

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

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OF

THE AUDITOR-GENERAL

ON

COUNCIL OF GOVERNORS

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

OFFICE OF THE AUDITOR GENERAL
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COUNCIL OF GOVERNORS

COUNCIL OF GOVERNORS

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)


THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 17 NOV 2021 DAY:
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Council of Governors
Annual Reports and Financial Statements
For the year ended June 30, 2019

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Council of Governors was established under section 19 of the Intergovernmental Relations Act (2012) with the mandate to provide a mechanism for consultation amongst county governments, share information on performance of the counties in execution of their functions, facilitate capacity building for governors and consider reports from other intergovernmental forums on national and county interests amongst other functions

The Council of Governors has a governing body as provided for under Section 19 of the Intergovernmental Act consisting of the Chairman, Deputy Chairman, co-opted the position of whip and Eighteen Committees

(b) Principal Activities

The Council provides a forum for;

- (i) Consultation amongst County Governments;
- (ii) Sharing of information on the performance of the counties in the execution of their functions with the objective of learning and promotion of best practices and where necessary, initiating preventive or corrective action;
- (iii) Considering matters of common interest to County Governments;
- (iv) Dispute resolution between counties within the framework provided under this Act
- (v) Facilitating capacity building for governors;
- (vi) Receiving reports and monitoring the implementation of inter-county agreements on inter-county projects; Council of Governors Strategic Plan 2017-2022, Council of Governors Strategic Plan 2017-2022
- (vii) Consideration of matters referred to the Council by members of the public;
- (viii) Consideration of reports from other intergovernmental forums on matters affecting National and County interests or relating to the performance of counties; and
- (ix) Performing any other function as may be conferred on it by this Act or any other Legislation or that it may consider necessary or appropriate.

(c) Key Management

The entity's day-to-day management is under the Accounting officer who is the Chief Executive Officer

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Jacqueline Mogeni
2.	Head of Finance	David Kisabuli
3.	Head of Procurement	James Kamau
4.	Head of Legal	Rosemary Njaramba
5.	Head of Human Resources	Caroline Odandi
6.	Head of Administration	Festus Omariba

(e) Fiduciary Oversight Arrangements

- *Audit and finance committee activities*

Audit Committee members;

During the period under review, the committee comprised of the following members;

- i. John Imbogo, CEC Kakamega County (Chair)
- ii. Patrick Owiti, National Treasury, (Member)
- iii. Eva Sawe, Legal Officer, (Member)

Their terms of reference include;

1) Financial Statements:

Review the Council's interim and annual financial statements.

2) Variances:

Obtain explanations from management for significant variances between comparative reporting periods and question management regarding any significant financial reporting issues raised during the fiscal period and the method of resolution.

3) Internal Controls:

Inquire as to the adequacy of the organisation's system of internal controls and review periodic reports from management regarding internal controls, which should include an assessment of risk with respect to financial reporting.

4) Auditor:

Non-audit Services: Approve all audit and non-audit services to be provided to the Council by the independent auditor. The Chair of the Committee may pre-approve such services on behalf of the Committee provided that such approvals are presented at the Committee meeting following such pre-approval. In order to obtain pre-approval, management should detail the work to be performed by the independent auditor and obtain the assurance from the independent auditor that the proposed work will not impair their independence.

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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

P.O. Box 4040-00100
Delta House - Westlands,
Waiyaki way
Nairobi, KENYA

(g) Entity Contacts

Telephone: (254) 20 221 4359
E-mail: info@cog.go.ke
Website: www.cog.go.ke

(h) Entity Bankers

Co-operative Bank of Kenya
Parliament road
P.O. Box 5772
City Square 00200
Nairobi, Kenya




Kenya Commercial Bank Ltd
Sarit Centre Branch
P.O.Box 48400, 00100
Nairobi, Kenya

National Bank of Kenya
Westlands Branch
P.O. Box 1613-00606
Nairobi

(i) Independent Auditors




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

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 <p>H.E Wycliffe Ambetsa Oparanya, EGH</p>	<p>Chairman, Governor Kakamega County</p>
 <p>H.E Mwangi Wa Iria</p>	<p>Vice Chairman, Governor Murang'a County</p>
 <p>H.E Prof. Kivutha Kibwana, EGH</p>	<p>Whip, Governor, Makueni County</p>

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MANAGEMENT TEAM

 <p>Jacqueline Mogeni</p>	<p>The Chief Executive Officer, who is also the Accounting Officer</p>
 <p>Rosemary Njaramba</p>	<p>Head of Legal</p>
 <p>CPA David Kisabuli</p>	<p>Head of Finance</p>
 <p>Caroline Odandi</p>	<p>Head of Human Resources</p>

CHAIRMAN'S STATEMENT



This report has been prepared in compliance with statutory obligations of the Intergovernmental Relations (IGRA) Act 2012, which establishes the Council of Governors. The mandate of the Council of Governors is anchored in section 20 of the Act. I would like to congratulate my peers for their continuous efforts in driving the agenda of devolution forward and relentlessly fighting to ensure devolution to work. The Financial Year 2018/2019 marks the second year of implementation since the election of the second generation of County Governors.

The Council has continued to achieve its mandate despite the challenges. Among the key highlights of the FY 2018/2019 are:

- ❖ The Council of Governors held the First Governors' Peer Learning Mission on Makueni County Public Participation Model that brought together Governors, Deputy Governors and County Officials. The Peer Learning Mission demonstrated that the Council considers Devolution Conference resolutions with a lot of seriousness. The Fourth Annual Devolution Conference 2017 had resolved that Counties should set up peer review mechanisms (auto-criticism) and partner with Civil Society to ensure vibrant structures are put in place. In furtherance of this, Counties have initiated consultations with NEPAD/APRM, in order to explore mechanisms for domesticating the concept of County Peer Review Mechanism to enhance County performance and service delivery.

