charge of the IGRTC further confirms the completeness of the accounting records maintained for the Committee, which have been relied upon in the preparation of the Committee's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the IGRTC confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity'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 Accounting Officer confirms that the IGRTC'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 entity's financial statements were approved and signed by the Accounting Officer on 27/9/ 2019.

CHIEF EXECUTIVE OFFICER/SECRETARY
NAME:

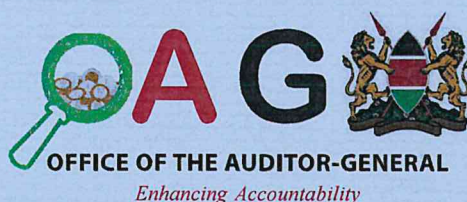

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SENIOR ACCOUNTANT

NAME: John K. Kinathi
ICPAK No. 23401


REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE (IGRTC) FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Intergovernmental Relations Technical Committee (IGRTC) set out on pages 1 to 20, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, the statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit

In my opinion, except for the effects 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 Intergovernmental Relations Technical Committee as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Intergovernmental Relations Act, 2012 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Presentation of Financial Statements

Section 2.2.2. of Gazette Notice No 5440 of 2014 that established the Public Sector Accounting Standards Board, states that semi-autonomous Government Agencies such as the IGRTC shall apply Accrual-Based International Public Sector Accounting Standards.

Although the statements for the year under review have been correctly prepared using the Standards, the previous year's statements were prepared under cash basis and have not been restated as required by International Public Sector Accounting Standards 3-Accounting Policies, Changes in Accounting Estimates and Errors.

In the circumstance, the financial statements do not conform to International Public Sector Accounting Standards and the reporting requirements set by the Public Sector Accounting Standards Board.

2.0 Unconfirmed Prior Year Balances

Several of the previous (2017/18) financial year balances reflected in the financial statements for the year under review do not tally with identical account balances reflected in the certified financial statements for 2017/2018 as tabulated below:

		Comparative	Certified	
		Balance in	Balance	
		2018/2019	2017/2018	
		Financial	Financial	Unexplained
		Statements	Statements	Variance
		(Kshs.)	(Kshs.)	(Kshs.)
Item				
1.	Training Expenses	3,981,021	5,359,221	1,378,200
2.	Contracted Professional Services	12,888,003	Nil	12,888,003
3.	Office and General Supplies (Paper, Pencils, Forms)	9,932,802	11,471,008	1,538,206
4.	Acquisition of Assets	0	21,399,710	21,399,710
5.	Surplus	18,473,721	3,141,953	15,331,768
6.	Depreciation and Amortization	6,067,942	Nil	6,067,942

In view of the unexplained variances, the accuracy and validity of the financial statements for the year under review could not be confirmed.

3.0 Property, Plant and Equipment

The statement of financial position reflects a property, plant and equipment balance totalling Kshs.24,133,251 as at 30 June, 2019. However, Management does not maintain an assets register on the fixed assets owned by the Committee.

In addition, eight (8) vehicles previously owned by the defunct Transitional Authority that were indicated to have been transferred to the Committee were not disclosed in the schedule of property, plant and equipment and further, logbooks for the vehicles were not provided for audit verification.

As a result, it was not possible to confirm the completeness of the balance totalling Kshs.24,133,251 and the nature, values and locations of the fixed assets owned by the Committee.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Intergovernmental Relations Technical Committee Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no key Audit Matters to report in the year under review.

Other Matter

Unresolved Prior Year Issues

The audit report for the previous year highlighted several matters that included discrepancies in presentation of the financial statements, accuracy and completeness of balances reflected in the statements, acquisition of assets and purchase of goods and services. The matters had not been resolved by the end of financial year under review on 30 June 2019.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Basis for Lawfulness and Effectiveness in use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Irregular Appointment of Members of the Committee

Section 11 of the Intergovernmental Relations Act, 2012 provides that members of the Committee shall be appointed by the Summit. However, the members of the Committee in office as at 30 June, 2019 were appointed by the Cabinet Secretary for Devolution and not the Summit. Consequently, the appointments were made in breach of the Law.

