REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

COUNCIL OF GOVERNORS

FOR THE YEAR ENDED
30 JUNE, 2023

COUNCIL OF GOVERNORS

COUNCIL OF GOVERNORS

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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

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1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
WB	World Bank
VC	Vice Chancellor

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year- Means the prior period.

2. Key Entity Information and Management

(a) Background information

(b) 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. The committees during the year under review are as indicated below;

Committee	Chairperson
Health	H.E. Hon. Prof. Peter Anyang' Nyong'o, EGH
Agriculture, Livestock, and Cooperatives	H.E. James Nyoro Karanja
Water, Forestry and Natural Resource Management	H.E. Francis Thuita Kimemia, EGH, CBS
Finance, Planning and Economic Affairs	H.E. Hon. Ndiritu Muriithi
Resource Mobilization and Partnerships	H.E. Prof. Paul Kiprono Chepkwony, EGH
Legal, Constitutional Affairs, and Intergovernmental Relations	H.E. Hon. Kiraitu Murungi, EGH
Education	H.E. Edward Mutahi Kahiga
Human Resources, Labor, and Social Welfare	H.E. Hon. Wycliffe Wafula Wangamati
Energy, Roads, Transport, and Infrastructure	H.E. Hon. Prof. John Krop Lonyangapuo, CBS
Trade, Industry, Manufacturing, and Enterprise Development	H.E. Hon. Charity Kaluki Ngilu, EGH
Lands, Housing, and Urban Development	H.E. Hon. Lee Maiyani Kinyanjui
Environment and Climate Change	H.E. Hon. Dr. Wilber Khasilwa Ottichilo
Gender, Youth, Culture, Sports, and Social Services	H.E. Anne Mumbi Waiguru, EGH, OGW
Tourism and Wildlife	H.E. Samuel Kuntai Ole Tunai, EGH
Arid and Semi-Arid Lands (ASALs) and Disaster Management	H.E. Cpt. Ali Ibrahim Roba, EGH
Blue Economy	H.E. Fahim Yasin Twaha

Security and Foreign Affairs	H.E. Maj. (Rtd) Dr. Dhadho Gaddae Godhana
Information, Communication, and Technology	H.E. Jackson Kiplagat Mandago, EGH

(c) 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;
vii) Implementation of Council of Governors Strategic Plan 2017-2022 13;
viii)Consideration of matters referred to the Council by members of the public;
ix) Consideration of reports from other intergovernmental forums on matters affecting National and County interests or relating to the performance of counties; and

(d) Key Management

The Council of Governors day-to-day management is under the following key organs:

No.	Designation	Name
1.	Chief Executive Officer	**Ms. Mary Mwiti**

(e) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Mary Mwiti
2.	Director Legal Services	Irine Ogamba
3.	Director Committees	Kizito Wangalwa

No.	Designation	Name
4.	Director Health	Khatra Ali Ibrahim
5.	Rosemary Njaramba	Manager Planning Monitoring & Knowledge Management
6.	Caroline Odandi	Principal Officer Human Resource & Development
7.	Joyce Chepkoech	Principal Officer-Finance & Accounts
8.	James Kamau	Principal Supply Chain Management

(f) Fiduciary Oversight Arrangements

Audit committee

During the period under review, the Committee comprised of the following members:

1. Ms. Catherine Omesete
2. Mr. Peter Saigilu
3. Ms. Tabitha Mwangi
4. Mr. Daniel Rucha
5. Mr. Patrick Owiti

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.

(g) Entity Headquarters

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

(h) Entity Contacts

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

(i) Entity Bankers

Co-operative Bank of Kenya
Parliament Road
P.O. Box 5772-00200
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, Kenya

Housing Finance Corporation
P.O Box 73340-00200
Gill House Branch

(j) Independent Auditor

Auditor-General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

(k) Principal Legal Adviser

Director Legal Services
Council of Governors
West lands, Delta Corner
P.O. Box 40401-00100
Nairobi, Kenya

3. Executive Council of Governors Members

Ref	Executive Member	Details
1.	 **H.E Ann Waiguru, EGH, OGW**	Chairperson Council of Governors, Governor Kirinyaga County
2.	 **H.E FCPA Ahmed Abdullahi**	Vice Chair Council of Governors, Wajir County
3.	 **H.E Stephen Sang, EGH**	Whip Council of Governors, Governor, Nandi County.
4.	 **Mary Mwiti**	Chief Executive Officer, Council of Governors. Secretary to the Executive of the Council

4. Key Management Team

	Management	Details
1.	 Mary Mwiti Chief Executive Officer	The Chief Executive Officer (CEO) is responsible for the day-to-day management of the Council of Governors affairs in accordance with the law, implementation of Council's resolutions and promotion of the public sector values.
2.	 Irine Moraa Ogamba Director Legal Services	The Director, Legal Services provides leadership on legal matters concerning the Council. These include legal compliance, review of policy and legislation and representing the Council in court.
3.	 Kizito Wangalwa Director Committees	The Director, Committees provides leadership in coordinating implementation of the CoG Committees and programmes as per the terms of reference of the Committees and the Annual Work Plans drawn from the CoG strategic plan.