- ❖ The Sixth Annual Devolution Conference that was convened jointly by the Council of Governors (CoG), Ministry of Devolution and ASAL (MoDA), Senate and County Assemblies Forum (CAF) between 4th and 8th March, 2019 at Kirinyaga University, Kirinyaga County. In line with the overall conference theme "Deliver. Transform. Measure. Remaining Accountable. The conference overall objective was to take stock of development initiatives existing in the devolution course and to provide delegates with an opportunity to examine the challenges and existing opportunities, share experiences and lesson under the Big Four agenda in their Counties. The Conference provided a platform for Counties to explore strategic possibilities in implementing the Big Four

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Agenda with an approach of networking and benchmarking among Counties and showcasing the success stories of inter-county and regional blocs' agreements.

- ❖ All forty-seven (47) County Governments have approved County Integrated Development Plans 2018-2022 (CIDP) which gives the counties the strategic direction for development in this second phase. In line with the requirements of the County Performance Management Framework (CPMF) and as a statutory obligation, Counties have gone a step ahead to implement performance contracting as a tool to track performance in the Counties. At least twenty-three (23) Counties implemented performance contracting and we target to have all Counties sign performance contracts in the next financial year.
- ❖ In the health sector, Counties managed to send fifty (50) medical doctors for an exchange programme to Cuba. This has been a great milestone for Counties, Health being one of the critical functions of the County Governments. In return Kenya also received ... Cuban doctors who have since been integrated to serve in the various health facilities in the Counties. The Cuban doctors continue to do tremendous transformation working with the local doctors in the Counties and we are proud of the impact that this has had on the local citizens despite the challenges that continue to face the health sector. The Council condemns acts of terrorism and we continue to pray for the two Cuban doctors that were abducted by Alshabab in Mandera County.

I would like to commend the National Government, the Senate and the County Assemblies Forum for continued improved intergovernmental relations. The Council would achieve the above and more if it wasn't for the good working relationship. This is evident in the smooth working relationship between sector committees at CoG, the National Government and the Senate. Some of the sectors have gone ahead to sign agreements as a show of good will between the two levels of government such as the Gender Committee.

I would also like to recognize key institutions that have been instrumental in ensuring devolution works. The Commission on Revenue Allocation, The Office of the Controller of Budget, The Office of the Auditor General, Ministry of Devolution and ASAL and last but not least the Senate. Together, we have and continue to work together in ingraining devolved governance into institutions rather than into offices. The Council recognizes the importance of working with other State institutions to streamline service delivery to the citizens.

Council of Governors



Signed
Chairman

REPORT OF THE CHIEF EXECUTIVE OFFICER



On behalf of the Secretariat, I would like to congratulate all the Excellency Governors for their resilience in navigating the devolution space with zeal and passion. The financial year 2018/2019 marks the second year of implementation in the second phase of devolved governance since the promulgation of the constitution 2010.

The Secretariat has continued to grow over the last six (6) years and currently has put in place institutional structures and enhanced capacity to support delivery of its mandate. All this has been made possible by the leadership of the Excellency Governors. The elections for the Councils leadership came with a few changes in the committee structure of the Council where some of the committees were merged to form 12 committees. I would like to take this opportunity to congratulate the Chair, Vice-Chair, Whip and all Excellency Governors that took up the position of Committee Chairs on their elections. Your exemplary servant leadership is what has steered the Council of Governors (CoG) to its current position.

Inadequate resourcing for the CoG continues to be a challenge, but even amidst this challenge CoG continues to champion great milestones for devolution. The Council through the support of United Nations Development Programme (UNDP) trained 15 Performance Contracting (PC) Champions who have been supporting the counties to develop and sign PCs to monitor performance of County Governments and enhance service delivery. Resulting from this, twenty-three (23) Counties have signed PCs and we target to have all the forty-seven (47) Counties sensitized and sign in the next financial year.

Laws and policies that contradict devolution continue to be a bottle neck in implementation of devolved functions by Counties. In order to streamline this, the Council in collaboration with the Kenya Law Reform Commission has undertaken an Audit of National and County Policy and Legislation and published a report which was launched during the 6th Annual Devolution Conference by H.E. President Uhuru Kenyatta. In the next financial year, the Council will be focusing on the implementation of the report to ensure devolution is entrenched and streamlined during policy formulation and implementation.

The Council has continued to lobby and negotiate for more resourcing for the County Governments. Four (4) Counties received support through the Ford Foundation in a project titled “*Strengthening the capacity of women- and youth-led counties for improved public participation in budgeting processes and oversight of public resources in Kenya.*” The project has gone ahead to give Technical support through supporting 5 Project Coordinators in the four (4) Counties and one (1) at CoG including the Project Accountant. The project has also opened up employment opportunities to youths through the internship programme in the Counties.

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Counties and one (1) at CoG including the Project Accountant. The project has also opened up employment opportunities to youths through the internship programme in the Counties.

Through the Maarifa Centre, the Council has established partnerships with Universities to support documentation of best practices in the Counties. In the next financial year, we shall focus on validating the case studies and venturing into more partnerships with the Universities to ensure the best practices, lessons and even failures are documented for future reference.

I would like to appreciate our partners who have walked with us this far through supporting the programmes and activities of the Council. These include and not limited to; UNDP, USAID through Health Informatics Governance and Data Analytics (HIGDA) Project and Agile Harmonized Assistance for Devolved Institutions (AHADI) Program, Ford Foundation, UN-Women, World Bank, National Government, Independent Commissions, Civil Societies, Private Sector, Academia and the Media.

We look forward to another year of service delivery to the citizens while safeguarding the gains made in entrenching devolution.