2.0 Irregular Purchase of Airtime

The statement of financial position reflects payments totalling Kshs.177,631,475 in respect of use of goods and services for the year ended 30 June, 2019. Examination of records on use of goods and services expenditure indicated that Ksh.2,361,000 was spent on purchase of airtime through cash purchases instead of the competitive Request of Quotation procurement process prescribed in Section 105 of the Public Procurement and Asset Disposal Act, 2015.

Consequently, Management acted in breach of the law and further, value for money may not have been obtained on the expenditure totalling Ksh.2,361,000 spent on the procurement.

3.0 Insufficient Disclosures on Rental Contract

Expenditure records indicated that Kshs.49,784,537 was spent on rental expenses paid for the lease of the Committee's office in Nairobi City. However, the respective lease agreement was not registered by the Lands Registrar and further, the lease was drawn between the landlord and the Government of Kenya without reference to the Committee.

In the absence of sufficient information, the validity and value for money on the rental expenditure totalling Kshs.49,784,537 spent by the Committee on rent in the year under review could not be confirmed.

4.0 Mismatched Staff Establishment

The Committee had an authorized staff establishment of one-hundred and eighteen (118) employees as at 30 June, 2019. However, only fifty-four (54) were in post resulting in a deficit of sixty-four (64) Officers. However, some cadres had been overstaffed as follows:

- the authorized establishment of five (5) for Officer II/Senior Clerical Officer-Scale 10 had nine (9) in post resulting in an excess of four (4) officers and
- the Drivers/Office Assistants- Scale 12 with an authorized establishment of two (2), had seven (7) in post resulting to an excess of five (5).

No satisfactory explanation was provided by Management for the failure to observe the prescribed establishment while hiring staff.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, except for the matter described in the Conclusion on Effectiveness of Internal Controls section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Failure to Establish an Internal Audit Function

Contrary to the requirements set in Section 73(a) of the Public Finance Management Act, 2012, the Committee did not have an Internal Audit Unit during the year under review. As a result, its internal control and oversight systems were not properly established and the risk of ineffective use of resources and non-adherence to laws and regulations was high.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The Standard requires that I plan and perform the audit so as to obtain assurance about whether effective processes and systems of internal control, risk management and governance were maintained in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the ability of the Committee to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to dissolve the Committee.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public money is applied in an effective manner.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 Committees' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Committee 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 Committee to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