4.	 Rosemary Njaramba Manager, Planning Monitoring & Knowledge Management	The officer provides guidance on the development of the corporate strategy and in the processes of its implementation, monitoring and learning. She also manages the Maarifa Centre.
5.	 CPA Joyce Chepkoech Principal Finance & Accounts Officer	The officer Prepares Annual financial statements, Quarterly and monthly Financial Positions and Management Accounts to the Management and the Council alongside with analysis, interpretations and suggestions for decision-making
6.	 Caroline Odandi Principal Human Resource & Development Officer	The officer oversees all aspects of human resource planning, organizing and management in line with industrial relations policies, practices and operations for the Council.

7.	 James Kamau Principal Supply Chain Management Officer	The officer oversees procurement system and data strategy of the Council and ensure the institution achieve value for money

5. Chairpersons 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. Having had ten (10) years of Devolutions, 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 year under review has been a significant Financial Year since we ushered in new administrations as a country after the August 2022 elections. Eleven (11) Governors earned a direct re-election. Eight (8) pioneer Governors were re-elected to lead their respective Counties. Twenty-eight (28) Governors are new, and forty (40) Deputy Governors are new with two former Deputy Governors being elected as Governors. Fifteen (15) of the new Governors crossed over from the 12^{th} Parliament. This is the new team that the devolution baton was passed to.

During the period under review, the County Governments new leadership were inducted comprising of Governors and Deputy Governor, County Executive members and Chief officers. As a result, this has seen the County Government making strides in the implementation of their functions across the sectors. Further, the Council successfully played a role in promoting intergovernmental relations by establishing beneficial and strategic linkages between County Governments and National Government, Ministries, departments and agencies, and the private sector including civil society to discuss issues of mutual interest and find consensus on the same.

Through the committees, the Council has been able to share best practises, promote cohesiveness amongst County Governments and address key service delivery concerns.

Despite the challenges during the year of reporting, the Council has continued to achieve its mandate. Among the key achievements of the year 2022/2021 are;

- ✓ In the financial year 2022-2023, the CoG partnered with USAID to enhance and revamp the Maarifa Centre, primarily focusing on improving its user experience and navigation. This collaboration resulted in a significant 30% upsurge in website visits within six months. As a result, the **Maarifa Centre has firmly established itself as a leading, influential platform**

for knowledge sharing and peer-to-peer learning. The online platform (https://maarifa.cog.go.ke/) has documented **51 County success stories**, a slight growth from 31 initiatives covered in the previous financial year, highlighting essential County success stories and good and best practices related to service delivery.

- ✓ The Maarifa Centre partnered with Amref Kenya to develop a ***sector-specific compendium on Facility Improvement Financing (FIF) and Community Health Services (CHS)*** and hosted peer-to-peer workshops among Counties on FIF and CHS. Additionally, the Maarifa Centre has published the **second, third, and fourth editions of the Compendium of County Innovations and Best Practices**, which serve as a valuable resource for acknowledging and highlighting success stories from diverse Counties. The compendiums are available for download on the Maarifa Centre website, while physical copies can be obtained from the secretariat.

I would like to thank the Counties that contributed faithfully to ensure the Council fulfils its mandate. Your continuous engagement, expertise, and experience, and the fruitful, constructive, and open exchanges during the previous year have played a significant role in helping the County Governments achieve the successes.

Signed

Ann Waiguru

Chairperson, Council of Governors
H.E Ann Waiguru, EGH, OGW

6. Report of the Chief Executive Officer

The Council of Governors (CoG) continues to grow in an effort to fulfil its constitutional mandate for over the last nine (10) years of devolution with institutional structures and enhanced capacity to carry out its mandate. The period under review (July 2022-June 2023) has been both challenging as well as productive for the Council of Governors.

The Financial Report covers activities undertaken by Council of Governors for the Financial Year 2022/2023 in line with the mandate of CoG in Section 20 of the Intergovernmental Relations Act (IGRA) and is executed through the Strategic Plan 2012-2023.The achievement of the CoG strategic objectives are anchored in the 3 critical performance areas: 1) Good Governance and institutional capacity for sustainable service delivery in the Counties: 2) Intergovernmental relations and Devolution; 3) CoG's Institutional Development. Therefore, progress report for FY 2022/2023 is a culmination of efforts of many individuals and stakeholders who provided their expertise and capacity and support to the work of the Council of Governors.

During the year of reporting 2022/2023, the Council facilitated induction for new County leadership, improving stakeholder participation in devolved functions, facilitating research and knowledge generation, and peer learning on devolved functions, knowledge sharing and learning which has harnessed the expertise and competencies of the County Governments. Some of the Key achievement during the year include:

i. Enhanced the capacity of 20 County officials (County Attorneys and other officials) on Access to Information and Grievance Redress mechanisms, focusing on ATI legislation, particularly in enhancing their Access to Information infrastructures.
ii. Enhanced cross-learning among 23 county governments on economic transformation through cooperatives by organizing a peer-to-peer learning event for Chief Officers and Directors overseeing cooperatives.
iii. Safeguarded devolution by developing and submitting six (6) legislative memoranda on policies and legislation2 to relevant institutions on devolution matters

iv. Delivered the State of Devolution Address 2023 that highlights the progress made by counties in delivering the devolution promise was developed and dissemination.
v. Developed and published 3rd and 4th compendium of practices.
vi. In the same period the Council obtained technical and financial support from Development partners, National Government and County Government.