Council of Governors

Signed:



Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

The Legal Committee prepared for and coordinated eight (8) Council meetings in the FY 2018/2019. Of the eight Council meetings, 5 were held in 2018 i.e. 4th June, 2018; 9th July, 2018; 10th September, 2018; 20th September, 2018 and 25th October, 2018 while the other 3 were held in 2019, i.e. 14th January, 2019; 25th March, 2019 and 28th June, 2019. The meetings focused on key issues that affect the 47 County Governments including the issue of disbursement of funds and Division of Revenue.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 require the Directors to prepare financial statements in respect of the Council of Governors, which give a true and fair view of the state of affairs of the Council of Governors at the end of the financial year/period and the operating results of the Council of Governors for that year/period. The Directors are also required to ensure that the Council of Governors keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the Council of Governors.

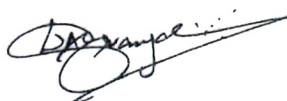
The Directors are responsible for the preparation and presentation of the Council of Governors' financial statements, which give a true and fair view of the state of affairs of the Council of Governors for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 the Council of Governors; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Council of Governors' financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Directors are of the opinion that the Council of Governors' financial statements give a true and fair view of the state of Council of Governors' transactions during the financial year ended June 30, 2019, and of the Council of Governors' financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Council of Governors, which have been relied upon in the preparation of the Council of Governors' financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Council of Governors will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Council of Governors' financial statements were approved by the Management on 27th September 2019 and signed on its behalf by:



Chairperson Council of Governors



Chief Executive Officer



Head of Finance
ICPAK Member No. 17785

MANAGEMENT DISCUSSION AND ANALYSIS

The management submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the entity's affairs.

Principal activities

The principal activities of the Council are;

1. To implement the decisions of the Council and the Committees;
2. To constantly share information with the Counties;
3. To process requests from Counties and offer policy advise where necessary;
4. To convene, in every quarter, County Executive Committee Members so that they develop positions on legislative and policy issues that affect County Governments;
5. To convene other officers such as Chief Officers, County Attorneys and Directors also for deliberation of matters affecting County Governments;
6. To coordinate capacity building initiatives for Governors, County Executive Committee Members, Chief Officers, County Attorneys, Chiefs of Staff, County Secretaries and other County officials;
7. To rigorously protect the interests of Counties at policy level by for instance participating in inter-agency meetings, committees and taskforces;
8. To ensure that County resources are safeguarded in all negotiations on upcoming projects;
9. To coordinate sectoral intergovernmental forums between the Counties and the National Government;
10. To receive and document best practice to promote learning between the Counties; and
11. To support and link with the office of the Deputy Governors.

Results

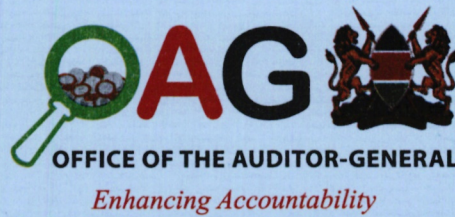
The results of the entity for the year ended June 30, 2019 are set out on page 1 and 2

The Executive Council

The members of the Executive Council who served during the year are shown on page v.

REPUBLIC OF KENYA

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Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COUNCIL OF GOVERNORS FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of the Council of Governors set out on pages 15 to 50, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, the statement of changes in net assets, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of the Council of Governors 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 do not comply with Intergovernmental Relations Act, 2012 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1.0 Unsupported and Unexplained Adjustments and Differences in the Financial Statements

The Council of Governors financial statements submitted for audit on 30 September, 2019 were adjusted and a revised set submitted for audit on 9 July, 2020. However, the variances between the initial financial statements and the revised financial statements were not supported with the relevant journal vouchers as indicated below: -

Details	Amount as per Financial Statements Submitted on 30 September, 2019 (Kshs.)	Revised Financial Statements Submitted on 09 July, 2020 (Kshs.)	Unexplained Adjustment (Kshs.)
Revenue			
Transfer from Government Entities	315,985,282	319,907,337	3,922,055
Receipts in Kind	75,003,058	124,738,683	49,735,625
Rent Receivable	30,460,873	31,457,229	996,356
Expenses			
Use of Goods and Services Expenses	5,452,466	16,384,443	10,931,977
Employee Costs	117,401,936	117,606,471	204,535
Repairs and Maintenance Expenses	5,211,883	5,443,375	231,492
General Expenses	381,232,055	415,669,011	97,436,956
Kenya Symbiocity Programme	36,208,140	35,679,178	528,962
Payments in Kind	75,003,058	124,738,683	49,735,625
Current Assets			
Cash and Cash Equivalents	390,469,957	396,865,779	6,395,822
Rent Receivable	30,460,873	31,457,229	996,356
Staff Loan	-	1,500,000	1,500,000
Current Liabilities			
Trade and Other Payables	34,087,984	76,468,349	42,380,365
Accumulated Surplus	149,099,486	115,521,298	33,578,188
Statement of Changes in Net Assets			
Total Comprehensive Income	149,009,486	146,201,530	2,807,956
Statement of Cash Flows			
Transfer from Government Entities	315,985,282	319,907,337	3,922,055
Rent Receivable	30,460,873	0	30,460,873
Bank Interest on Staff Loan	0	6,869,400	6,869,400
Total Receipts	710,313,767	690,644,349	19,669,418
Use of Goods and Services	5,452,466	16,384,443	10,931,977
Employee Costs	117,401,936	117,606,471	204,535
Remuneration of Directors	15,797,801	0	15,797,801
Repairs and Maintenance	5,211,883	5,443,375	231,492
General Expenses	365,434,254	415,669,011	50,234,757
Kenya Symbiocity Programme	36,208,140	35,679,178	528,962
Total Payments	545,506,480	590,782,478	45,275,998

Report of the Auditor-General on Council of Governors for the year ended 30 June, 2019