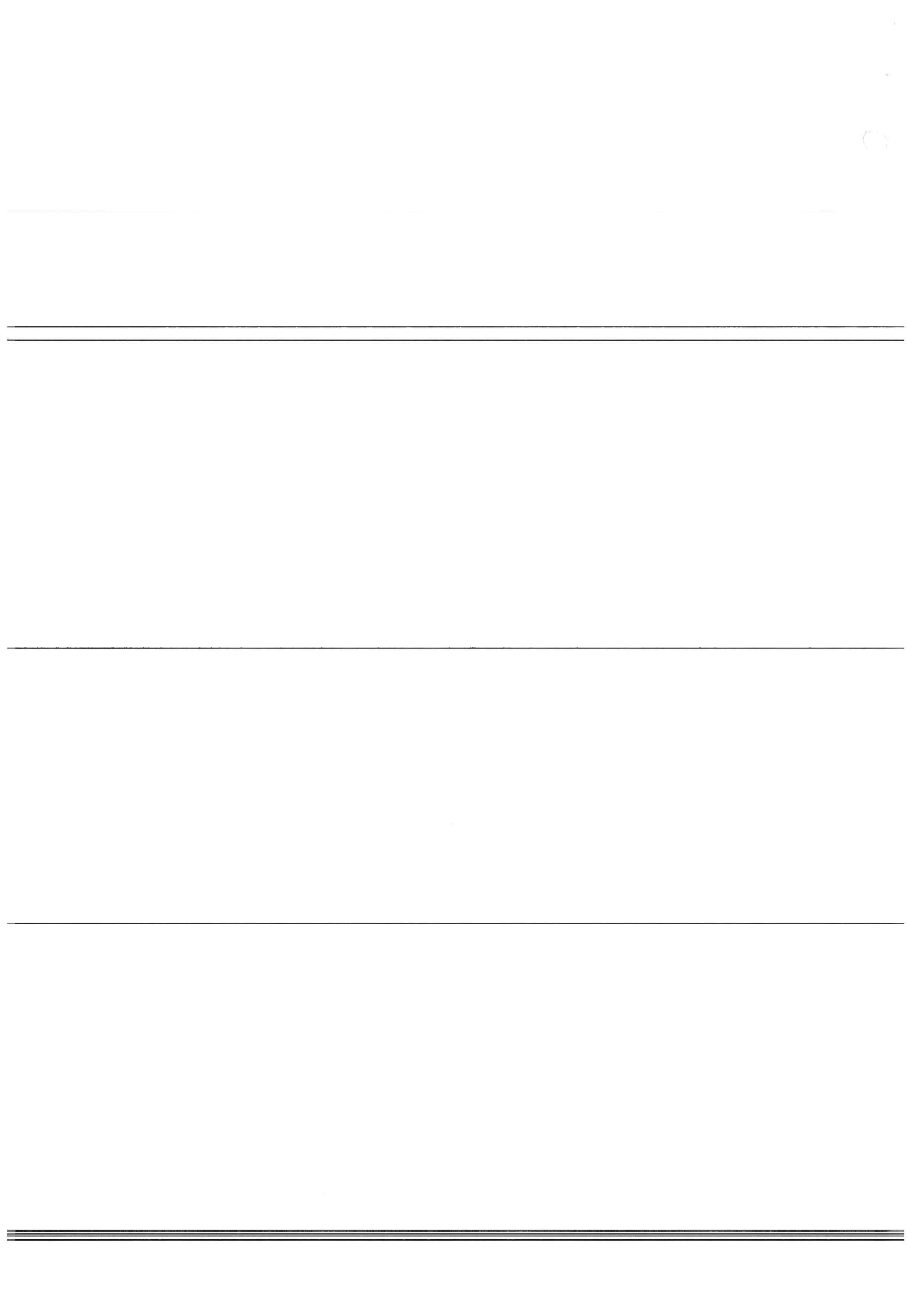
I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

07 January, 2022



Kenya Regulatory & Non - Commercial (Indicate actual name of the entity)
Annual Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from State Department for Devolution	6	444,920,000	350,552,000
Total revenue		444,920,000	350,552,000
Expenses			
Use of goods and services	7	177,604,776	174,050,719
Employee costs	8	106,907,774	80,660,555
Depreciation and amortization expense	9	6,309,994	6,067,942
Repairs and maintenance	10	17,434,921	16,269,912
Contracted services	11	3,074,761	12,888,003
Grants and subsidies	12	16,383,633	10,569,088
General expenses	13	17,094,592	31,572,059
Total expenses		344,810,451	332,078,279
Surplus before tax		100,109,549	18,473,721
Surplus/(deficit) for the period/year		100,109,559	18,473,721
Net Surplus for the year		100,109,559	18,473,721
Attributable to:			
Surplus attributable to owners of the controlling entity		100,109,559	18,473,721
		100,109,559	18,473,721

The notes set out on pages xxx to xxx form an integral part of these Financial Statements

Kenya Regulatory & Non - Commercial (Indicate actual name of the entity)
Annual Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	14	126,287,822	3,061,953
Total Current Assets		126,287,822	3,141,953
Non-current assets			
Property, plant and equipment	15	21,057,844	25,431,420
Total assets		147,345,666	28,573,373
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	16	16,340,036	0
Net assets		131,005,630	28,573,373
Accumulated surplus			2,322,708
Capital Fund			
Total net assets and liabilities		131,005,630	30,896,081

The Financial Statements set out on pages 1 to 20 were signed on behalf of the Board of Directors by:

Chief Executive Officer/Secretary

Name:

Date:

Peter Leles
27/09/19
[Signature]

Senior Accountant

Name

ICPAK Member Number:

Date

John K. Kinuthia
23401
27/9/19
[Signature]

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2019**

[illegible]

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
Capital/Development grants received during the year	-	-	-	-	-	1,936,418	1,936,418
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	6,309,994	6,309,994
Dividends paid – 2018	-	-	-	-	-	-	-
Interim dividends paid – 2019	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	109,947,786	-	21,057,884	131,005,630
At June 30, 2019							

– either on the

Note: 1. For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.