As a Council, we are committed to ensuring CoG continued to undertake its mandate. We appreciate support from all the Counties in ensuring the Council fulfill the legal mandate as stipulated in Section 20 of the Intergovernmental Relations Act.

Mary Mwiti
Chief Executive Officer

7. Statement of Performance against Predetermined Objectives for FY 2022-2023

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the National Government entity's performance against predetermined objectives.

Council of Governors had 3 strategic Key Performance Areas within the current Strategic Plan for the FY 2022/2023. The strategic plan identifies three (3) Key pillars that are aimed at contributing towards improving the enabling environment for Counties to implement the devolved functions and enhance the delivery of services to citizens. The three key pillars are;

i) **Good Governance and institutional capacity for sustainable service delivery in the Counties.**
ii) **Intergovernmental relations and devolution**
iii) **CoG's Institutional development**

The Council of Governors develops its annual work plans based on the above five Key Focus Areas. Assessment of the Council's performance against its annual work plan is done on a quarterly basis. The Council achieved its performance targets set for the FY 2022/2023 period for its Key Focus areas, as indicated in the diagram below:

Key Focus Area	Objective	Key Performance Indicators	Activities	Achievements
Good Governance and institutional capacity for sustainable service delivery in the Counties.	Promote good governance at County Level -Strengthen the institutional Capacity of County Governmen ts -Promote Knowledge manageme nt, learning, innovation	--Extent of inclusion and diversity in County Governments' planning and decision-making processes -Number of County Governments with improved governance practices -Proportion of County Governments	Inductions of Excellency Governors, CECMs, Chief Officers and Directors on different sectors Intergovernment al meetings to lobby for increased allocation to Counties -Organized Peer to Peer learning activities	Induction for new County leadership advocated for --Advocate for increased allocation in Counties' equitable. -Undertake peer learning sessions.

	and research in Counties	with at least one of the requisite KM instruments		
Intergovernmental relations and Devolution	-Strengthen Cooperative Government and Intergovernmental relations -Strengthen Policy and legislation for devolution -Strengthen role of County Government in the global agenda	-Existence of strong cooperative governance and functional intergovernmental structures -National policies and laws well aligned to the devolved system of governance; and County Governments having all necessary policies and laws on the devolved functions. -County Governments' interests and voices visible in global discourses.	-Intergovernmental meetings to discuss matters devolution in different sectors -Held forums to advocate for continuous engagement of County Governments in implementing projects -Development of legislative memoranda on policies to relevant institutions on devolution matters - Coordinated participation of Counies to have their interest and voices visible in global discourses.	-Successfully lobbied for establishing a multiagency technical team between the CoG, Ministries of Education and ICT, and the Digital Economy responsible for implementing the resolutions and updating Governors and the Cabinet Secretaries of education sector reform resolutions -Successfully advocated for the continuous engagement of County Governments implementing the Aquaculture Business Development Programme (ABDP) with the State Department of Blue Economy and Fisheries
CoG's institutional Development	-Strengthen COG's administrative function and identity -Enhance CoG's	-Existence of operational and adequate internal structures, systems, tools, procedures, and methods	-Deliver the State of Devolution Address -Sensitize staff on the policy and legislative making process in Kenya.	agriculture committee's project coordination efforts.

	resource base	-Availability of required technical staff on all key functions within the CoG -Adequacy of CoG's brand identity.	-Secure funding to strengthen committee activities	

8. Corporate Governance Statement

The Council of Governors is committed to implementing good corporate governance principles and adheres to integrity, high ethical values and professionalism in all of its activities. The Council is made of the forty-seven (47) County Governors out of which the Chair person, Vice Chair Person and Whip are elected amongst the members on a yearly basis. During the period under review, the Cuncil of Governors (CoG) conducted elections for the new executive. The elections were conducted in September 2022 where H.E Hon Ann Waiguru, EGH was elected as Chairperson. H.E. FCPA Ahmed Abdullahi elected as the Vice-Chairperson and H.E. Stephen Sang, EGH as the Whip. The CoG also adopted the 18 sectors from the previously leadership. The mandate of the council includes;

a) consultation amongst county governments;
b) sharing of information on the performance of the counties in the execution of their functions with the objective of learning and promotion of best practice and where necessary, initiating preventive or corrective action;
c) considering matters of common interest to county governments;
d) dispute resolution between counties within the framework provided under this Act;
e) facilitating capacity building for governors;
f) receiving reports and monitoring the implementation of intercountry agreements on inter-county projects;
g) consideration of matters referred to the Council by a member of the public;
h) consideration of reports from other intergovernmental forums on matters affecting national and county interests or relating to the performance of counties; and

The Council for better implementation of its functions established sector committees and each committee is chaired by a governor. As at 30th June 2023, the Council had Eigtheen (18) Committees; Liaison, Management and Business Committee, Health Committee, Agriculture Livestock and Cooperatives Committee, Water, Forestry and Natural Resource Management Committee, Finance, Planning and Economic Affairs Committee, Resource Mobilization and Partnerships Committee, Legal, Constitutional Affairs and Intergovernmental Relations Committee, Education Committee, Human Resources and Labour Committee, Energy, Roads, Transport and Infrastructure Committee, Trade, Industry, Manufacturing and Enterprise Development Committee, Land, Housing and Urban Development Committee, Environment and Climate Change Committee, Gender, Youth, Culture, Sports and Social Services Committee, Tourism and Wildlife Committee, Arid and Semi-Arid Lands (ASAL) and Disaster Management Committee, Blue Economy Committee and Information, Communication and Technology Committee.