Details	Amount as per Financial Statements Submitted on 30 September, 2019 (Kshs.)	Revised Financial Statements Submitted on 09 July, 2020 (Kshs.)	Unexplained Adjustment (Kshs.)
Net Cash Flows from Operating Activities	164,807,287	99,861,871	64,945,416
Decrease in Payables	(34,227,531)	39,583,640	5,356,109
Increase in Receivables	(9,435,970)	(11,932,326)	2,496,356
Net Cash Flows used in Financing Activities	(67,118,340)	4,196,476	62,921,864
Net Increase / (Decrease) in Cash and Cash Equivalents	97,188,947	103,558,346	6,369,399
Cash and Cash Equivalents as at 30 June, 2019	390,496,379	396,865,778	6,369,399

In addition, a comparison of the opening balances in the statement of financial performance revealed differences between the closing balances for the financial year 2017/2018 certified accounts and the opening balance for the year under review as tabulated below:

Item	2018/2019 Financial Statement Opening Balance Figure (Kshs.)	2017/2018 Certified Financial Statement Figure (Kshs.)	Variance (Kshs.)
Employee Costs	104,968,227	115,876,227	10,908,000
Remuneration of the Employees	10,908,000	0	10,908,000
Use of Goods (Electricity & Security Expenses)	5,452,466	5,427,341	25,125

Management did not provide the journal vouchers and explanations in support of the adjustments and the differences in opening balances.

Consequently, the accuracy and completeness of the financial statements as a whole could not be confirmed.

2.0 Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.39,634,048. Included in this balance and as reflected in the assets register are obsolete assets with a net book value of Kshs.356,237 which were still being depreciated and had not been written-off from the books.

Consequently, the property, plant and equipment balance of Kshs.39,634,048 is overstated by Kshs.356,237 being the net book value of the obsolete stock.

3.0 Unauthorized Withdrawal and Transfer of Gratuity Funds to a Pension Scheme

The statement of financial position reflects a Nil balance in respect of employee benefit obligation as at 30 June, 2019 (Kshs.23,454,839 – 2017/2018). Management withdrew an amount of Kshs.41,950,401 that had accrued on account of gratuity and transferred the amount to a pension scheme which was not under the control of the Management. The amount related to gratuity provision in respect to employees on contract and entitled to gratuity at the end of the contract and which is only payable upon successful completion of the contract period.

In addition, Management did not provide for audit review documentation in support of the registration of the pension scheme with the Retirement Benefits Authority, documents in support of the appointment of the Scheme Manager in line with the provisions of the Retirement Benefits Act, 2007 and the scheme trust deed between the employees and employer authorizing the formation of pension scheme.

Under the circumstance, the accuracy and validity of the Nil balance in the account of the now current Employee benefit obligation as reflected on the statement of financial position as at 30 June, 2019 could not be confirmed. Further, the transfer of the benefits to the pension scheme may lead to loss of employees benefits.

4.0 Payments-in-Kind

The statement of financial performance and as disclosed under Note 6 to the financial statements reflects payments in kind of Kshs.124,738,683 whose supporting ledgers were not provided for audit review. Further, the payment vouchers for the procurements amounting to Kshs.21,938,349 provided for audit were not supported by professional opinion.

Consequently, the accuracy and completeness of the payments in kind amount of Kshs.124,738,683 could not be confirmed.

5.0 Foreign Travel

The statement of financial performance and as disclosed under Note 13 to the financial statements reflects an amount of Kshs.415,669,011 in respect of general expenses. Included in this amount is Kshs.26,004,057 in respect of foreign travel. Management did not provide for audit review the approved annual work plan and budget breakdown for the foreign travel for the year under review.

Consequently, the validity of the foreign travel expenditure of Kshs.26,004,057 for the year ended 30 June, 2019 could not be confirmed.

6.0 Revenue from Exchange Transactions - Transfers from Government Entities

The statement of financial performance reflects transfers from Government Entities of Kshs.319,907,337 made up of Kshs.163,868,386 in respect of intergovernmental contributions, Kshs.70,038,951 in respect of rent for County Liaison Offices and Kshs.86,000,000 in respect of devolution conference support from the Counties. However, the basis of charging the rent to the County Governments was not documented

with any form of agreement between the Council of Governors and the respective County Governments.

Consequently, the accuracy of determination of the transfers from Government entities of Kshs.319,907,337 for the year ended 30 June, 2019 could not be confirmed.

7.0 Use of Goods and Services – Insurance

The statement of financial performance and as disclosed under Note 13 to the financial statements reflects an amount of Kshs.415,669,011 in respect of general expenses. Included in this is insurance expenses amount of Kshs.14,467,727 which includes expenditure of Kshs.1,018,323 paid to AAR Insurance Kenya Limited for provision of work injury benefit policy and group personal accident insurance cover relating to the period March, 2019 to February, 2020. The amount was recognized as expense for the financial year 2018/2019 instead of being recognized as a prepayment during the year in line with Accruals Basis of Accounting.

In addition, the Council made payment of Kshs.1,621,453 in relation to comprehensive insurance for vehicles registered in the name of Government of Kenya. This was contrary to Section 4(3) of the Insurance (Motor Vehicles Third Party Risks) Act, 2012 which exempts Government owned vehicles from being insured except when they display private registration number plates.

Consequently, the validity of the insurance expenditure of Kshs.14,467,727 for the year ended 30 June, 2019 could not be ascertained.

8.0 Proceeds from Domestic and Foreign Grants

The statement of financial performance reflects proceeds from domestic and foreign grants of Kshs.205,627,612 which includes an amount of Kshs.8,958,466 in respect of exhibition booths. This was at variance with the analysis provided in support of the amount of Kshs.9,400,000 resulting in a variance of Kshs.441,534 which was not reconciled. Further, the Council reported proceeds for domestic and foreign grants receipts in respect to the humanitarian projects amount of Kshs.2,000,000. This was at variance with the Project bank account amount received of Kshs.3,000,000. The difference of Kshs.1,000,000 was not explained or reconciled.