2. Prior year adjustment should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances need to be done.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

		2018-2019	2017-2018
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government grants State Department for Devolution		444,920,000	350,552,000
Total Receipts		444,920,000	350,552,000
Payments			
Compensation of employees		106,907,774	80660555
Goods and services		127,709,359	124,791,181
Rent paid		49,895,417	49,259,538
Other payments		37,604,274	39,727,004
Grants and subsidies paid		16,383,633	31,572,059
Total Payments		338,500,456	326,010,337
Net cash flows from operating activities	17	106,419,543	24,541,663
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(1,936,418)	(21,399,710)
Net cash flows used in investing activities		(1,936,418)	(21,399,710)
Cash flows from financing activities		104,483,125	3,141,953
Proceeds from borrowings		16,340,036	0
Net cash flows used in financing activities		16,340,036	0
Net increase/(decrease) in cash and cash equivalents			
		120,823,161	3,141,953
Cash and cash equivalents at 1 JULY 2018	18	5,464,661	2322,708
Cash and cash equivalents at 30 JUNE	19	126,287,822	5,464,661

Kenya Regulatory & Non - Commercial (Indicate actual name of the entity)
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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Government grants and subsidies	444,920,000	-	444,920,000	444,920,000	100%
Total income	444,920,000		444,920,000	444,920,000	
Expenses					
Compensation of employees	-	-	112,308,460	106,907,774	
Goods and services	-	-	223,571,540	127,709,359	
Finance cost	-	-	0	0	
Rent paid	-	-	50,000,000	49,895,417	
Purchase of Asset	-	-	2,500,000	1,936,418	
Other payments	-	-	40,000,000	37,604,274	
Gratuity-Civil servants	-	-	16,540,000	16,383,633	
Total expenditure	-	-	-	340,436,875	
Surplus for the period	-	-	444,920,000	104,483,125	

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

IGRTC is a state agency responsible for the day to day functioning of the National and County Government Co-ordinating Summit (the summit) and the Council of County Governors (CoG). By law, it is charged with the responsibility of facilitating the activities of the Summit and CoG, as well as implementing the decisions of the two bodies. IGRTC was established in the fifth year of the implementation of the Constitution of Kenya, 2010 and the third year of the implementation of the system of devolved government established by the Constitution.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *IGRTC's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *IGRTC*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. There were no sector combinations during the financial year.

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for <p>There were no financial affected by the application of this standard in the financial year</p>
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <p>IGRTC had no social benefit activity.</p>

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly on June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of ksh 167,580,000 on the 2018-2019 budget following the governing body's approval.

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

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

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

7. USE OF GOODS AND SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Electricity	1,883,982.00	929,062.00
Communication & postage	2,947,495.00	2,770,192.00
Travel Costs Local	72,894,039.00	34,395,902.00
Travel Costs Foreign	277,373.00	-
Printing and Publicity	11,746,690.00	15,797,521.00
Training expenses	3,084,112.00	3,981,021.00
Meetings and seminars	20,275,668.00	12,498,995.00
Fuel and Oils	14,600,000.00	8,070,000.00
Rental expenses	49,895,417.00	49,259,538.00
Total good and services	177,604,776.00	124,791,181.00

8. EMPLOYEE COSTS

	2018-2019	2017-2018
	KShs	KShs
Salaries and wages	70,623,650.00	70,850,108.00
House Allowance	28,417,584.00	7,815,320.00
Transport Allowance	2,112,000.00	0
Extraneous Allowance	1,666,500.00	0
Leave Allowance	4,088,040.00	1,995,127.00
Employee costs	106,907,773.75	80,660,555.05

9. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment	6,309,994	6,067,942
Intangible assets	0	0
Investment property carried at cost	0	0
Total depreciation and amortization	6,309,994	6,067,942

10. REPAIRS AND MAINTENANCE

Description	2018-2019	2017-2018
	KShs	KShs
General Repairs & Maintenance- Buildings	6,370,120.00	11,454,670.20
Vehicles	11,064,801.00	4,815,242.00
Total repairs and maintenance	17,434,921.00	16,269,912.20