The Council of Governors is required to at least meet twice in a year and are provided with the necessary resources to undertake their duties. Appropriate training is available to all members on election to the office and on an ongoing basis as required. The terms of reference for each of the Committees are available.

The Council Committee papers are supplied to members on time, in appropriate form and quality to facilitate effective deliberations. The Council executive have access to relevant information through the office of the Chief Executive.

The separation of the functions of the chairman Council of Governors and the CEO supports and ensures the independence of the Council and management. The management of the Council implements the resolution of the Council. The balance of power, increased accountability, clear definition of responsibilities and improved decision-making are attained through a clear distinction between the Council and the management roles. The chairman's responsibilities include the operation, leadership and governance of the council. The chief executive officer's roles and responsibilities remains the day-to-day management of the Council's business and overseeing the implementation of strategy and policies approved by the Council.

Council meetings are held in line with requirements in law except when critical matters necessitate extra-Ordinary meetings. During the year under review, the Legal Committee prepared for and coordinated sixteen (8) Council meetings in the FY 2022/2023. Out of the 8 meetings held in the year, eight (3) were held in 2022 i.e 17th September 2022, 6th October, 2022, 5th December 2022, while the other 4 meetings were held in 2023 i.e 10th February 2023, 24th April 2023, 2nd May 2023, 19th May 2023, 19th May 2023. The meetings focused on key issues that affect the 47 County Governments including the issue of disbursement of funds, Division of Revenue amongst others. Minutes from the meetings well documented for reference.

To the best of our knowledge, no situations of conflict of interest arose at the Council during the year.

The Council has one standing committees: Audit Committee. The committee has formal and approved terms of reference. The board periodically reviews the terms of reference for the committee to ensure they are in line with current legislation and best practice. The committee is provided with all necessary resources to enable it to undertake its duties effectively.

Functions of the Audit Committee;

To fulfil its oversight responsibility, the Audit Committee receives reports from management, the internal auditors and external auditors, as appropriate. The responsibilities and role of the Audit Committee fall under four categories:

1. **Risk management and internal controls;**

   • Review and assess the organization risk management process and the adequacy of the overall control environment;
   • Review reports on internal audits conducted from the Internal Audit and ensure appropriate action is taken to address any weaknesses identified;
   • Receive reports from the Internal Audit, Risk Management on any fraud, material or not, that involves management or other employees who have a significant role in the organization internal controls;

2. **Financial reporting and disclosure matters**

   • Review the published financial statements and recommend their approval to the Council;
   • Review and discuss with management and the external auditor any significant events or transactions affecting the Council's financial reporting;
   • Consider findings from the external and internal auditors on material weaknesses in accounting and financial control systems.

3. **External auditor oversight responsibilities**

   • Review the independence, objectivity and effectiveness of the external auditor including their quality control procedure and steps taken to respond to changes in regulatory and other requirements;
   • Review the scope and extent of both audit and non-audit services provided to the company by the external auditors and any associated fees and terms of engagement, including the assessment of the non-impairment of the auditor's judgement and independence;
   • Review and discuss with management and auditors the preliminary results, interim information and annual financial statements.

4. **Internal audit oversight responsibilities**
   • Oversee the activity and credentials of the Council's internal audit division, including a review of the internal audit charter, code of ethics, plans, resource requirements, staffing and organizational structure;
   • Consider the appointment, replacement or dismissal of the director of internal audit and make recommendations to the Council;

- Approve the annual audit plan ensuring its consistency with the Council's strategic plan;
- Receive reports on the status of significant findings, recommendations and management's responses.

9. Management Discussion and Analysis

The Council of Governors is implementing the strategic plan for 2012-2023. The plan has enabled the Council to effectively enabled the Council to execute its mandated within a dynamic political environment, while at the same time safeguarding the gains accrued in the years of devolution. The plan has five (3) Kenya Performance Areas (KPAs), consistent with the vision and mandate of the Council of Governors are:

1. Good governance and institutional Capacity for service delivery in Counties
2. Intergovernmental Relations and Devolution
3. Cog's institutional Development

The CoG Strategic Plan 2022-2023 has enabled the Council to achieve the KPA as outlined through facilitating performance management in the Counties, building capacity for Governors and County Governments to enhance good governance, improving stakeholder participation in devolved functions, and strengthening risk management through establishing and operationalizing County emergency response frameworks.

During the period under review, CoG partnered with USAID to enhance and revamp the Maarifa Centre, primarily focusing on improving its user experience and navigation. This collaboration resulted in a significant 30% upsurge in website visits within six months. As a result, the **Maarifa Centre has firmly established itself as a leading, influential platform for knowledge sharing and peer-to-peer learning**. The online platform (https://maarifa.cog.go.ke/) has documented **51 County success stories**, a slight growth from 31 initiatives covered in the previous financial year, highlighting essential County success stories and good and best practices related to service delivery.