Consequently, the accuracy and completeness of the domestic and foreign grants amount of Kshs.205,627,612 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Council of Governors 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 adverse 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 were no key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for conclusion on lawfulness and effectiveness in use of public resources section of my report, I confirm that, public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International 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 Council's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management either has the intention to liquidate the Council or to cease operations.

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

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

Those charged with governance are responsible for overseeing the Council's financial reporting process, reviewing the effectiveness of how the Management 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 with limited assurance as to 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.
- 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 Council's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Council 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 Council to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

30 September, 2021

Council of Governors
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			
Transfer from Government Entities	7	319,907,337	220,545,600
Proceeds from Domestic and Foreign Grants		205,627,612	105,062,143
Grants from Ministry of Devolution	8 (a)	100,940,000	107,000,000
Grants from Ministry of Devolution (Kenya Symbiocity Programme)	8(b)	57,300,000	25,000,000
Receipts in-kind	6	124,738,683	48,690,233
Rent Receivable		31,457,229	21,024,903
Bank Interest on Staff Loan Fund		6,869,400	-
Total revenue		846,840,261	527,322,879
Expenses			
Use of goods and services	9	16,384,443	5,427,341
Employee costs	10	117,606,471	115,876,227
Depreciation and amortization expense	11	15,797,801	15,647,801
Repairs and maintenance	12	5,443,375	10,651,379
General expenses	13	415,669,011	457,884,882
Kenya Symbiocity Programme		35,676,178	51,771,466
Payments In-kind	6	124,738,683	48,690,233
Total expenses		731,318,683	705,949,329
Net Surplus/(Deficit) for the Year		115,521,298	(178,626,450)

The notes set out from page 20 onwards, from an integral part of Financial Statements

Council of Governors
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 & 16	396,865,779	293,307,432
Rent Receivable	17	31,457,229	21,024,903
Staff Loan, Receivable		1,500,000	
Non-current assets			
Property, plant and equipment	18	39,634,048	54,931,849
Total assets		469,383,145	369,264,184
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	15	76,468,349	68,341,937
Non-current liabilities			
Non-current employee benefit obligation		-	23,454,839
Total liabilities		76,468,349	91,796,776
Net Assets		392,914,797	277,467,408
Reserves		277,467,408	388,191,565
Adjustment; Fixed Assets		-	67,902,293
Accumulated surplus		115,521,298	-178,626,450
Total net assets and liabilities		392,988,706	277,467,408

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



Chief Executive Officer



Head of Finance
ICPAK Member No. 17785

Council of Governors
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For the year ended June 30, 2019

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

	Retained earnings	Capital/ Development Grants/Fund	Total
At July 1, 2017	147,946,218	-	147,946,218
Total comprehensive income	(178,626,450)	-	(178,626,232)
At June 30, 2018	(30,680,232)	-	(30,680,232)
At July 1, 2018	(30,680,232)	-	(30,680,232)
Total comprehensive income	146,201,50	-	149,009,486
At June 30, 2019	115,521,298	-	118,329,254

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.

Council of Governors
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For the year ended June 30, 2019

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

		2018-19	2017-2018
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfer from Government Entities	7	319,907,337	220,545,600
Proceeds from Domestic and Foreign Grants		205,627,612	105,062,143
Grants from Ministry of Devolution	8 (a)	100,940,000	107,000,000
Grants from Sida (Kenya Symbiocity Programme)	8 (b)	57,300,000	25,000,000
Bank Interest on Staff Loan Fund		6,869,400	
Total Receipts		690,644,349	457,607,743
Payments			
Use of goods and services	9	16,384,443	5,427,341
Employee costs	10	117,606,471	104,968,227
Repairs and maintenance	11	5,443,375	10,651,379
General expenses	12	415,669,011	457,884,882
Kenya Symbiocity Programme		35,676,178	51,771,466
Total Payments		590,782,478	630,703,295
Net cash flows from operating activities		99,861,871	-173,095,552
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-500,000	-2,677,357
Net cash flows used in investing activities		-500,000	-2,677,357
Cash flows from financing activities			
Decrease in Payables		39,583,640	68,341,937
Non-current employee benefit obligation		-23,454,839	
Increase in Receivables		-11,932,326	23,454,839
Net cash flows used in financing activities		4,196,476	91,796,776
Net increase/(decrease) in cash and cash equivalents		103,558,346	-83,976,133
Cash and cash equivalents at 1 JULY		293,307,432	388,191,565
Cash and cash equivalents at 30 JUNE		396,865,778	293,307,432

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
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Transfer from Government Entities	486,891,001	-	486,891,001	319,907,337	166,983,664.16
Proceeds from Domestic and Foreign Grants	35,500,000	-	35,500,000	205,627,612	(170,127,612.00)
Grants from Ministry of Devolution	103,000,000	-	103,000,000	100,940,000	2,060,000.00
Grants from Ministry of Devolution (Kenya Symbiocity Programme)	264,732,000	-	264,732,000	57,300,000	207,432,000
Payments In-kind				124,738,683	124,738,683.27
Total income	890,123,001	-	890,123,001	808,513,632	81,609,368.89
Expenses					
Use of goods and services	12,000,000	-	12,000,000	16,384,443	(4,384,442.71)
Employee costs	127,917,858	-	127,917,858	117,606,471	10,311,387.35
Repairs and maintenance	5,032,776	-	5,032,776	5,443,375	(410,599.00)
General expenses	480,440,387	-	480,440,387	415,669,011	64,771,355.59
Kenya Symbiocity Programme	264,732,000		264,732,000	35,679,178	228,978,902.35
Payments In-kind				124,738,683	(124,738,683.27)
Total expenditure	890,123,000	-	890,123,000	715,521,161	174,327,920
Surplus for the period	-	-	-	92,992,471	(92,918,552.00)

Explanation to the statement of comparative budget and actual amount is provided in ANNEX V

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Council of Governors is established by and derives its authority and accountability from Intergovernmental Relations Act (IGRA 2012). The entity is wholly owned by the Government of Kenya and is domiciled in Kenya.