11. CONTRACTED SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Medical Insurance	1,235,680.50	12,465,203.35
Contracted Professional Services	1,839,080.00	422,800.00
Property valuations	0	0
Total contracted services	3,074,760.50	12,888,003.35

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. GRANTS AND SUBSIDIES

Description	2018-2019	2017-2018
	KShs	KShs
Gratuity – Civil servants	16,383,633	31,572,059.
Total grants and subsidies	16,383,633	31,572,059

13. GENERAL EXPENSES

Description	2018-2019	2017-2018
	KShs	KShs
Purchase of Uniforms and Clothing - Staff	0	636,286.00
General office supplies (paper, Pencils forms)	6,822,260.00	6,116,802.00
Supplies and accessories for computers and Printers	10,272,332.00	3,569,000.00
Sanitary and cleaning materials, supplies	0	247,000.00
Total general expenses	17,094,592.00	10,569,088.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. CASH AND CASH EQUIVALENTS

Description	2018-2019	2017-2018
	KShs	KShs
CBK-Current Account number 1000304863	126,287,822	3,061,953
Total cash and cash equivalents	126,287,822	3,061,953

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Plant and equipment	Capital Work in progress	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2017			11,782,926.75					11,782,927
Additions			12,033,310.00	9,366,400.00				21,399,710.00
Disposals	0	0	-	-	0	-	0	0)
Transfers/adjustments	0	0	0	0	0	-	0	0
At 30 th June 2018	0	0	23,816,236.75	9,366,400	0	0	0	33,182,636.75
Additions	0	-	1,936,418.00	-	-	-	-	1936418.00
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
At 30 th June 2019	-	-	25,752,654.75	9366400	0	0	0	35,119,054.75
Depreciation and impairment								
At 1 July 2017								
Depreciation	0	0	1,683,275.25	0	-	-	-	1683275.0
Impairment	0	0	2,977,029.59	3,090,912.00	-	-	-	6,067,941.59
At 30 June 2018	-	-	-	-	-	-	-	-
Depreciation	-	-	4,660,304.84	3090912.00	-	-	-	7751216.844
Disposals	-	-	3,219,081.84	3,090,912.00	-	-	-	6,309,993.84
Impairment	-	-	-	-	-	-	-	-
Transfer/adjustment	--	-	-	-	-	-	-	-

Kenya Regulatory & Non - Commercial (Indicate actual name of the entity)
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At 30 th June 2019		-		7,879,386.69	6,181,824.00	-	-	-	14,061,211
Net book values									
At 30 th June 2019				17,873,268.06	3,184,576.00				21,057,844.
At 30 th June 2018		-	-	17,873,268.06	3,184,576.00	-	-	-	21,057,844
		-	-	19,155,931.91	6,275,488.00	-	-	-	25,431,420
[Include brief description of WIP as a footer.]									

Kenya Regulatory & Non - Commercial (Indicate actual name of the entity)
Annual Reports and Financial Statements
For the year ended June 30, 2019

16. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019 KShs	2017-2018 KShs
Trade payables	16,340,036.00	-
Payments received in advance	-	-
Employee advances	-	-
Third-party payments	-	-
Other payables	-	-
Total trade and other payables	16,340,036.00	-

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Develop- ment/Others	Total Amount - KES	Where Recorded/recognized			Others - must be specific	Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	
Ministry of Planning and Devolution	31/8/2018	Recurrent	70,750,000	-	-	-	-	70,750,000
Ministry of Planning and Devolution	18/10/2018	Recurrent	42,750,000	-	-	-	-	42,750,000
Ministry of Planning and Devolution	19/11/2018	Recurrent	65,090,000	-	-	-	-	65,090,000
Ministry of Planning and Devolution	8/2/2019	Recurrent	70,750,000	-	-	-	-	70,750,000
Ministry of Planning and Devolution	25/4/2019	Recurrent	70,750,000	-	-	-	-	70,750,000
Ministry of Planning and Devolution	16/5/2019	Recurrent	124,830,000	-	-	-	-	124,830,000
Total			444,920,000	-	-	-	-	444,920,000