The Maarifa Centre partnered with Amref Kenya to develop a ***sector-specific compendium on Facility Improvement Financing (FIF) and Community Health Services (CHS)*** and hosted peer-to-peer workshops among Counties on FIF and CHS. Additionally, the Maarifa Centre has published the **second, third, and fourth editions of the Compendium of County Innovations and Best Practices,** which serve as a valuable resource for acknowledging and highlighting success stories from diverse Counties. The compendiums are available for download on the Maarifa Centre website, while physical copies can be obtained from the secretariat.

10. Environmental and Sustainability Reporting

The Council of Governors exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

The Council through the Symbiocity programme undertook a deep stakeholder mapping and profiling to determine their level of influence and role in sustaining the interventions to be rolled out. There after the stakeholders were classified into three: Broader stakeholder group, working groups and the steering committees. The structures created within the pilot towns guide decisions making and prioritization of urban investments during public participation forums. Further the Kenya SymbioCity programme is anchored within the line urban development departments in Counties and has been integrated in the development frameworks of the counties and urban areas guaranteeing future financing post the programme period.

ii) Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

iii) Employee welfare

Council of governors has human resource policies which are gender sensitive and guides all the human resource activities. Throughout the period, the Council's staff underwent annual and semi-annual appraisals. Further to enhance staff capacity the staff underwent training including project management, financial management and procurement management.

iv) Market place practices-

The Council has ensured achievement of its mandate through the following efforts:

a) Responsible competition practice.

Council of governor's procurements uses country systems including the public procurement and asset disposal act 2015. One of the principles of procurement in the act is fair competition which the programme implemented throughout.

b) Responsible Supply chain and supplier relations

The Council of Governors has entered into contractual obligation with its suppliers, who are drawn from the local community and observe the 30% allocation to women and youth.

c) Responsible marketing and advertisement

The programme implementation is in line with the pricing indexing provided by PPRA.

v) Corporate Social Responsibility / Community Engagements

Due budget Constraint, the Council did not implement any CSR activity.

11. Report of the Council of Governors

The Council is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the entity as at the end of the financial year and of the operating results of the entity for the year. The Council also ensures that the entity keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the entity. The Council is also responsible for safeguarding the assets of the entity.

The Council is responsible for the preparation and fair presentation of these financial statements and accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards. The Council further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

The Council submitted their report together with the audited financial statements for the year ended 30 June 2023, which show the status of the entity's affairs.

i) 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.
12. Facilitate dispute resolutions between counties

ii) Results

The results of the Entity for the year ended June 30, 2023, are set out on page 1 and 2.

iii) Executive

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

iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

v) Auditors

The Auditor-General is responsible for the statutory audit of the Council of Governors in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the management

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Name: Mary Mwiti

Secretary to the Council of Governors

12. Statement of Directors Responsibilities

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

Accounting Officer is responsible for the preparation and presentation of the *Entity's* financial statements, which give a true and fair view of the state of affairs of the *Entity* for and as at the end of the financial year (period) ended on June 30, 2023. 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 *Entity*; (v)Selecting and applying appropriate accounting policies; and (vi)Making accounting estimates that are reasonable in the circumstances.

The Accounting officer accepts responsibility for the *Entity's* 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 Accounting officer is of the opinion that the *Entity's* financial statements give a true and fair view of the state of *Entity's* transactions during the financial year ended June 30, 2023, and of the *Entity's* financial position as at that date.

The Accounting officer further confirms the completeness of the accounting records maintained for the *Entity*, which have been relied upon in the preparation of the *Entity's* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Accounting officer to indicate that the *Entity* 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 Council on 28th September 2022 and signed on its behalf by:

....	....
Name: H.E Ann Waiguru, EGH, OGW	**Name: Mary Mwiti**
Chairperson of the Council	**Accounting Officer**

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COUNCIL OF GOVERNORS FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Council of Governors set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Council of Governors as at 30 June, 2023 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 Public Finance Management Act, 2012 and the Intergovernmental Relations Act, 2012.

Basis for Qualified Opinion

1. Motor Vehicles Without Ownership Documents

The statement of financial position reflects property, plant and equipment balance of Kshs.40,533,873 as disclosed in Note 23 to the financial statements which includes Kshs.31,288,983 in respect of motor vehicles. However, as reported in the previous year, the asset register indicates that three (3) motor vehicles were received by the Council from the Transforming Health Systems (THS) Project using a Counter Requisition and Issue Voucher (S11) forms but had no corresponding logbooks or transfer of ownership documents.

In the circumstances, the ownership of the vehicles and accuracy of the reported motor vehicles balance of Kshs.31,288,983 could not be confirmed.

2. Inaccuracies in the Statement of Changes in Net Assets

The statement of changes in net assets reflects retained earnings balance of Kshs.136,239,484 as at 30 June, 2023. However, the balance of surplus is disclosed as Kshs.64,483,990 instead of Kshs.136,239,484 stated in the statement of financial performance resulting to unreconciled variance of Kshs.71,755,494. Further, the statement has not clearly indicated the current period (2022/2023) and the previous period (2021/2022) to enable proper comparison of the balances and also enable users of the financial statements to identify the scope under review.