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 entity'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 entity.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (include any other applicable legislation), 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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:
<p>IPSAS 41: Financial Instruments</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. 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 instruments held as part of the risk management strategy.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a) Revenue recognition (Continued)

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information

The original budget for FY 2018-2019 was approved by the Council of Governors. 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.

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 page 19 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation Rates;

Office Machines	30%
Office Furniture	12.5%
Computers	30%
Motor Vehicles	25%

c) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

d) **Financial instruments**

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

j) Employee benefits

Retirement benefit plans

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

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

k) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

l) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

m) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

n) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made: e.g

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

6 RECEIPTS IN KIND

IN-KIND DONATIONS FROM DEVELOPMENT PARTNERS			
ORGANIZATION	TYPE OF SUPPORT	2018-2019 Kshs	2017- 2018 Kshs
UNDP	<p>The Integrated Programme to Support Devolution is designed to support the implementation of Devolution to achieve improved good governance and socio-economic development in Kenya.</p> <p>The programme focused on;</p> <ul style="list-style-type: none"> (i) Support Counties to establish PMS (ii) Improve capacity of County Attorneys to develop policies and bills (iii) Support Counties to develop public participation policies and legislations (iv) Performance Management (v) Sustainable Development Goals 	74,045,155	34,922,231
UN Women	<p>Effective Implementation of the Gender Functions at the County Level</p> <p>A Program to facilitate capacity building for Counties to advance the gender equality and women’s empowerment work.</p> <p>The programme focused on;</p> <ul style="list-style-type: none"> (i) Advancement of devolution gender agenda by the Kenyan Young Parliamentarians including women and PWDs representatives, including sensation of 30% public procurement preservation and reservation. (ii) Increasing informed demand for women and leadership programme 	48,249,528	7,940,787
UNICEF	<ul style="list-style-type: none"> (i) Provision of Technical Support on matters relating to Early Child Education Policies and laws. (ii) Provision of support to the Children’s Devolution conference, (iii) Provision of support towards Health Committee 	2,444,000	5,827,176
	Total	124,738,683	48,690,233

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 TRANSFERS FROM OTHER GOVERNMENTS

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund. Kshs	Total grant income during the year	
				2018-2019	2017-2018
				Kshs	Kshs
County Governments	319,907,337	-	-	319,907,337	220,545,600
Total	319,907,337	-	-	319,907,337	220,545,600

Detailed report is annexed on page 54 & 55

8 TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. Kshs	Total grant income during the year	
				2018-2019	2017-2018
				Kshs	Kshs
Ministry of Devolution	100,940,000	-	-	100,940,000	107,000,000
a) Sub-total	100,940,000			100,940,000	107,000,000
Ministry of Devolution – Kenya Symbiocity Programme	57,300,000			57,300,000	25,000,000
b) Sub-total	57,300,000	-	-	57,300,000	25,000,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 USE OF GOODS AND SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Electricity	5,625,650	4,704,914
Security	10,758,793	722,427
Total good and services	16,384,443	5,427,341

10 EMPLOYEE COSTS

Description	2018-2019	2017-2018
	KShs	KShs
Salaries and wages	99,405,647	90,634,066
Employee related costs - contributions to pensions and medical aids	18,200,824	25,242,161
Employee costs	117,606,471	115,876,227

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment	15,797,801	15,647,801
Total depreciation and amortization	15,797,801	15,647,801

12 REPAIRS AND MAINTENANCE

Description	2018-2019	2017-2018
	KShs	KShs
Vehicles	4,036,793	8,331,519
Furniture and fittings, Equipment's, Computers	1,406,582	2,319,860
Total Repairs & Maintenance	5,443,375	10,651,379

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 GENERAL EXPENSES

Description	2018-19	2017-2018
	KShs	KShs
Rental, Proceeds, Utilities and services	203,560,344	196,856,645
Communication, supplies and services	3,792,872	3,654,805
Domestic travel and subsistence	31,293,427	15,354,184
Foreign travel and subsistence	26,004,057	16,185,005
Printing, advertising and information supplies & services	9,228,613	10,014,131
Training, Conferences and workshops expenses	112,540,499	132,255,284
Hospitality supplies and services	5,876,720	60,958,242
Insurances	14,467,727	10,125,538
Legal Fees	8,556,983	12,106,847
Bank Charges	347,770	374,200
Total general expenses	415,669,011	457,884,881

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 CASH AND CASH EQUIVALENTS

Description	2018-2019	2017-2018
	KShs	KShs
Current account	290,004,927	192,788,490
Cash in hand	191,452	218,942
Guarantee	300,000	300,000
Staff mortgage	105,369,400	100,000,000
Total cash and cash equivalents	396,865,779	293,307,432

15 TRADE AND OTHER PAYABLES

	SUPPLIER	CLASS	2018/2019 Amount (Kshs)	2017/2018 Amount (Kshs)
1.	Golf Hotel	Conference	-	960,000
2.	Safari Park	Conference	-	506,250
3.	African Touch Safaris	Local Travel	-	371,580
4.	Longrock Tours and Travel	Local Travel	-	71,200
5.	Longrock Tours & Travel	Local Travel	-	71,200
6.	Casael Investment	Office Repairs	-	797,000
7.	Premier Safaris	Local Travel	-	135,715
8.	Pride Inn	Conference	-	30,000
9.	Sports view Hotel	Conference	-	92,000
10.	Convent Hotel	Conference	-	312,000
11.	M/S Long rock tours and travel	Local Travel	-	153,300
12.	M/s Qaribu Inn	Conference	-	100,000
13.	Travelers Beach Hotel	Conference	-	8,000
14.	Premier Safaris	Local Travel	-	52,150
15.	African Touch Safaris	Local Travel	-	104,800
16.	Premier Safaris	Local Travel	-	45,540

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17.	Arseniq Media	Printing	-	4,800
18.	Travelers Beach Hotel	Conference	-	70,950
19	Premier Safaris	Local Travel	-	308,695
20.	Safari Park Hotel and Casino	Conference	158,740	222,000
21.	Naivasha County Hotel-Sawela Lodges	Conference & Workshop	-	311,000
22.	Nation Media Group Limited	Advertising, Awareness	380,000	499,999
23.	The Standard Group	Advertising, Awareness	-	499,999
24.	Royal Media Services	Advertising, Awareness	-	500,000
25.	Toyota Kenya Limited	Motor Vehicle Maintenance	-	135,195
26.	Qaribu Inn	Catering Services	-	122,000
27.	Rex Kiosk	Subscription; Newspapers,	-	19,057
28.	Sunrise Tours And Safaris	Travel Costs	-	29,735
29.	African Touch Safaris	Travel Costs	-	66,855
30.	Cedars Travel & Tours Limited	Travel Costs	-	27,132
31.	Chandaria Industries	General Office Supplies	-	106,604
32.	Layton International Supplies	General Office Supplies	-	235,700
33.	Equinox Solutions Limited	Sanitation & Cleaning	-	489,842
34.	Longrock Tours & Travel Ltd	Travel Costs	-	22,400
35.	Cedars Travel & Tours Limited	Travel Costs	-	62,615
36.	Tondwe Africa Group LTD	Travel Costs	-	80,185
37.	Realedge Africa	Travel Costs	-	44,820
38.	Green Bay Travel Limited	Travel costs	-	72,670
39.	Green Bay Travel Limited	Travel costs	-	8,500
40.	Sheywe Guest House	Accommodation and Meals	-	40,000

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41.	Acacia Premier Hotel	Accommodation and Meals	-	1,642,760
42.	Grand Royal Swiss Hotel	Accommodation and Meals	-	2,250,800
43.	Law Society of Kenya	Subscription to Professional	-	72,670
44.	Silverbird Travel Plus Ltd	Travel Costs	-	24,995
45.	Scangraphics Kenya Limited	General Office Supplies	-	105,600
46.	Soverign Hotel	Accommodation and Meals	-	193,750
47.	Sosa Cottages	Accommodation and Meals	-	1,552,840
48.	Keagles Knitwear Limited	General Office Supplies	-	75,000
49.	Qaribu Inn	Catering Services	-	91,200
50.	Sarova Whitesands Beach Resort	Accommodation and Meals	-	148,931
51.	Knight Frank Property Management Ltd	Rent outstanding as at 30.06.2018	31,457,229	21,024,903
52.	Pricewaterhouse Coopers	End Term Review of CIDPs	25,367,000	33,367,000
53.	Knight Frank Delta Main Management	Electricity Costs	757,109	-
54.	Media Max	Advertising costs	300,000	-
55.	Convent International	Catering Services	275,200	-
56.	Copy Cat Limited	Stationery	64,426	-
57.	Charmania Consortium Catering Services	Tentage services	7,710,195	-
58.	Kirinyaga Consortium Catering Services Ltd	Catering services	9,998,450	-
	Total		76,468,349	68,341,937

16-DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

		2018-2019	2017-2018
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	01164902318	117,899,313	16,515,471
Kenya Commercial bank	1212164717	26,422	23,454,839
Cooperative Bank	0114320133800	61,528,684	31,935,233
Cooperative Bank	0113420133800	3,014,954	9,925
National Bank of Kenya	01001113869200	108,535,582	120,873,022
Sub- total		291,004,927	192,788,490
b) Staff mortgage			
Kenya Commercial bank	1209565331	105,369,400	100,000,000
Sub- total		105,369,400	100,000,000
c) Guarantee			
Cooperative Bank		300,000	300,000
Sub- total		300,000	300,000
d) Others			
Petty Cash		191,452	218,942
Sub- total		191,452	218,942
Grand total		396,865,779	293,307,432

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NOTES TO FINANCIAL STATEMENTS (Continued)

17 RENT RECEIVABLE/PAYABLE

County	PAYABLES AS AT 30TH JUNE 2018	INVOICES 2019/2019 FY	RECEIPTS 2017/2018 FY	RECEIPTS 2018/2019 FY	PAYABLES AS AT 30TH JUNE 2019
001 Mombasa County	1,153,980	4,475,890	-	3,316,956	2,312,914
004 Tana River County	599,467	2,425,842	599,467	2,425,842	-
005 Lamu County	1,172,293	2,425,842	1,172,293	2,425,841	1
006 Taita Taveta County	1,171,025	2,397,868	-	-	3,568,893
008 Wajir County	881,850	3,695,769	881,850	3,695,768	1
009 Mandera County	-	3,695,770	-	3,695,170	600
010 Marsabit County	886,429	3,694,819	886,429	1,841,756	1,853,063
011 Isiolo County	1,197,667	2,425,842	-	-	3,623,509
012 Meru County	881,828	3,694,819	881,828	1,847,409	1,847,410
013 Tharaka Nithi County	-	2,425,842	-	1,798,401	627,441
015 Kitui County	2,317,945	2,425,842	-	-	4,743,787
019 Nyeri County	(41,725)	3,739,967	(41,725)	3,739,967	-
020 Kirinyaga County	-	2,904,419	-	968,140	1,936,279
023 Turkana County	881,850	3,739,967	881,850	3,385,518	354,449
025 Samburu County	923,943	3,739,967	923,943	2,771,826	968,141
028 Elgeyo Marakwet Cour	1,145,652	-	1,145,652	599,467	(599,467)
029 Nandi County	-	-	-	-	-
030 Baringo County	-	2,425,842	-	1,198,934	1,226,908
032 Nakuru County	2,109,812	4,422,616	2,109,812	3,316,633	1,105,983
033 Narok County	-	3,695,770	-	4,434,924	(739,154)
035 Kericho County	-	2,397,869	-	1,798,401	599,468
036 Bomet County	(56,252)	2,397,868	(56,252)	1,255,186	1,142,682
038 Vihiga County	1,145,652	2,425,842	145,652	1,599,467	826,375
039 Bungoma County	599,467	2,425,842	599,467	1,622,695	803,147
041 Siaya County	1,119,011	2,425,842	1,119,011	626,108	1,799,734
042 Migori County	-	2,425,842	1,153,980	44,954	1,226,908
043 Kisumu County	883,344	2,425,842	883,344	1,138,987	1,286,855
045 Kisii County	881,850	3,695,769	881,850	3,822,150	(126,381)
046 Nyamira County	1,169,816	2,397,868	1,169,816	1,330,185	1,067,684
Total	21,024,903	81,471,277	15,338,266	54,700,685	31,457,229