In the circumstances, the accuracy and completeness of the statement of changes in net assets could not be confirmed.

3. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects balance of cash and cash equivalents of Kshs.207,265,539 as at 30 June, 2023. However, recomputation of the net cash flows from operating activities yielded a balance of Kshs.150,167,596 as opposed to the stated balance of Kshs.85,208,887 resulting to unreconciled variance of Kshs.64,958,709. Additionally, Note 24 on cash generated from operations used a balance of Kshs.150,167,596 as surplus for the year before taxation instead of the balance of

Kshs.136,239,484 arrived at from the statement of financial performance. Further, Note 24 to the financial statements indicates a balance of Kshs.71,512,097 as decrease in payables which however cannot be traced in statement of financial position and has wrongly been treated as cash inflow. Further, the statement of cash flows reflects a balance of Kshs.4,980,000 in respect to net cash flows used in investing activities which however differs with the balance disclosed in Note 23 on property, plant and equipment movement schedule on additions of Kshs.290,000 resulting to unreconciled variance of Kshs.4,690,000.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.207,265,539 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Council of Governors Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.566,223,567 and Kshs.529,972,266 respectively resulting in an under-funding of Kshs.36,251,301 or 6% of the budget. Further, the Council expended Kshs.383,051,899 against approved budget of Kshs.566,223,567 resulting to under-expenditure of Kshs.183,171,668 or 32% of the budget.

The underfunding and under expenditure may have affected negatively the planned activities and service delivery to the public.

My opinion is not modified in respect of this matter.

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. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management had not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matters described in the Basis for Conclusion on 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 resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Submit Annual Report and Financial Statement for Staff Car Loan and Mortgage Fund Scheme for Audit

The Council established a staff mortgage scheme on 11 May, 2020 with an initial capital of Kshs.100,000,000. However, the Council has not prepared and submitted annual report and financial statement for the staff mortgage scheme to the Auditor General since establishment of the Scheme. This is contrary to Regulation 24(1) and (2) of the State Officers and Public Officers Motor Car Loan Scheme Fund Regulations 2015, which requires the Chief Executive Officer to be designated as the Administrator of the Fund and cause proper books of accounts and records in relation to the Fund and transmit to the Auditor-General in respect of each financial year and within three months after the end thereof and the provisions of The National Treasury Circular Ref: AG.4/16/3 Vol. III (33), dated 06 July, 2023 and Public Sector Accounting Standards Board (PSASB) Financial Reporting Guidelines and templates that governs the preparation of annual reports and financial statements for the year ending 30 June, 2023.

In the circumstances, Management was in breach of the law.

2. Donations not Deposited into the Consolidated Fund

The statement of financial performance reflects public contributions and donations amount of Kshs.136,480,466 as disclosed in Note 8 to the financial statements. However, these donations were not deposited into the Consolidated Fund contrary to Regulation 71(2) of the Public Finance Management (National Government) Regulations, 2015 which provides that all cash grants, donations or sponsorships shall be deposited in the Consolidated Fund.

In the circumstances, Management was in breach of the law.

3. Payment of Insurance Premium for Government of Kenya Plated Vehicles

The statement of financial performance reflects an amount of Kshs.205,712,268 in respect of use of goods and services which includes insurance cost of Kshs.14,314,952 and as disclosed under Note 11 to the financial statements. The insurance amount includes a payment of Kshs.2,275,468 for comprehensive insurance cover for vehicles registered in the name of the Government of Kenya. This is contrary to Section 4(3) of the Insurance Third Party Risk Act, 2012 which provides that this section shall not apply to any motor vehicle owned by the Government, or to a motor tractor or other motor vehicle used solely or mainly for agricultural purposes, if the use of such motor tractor or other motor vehicle on a road consists only of moving it by road from one part of the land of the owner thereof to another part of the land of such owner.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Independence of the Internal Audit

Review of the staff establishment revealed that the internal audit department ought to have 3 officers at level 3, 4 and 5 or 6. However, during the year under review, the department had only one member of staff at level 6, which is not senior enough to ensure the independence of the department as required by the Head of Public Service Circular Ref no. OP/CAB.9/1A dated 11 March, 2020. The understaffing and lack of senior personnel in the department indicates lack of independence.

In the circumstances, the independence and effectiveness of the internal audit department could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 the 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 controls 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Council's ability to continue 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 terminate 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 comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Council's financial reporting process, reviewing the effectiveness of how 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 audit 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 and that public resources are applied in an effective way, 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.

Further, in planning and performing the audit of the financial statements and audit 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 controls would not necessarily disclose all matters in the internal controls 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 controls may not prevent or detect misstatements and instances of non-compliance. 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 Council's 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 controls.