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 PROPERTY, PLANT AND EQUIPMENT

Council of Governors					
Summary of Fixed Asset Movements					
Details	Office Machines	Office Furniture	Computers	Motor Vehicles	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Cost					
As at 1 July 2018	3,864,116	20,036,931	6,285,985	40,392,618	70,579,650
Additions	-	-	500,000		500,000
Disposals	-	-	-	-	-
Adjustments	-	-	-	-	-
As at 30 June 2019	3,864,116	20,036,931	6,785,985	40,392,618	71,079,650
Net Book Value					
As at 1 July 2018	1,920,000	19,303,690	6,285,985	40,392,618	67,902,293
As at 30 June 2019	3,864,116	20,036,931	6,785,985	40,392,618	70,579,650
Depreciation Charge, 1 July 2018	-1,159,234.80	-2,504,616	-1,885,796	-10,098,154.50	-15,647,801
Depreciation Charge, 2018/19	-1,159,234.80	-2,504,616.38	-2,035,796	-10,098,154.50	-15,797,801
Depreciation Charge as at 30 June 2019	-2,318,469.60	-5,009,232.38	-3,921,591.50	-20,196,309.00	-31,445,602
Net Book Value	1,545,646	15,027,699	2,864,394	20,196,309	39,634,048

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The entity's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Fair value of financial assets and liabilities (Continued)

a) Financial instruments not measured at fair value (Continued)

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

18 RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the entity, holding 100% of the entity's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) Ministry of Devolution and ASAL
- ii) The County Governments

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Government of Kenya (Continued)

	2018-2019	2017-2018
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Transfer from Government Entities	310,585,282	220,545,600
Proceeds from Domestic and Foreign Grants	205,627,612	105,062,143
Grants from Ministry of Devolution	100,940,000	107,000,000
Grants from Ministry of Devolution (Kenya Symbiocity Programme)	57,300,000	25,000,000
Total	674,452,894	506,297,976

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 EVENTS AFTER THE REPORTING PERIOD

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

20 ULTIMATE AND HOLDING ENTITY

The entity is a State Semi- Autonomous Government Agency under the Ministry of Devolution and ASAL. Its ultimate parent is the Government of Kenya.

21 Currency

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Property plant and equipment	The Management provided revised Financial Statements which addressed the difference raised		Resolved	
2.	Cash and cash equivalents	The bank balance certificates were provided The bank interest has been reported in the 2018/19 Financial Statements		Resolved	
3	Presentation and Disclosures of Financial Statements				
3.1	Non-disclosure compliance with PUBLIC Sector Accounting Standards Board Procurements and Guidelines	The management provided a Revised Financial Statement with 2016/17 revised comparative figures		Resolved	
3.2	Unexplained Adjustments and errors	A revised 2017/18 Revised Financial Statements was provided which addressed the adjustments and errors		Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.	Use of Goods and Services				
4.1	Rental proceeds, utilities and services	The Lease agreement, procurement documents for the office space and an explanation on the contract signed in the USA dollars were provided		Resolved	
4.2	Domestic travel and subsistence	Part payment was done in 2017/18FY and the balance was paid in the 2018/19FY		Resolved	
5	Transfer from County Government Entities	Council resolution was provided to support the treatment of county contributions		Resolved	
6.	Compensation of Employees				
6.1	Gratuity	Supporting documents with breakdown of gratuity amount were provided for audit		Resolved	
6.2	Unauthorized Expenditure	The Council engaged PSC to advised on the salary structure	Head of Human Resources	On going	
7	Rent Receivable	The Council is persistently following up with county governments on rent arrears	Head of Administration , Head of Legal,	On going	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Part of the lease has expired, and the Council has since released the county offices space back to the landlord	and Head of Finance		
8	Council of Governors Secretariat Expenditure	The issue was discussed during the 6 th and 7 th Summit. A subcommittee had been instituted to look into the issue, and recommended anchoring the Secretariat into law. The same was adopted by the Summit	Chairman, CoG CEO, and Head of Legal	On going	
9.	Unresolved Prior Year				
9.1	Bank Guarantee	The contract has since been terminated, and the guaranteed amount transferred back to Council of Governor's bank account		Resolved	
9.2	Staff Loan Fund	The contract has since been terminated, and the loan fund transferred back the Council of Governor's bank account			
9.3	Transfer from County Governments	The Council is considering donor support and additional funding from the National Treasury	Chairman, CoG, CEO	On going	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
9.4	Compensation to Employees	The Council engaged PSC to advised on the salary structure	Head of Human Resources	On going	
9.5	Legal Expenses	The management provided procurement documents and justification to support procurement of legal services		Resolved	
9.6	Domestic Travel and Subsistence	Management has since provided procurement documents to support the Domestic Travel and Subsistence expense		Resolved	

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

PCL XL Error

Subsystem:

Error:

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