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

- Conclude on the appropriateness of 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 March, 2024

14. Statement of Financial Performance for the year ended 30 June 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfer from other Government Entities	6	128,999,400	56,948,385
Transfers from Ministries, Departments and Agencies (MDAs)	7	262,756,000	224,413,015
Public Contributions and Donations	8	136,480,466	164,446,919
Bank Interest	9	-	382,948
Miscelleneous receipt -Symbiocity	10	-	370,000
Total revenue		**528,235,866**	**446,561,267**
Expenses			
Use of goods and services	11	205,712,268	370,070,498
Employee costs	12	155,914,914	137,097,847
Depreciation expense	13	13,928,112	4,775,788
Repairs and maintenance	14	16,441,089	6,372,628
Total expenses		**391,996,382**	**518,316,761**
Net Surplus for the year		**136,239,484**	**(71,755,494)**

The notes set out on pages 11 onwards form an integral part of these Financial Statements. The Financial Statements set out on pages 1 were signed on behalf of the Council of Governors by:

…………………………………	…………………………………	…………………………………
Name: Mary Mwiti	**Name: Joyce Chepkoech**	**Name: H.E Ann Waiguru, EGH, OGW**
Accounting Officer	**Head of Finance**	**Chairperson CoG**
	ICPAK M/No:29569	
Date: 7/02/2024	**Date: 7/02/2024**	**Date: 7/02/2024**

15. Statement of Financial Position as at 30 June 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	15	207,265,539	127,036,652
Loan Receivable	16	-	71,512,097
Rent Deposit	17	-	7,302,873
Bank Interest	9		382,948
		207,265,539	**206,234,570**
Non-current assets			
Property, plant and equipment	23	40,533,873	37,571,985
Intangible Asset	18	6,700,000	-
		47,233,873	**37,571,985**
Total assets		**254,499,411**	**243,806,555**
Liabilities			
Current liabilities			
Trade and other payables	19	6,493,679	-
Taxation	20	-	482,553
		6,493,679	**482,553**
Non-current liabilities			
Non-current employee benefit obligation		-	-
Total liabilities		**6,493,679**	**482,553**
Net assets		**248,005,732**	**243,324,002**
Reserves	21	243,324,022	315,079,516
Adjustment:Prio year Mortgage balances	22	(131,557,774)	-
Accumulated surplus		136,239,484	(71,755,494)
Total net assets and liabilities		**248,005,732**	**243,324,022**

The financial statements set out on pages 2 were signed on behalf of the Board of Directors by:

……………………………… ……………………………………… ………………………………

Name: Mary Mwiti
Accounting Officer

Date:7/02/2024

Name: Joyce Chepkoech
Head of Finance
ICPAK Member Number:29569

Date:7/02/2024

Name: H.E Ann Waiguru, EGH, OGW
Chairman of the Board

Date: 7/02/2024

16. Statement of Changes in Net Assets for the year ended 30 June 2023

Description	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at July 1, (Previous FY)	-	-	-	(93,252,482)	-	-	(93,252,482)
Surplus/ deficit for the year	-	-	-	(165,007,976)	-	-	(165,007,976)
As at June 30, (Previous FY)	-	-	-	(71,755,494.00)	-	-	(71,755,494)
As at July 1, (Current FY)	-	-	-	(71,755,494)	-	-	(71,755,494)
Surplus/ (deficit) for the year	-	-	-	64,483,990	-	-	64,483,990
As at June 30, (Current FY)	-	-	-	136,239,484	-	-	136,239,484

17. Statement of Cash Flows for the year ended 30 June 2023

	Notes	2022-2023	2021-2022
Cash flows from operating activities			
Receipts			
Transfer from other Governments Entities	6	128,999,400	56,948,385
Transfers from Ministries, Departments and Agencies (MDAs)	7	262,756,000	224,413,015
Public Contributions and Donations	8	136,480,466	164,446,919
Bank Interest	9	-	382,948
Miscelleneous receipts:Symbiocity Programme	10	-	370,000
Total Receipts		**528,235,866**	**446,561,267**
Payments			
Use of goods and services	11	205,712,268	370,070,498
Employee costs	12	155,914,914	137,097,847
Repairs and maintenance	13	16,441,089	6,372,628
Total Payments		**378,068,270**	**513,540,973**
Net cash flows from operating activities	**24**	**85,208,887**	**(66,979,706)**
Cash flows from investing activities			
Purchase of PPE and Intangible Asset		(4,980,000)	(26,839,161)
Net cash flows used in investing activities		**(4,980,000)**	**(26,839,161)**
Cash flows from financing activities			
Decrease in Payables			(15,690,460)
Decrease in Receivables		-	(42,828,339)
Adjustment: Rent Deposit		-	45,796,095
Adjustment: Rent Deposit		-	(3,733,899)
Adjustment: Cash and Cash Equivalent		-	(498,728)
Net cash flows used in financing activities		-	**(16,955,330)**
Net increase/(decrease) in cash and cash equivalents		**80,228,887**	**(110,774,197)**
Cash and cash equivalents at 1 July		127,036,652	237,810,849
Cash and cash equivalents at 30 June		**207,265,539**	**127,036,652**

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023

	Original budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	% Variance
	A	B	C=(a+b)	D	E=(c-d)	F=d/c
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Transfer from other Government Entities	141,000,000	-	141,000,000	128,999,400	12,000,600	91%
Transfer from Ministries, Departments and Agencies (MDAs)	263,256,000	-	263,256,000	262,756,000	500,000	100%
Public Contributions and Donations	160,131,167	-	160,131,167	136,480,466	23,650,701	85%
Bank Interest	1,836,400	-	1,836,400	1,736,400	100,000	95%
Total income	**566,223,567**	-	**566,223,567**	**529,972,266**	**36,251,301**	
Expenses						
Compensation of employees	156,615,018	-	156,615,018	155,914,914	700,104	100%
Goods and services	388,164,766	-	388,164,766	205,715,896	182,448,870	53%
Purchase of Computers, printers and other IT equipment	4,995,018	-	4,995,018	4,980,000	15,018	100%
Repairs and maintenance	16,448,765	-	16,448,765	16,441,089	7,676	100%
Total expenditure	**566,223,567**	-	**566,223,567**	**383,051,899**	183,171,668	68%
Surplus for the period	-	-	-	**146,920,367**	**(146,920,367)**	

19. Notes to the Financial Statements

1. General Information

The Council of Governors entity 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. The entity's principal activity is providing consultation amongst County governments, 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 as well as considering matters of common interest.

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 Appendix.

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 2012, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2023:** 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: • 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.
IPSAS 42: Social Benefits	**Applicable: 1st January 2023**

Standard	Effective date and impact:
	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: (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
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2023:** a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	***Applicable 1st January 2023***

Standard	Effective date and impact:
	• *IPSAS 22 Disclosure of Financial Information about the General Government Sector.* Amendments to refer to the latest System of National Accounts (SNA 2008). • *IPSAS 39: Employee Benefits.* Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • **IPSAS 29: Financial instruments: Recognition and Measurement.** Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

ii. ***New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.***

Standard	Effective date and impact:
IPSAS 43	***Applicable 1st January 2025*** The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.

iii. ***Early adoption of standards***

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

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. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

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 the Current FY was approved by the National Assembly on 15th June 2022 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.

Budget information (continued)

The Council of Governors 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 on page 6 to these financial statements.

Summary of Significant Accounting Policies (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.

d) 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.

Summary of Significant Accounting Policies (Continued)

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.

e) **Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

f) **Contingent liabilities**

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

g) **Contingent assets**

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.

Summary of Significant Accounting Policies (Continued)

h) 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.

i) 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.

j) 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.

Summary of Significant Accounting Policies (Continued)

k) **Service concession arrangements**

The *Entity* analyses all aspects of service concession arrangements that it enters 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.

l) **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.

m) **Comparative figures**

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

n) **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, 2023.

Summary of Significant Accounting Policies (Continued)

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:

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 value

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

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

Notes to the Financial Statements (Continued)

6. Transfers from Other Government entities

Description	2022-2023	2021-2022
	Kshs	Kshs
County Governments	128,999,400	56,948,385
Total	**128,999,400**	**56,948,385**

7. Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Fiannacial Performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total Tranfers 2022-2023	2021-2022
	Kshs	Kshs	Kshs		Kshs
a) State Department for Devolution	215,140,000	-	-	215,140,000	212,340,000
b) State Department for Medical Services	-	-	-	-	1,450,000
c) State Deparment for Devolution - The Kenya Symbiocity Programme	-	-	-	-	10,623,015
d) State Department for Crops and Development	30,000,000	-	-	30,000,000	-
e)The National Treasury	17,616,000	-	-	17,616,000	-
Sub-Total	**262,756,000**	-	-	**262,756,000**	**224,413,015**

8. Public Contributions and Donations

Description	2022-2023	2021-2022
	Kshs	Kshs
Bill and Melinda Gates Foundation Grants	-	5,375,000
Devolution Conference Registration	4,367,052	51,374,102
Devolution Conference Exhibition	1,050,000	5,299,500
UNICEF	16,159,126	4,932,336
UNDP	4,235,000	
AMREF Health Africa	63,759,433	13,211,660
Lap trust Fund	1,900,000	400,000
NHIF	904,500	1,267,481
Jacaranda Health	574,200	200,000
Devolution Conference Sponsorship	3,958,000	47,294,317
Other Income	33,276,251	116,400
UNDP - In Kind	1,109,044	14,162,047
UN WOMEN - In Kind	3,509,860	19,063,876
UNICEF -In Kind	183,000	1,750,200
AMREF Health Africa -In Kind	1,495,000	-
Total	**136,480,466**	**164,446,919**

9. Bank Interest

Description	2022-2023	2021-2022
Bank interest -A/C 9783685079	-	382,948
Total	**-**	**382,948**

10. Miscellaneous Receipt

Date of credit	2022-2023	2021-2022
National Bank of Kenya -Symbiocity	-	370,000
Total	**-**	**370,000**

11. Use of Goods and services

Description	2022-2023	2021-2022
	Kshs	Kshs
Electricity	1,934,226	1,674,864
Security & Cleaning	2,125,000	1,707,680
Rent Expense	30,059,514	28,734,892
Communication supplies and Services	4,198,168	3,651,022
Domestic Travel, Subsistence & other transportation costs	58,118,043	25,034,881
Foreign Travel, Subsistence & other transportation costs	12,781,313	1,964,084
Printing & Advertising	11,029,795	6,617,198
Conference and Workshops	30,649,541	742,284
Hospitality Supplies and services	3,584,041	97,489,156
Professional services/Consultancies	6,136,300	16,617,000
Subscription to professional bodies	5,432,690	3,654,300
Bank Charges	428,456	338,486
Fuel, oil and Lubricants	4,609,582	3,416,960
Insurance	14,314,952	13,414,569
Legal expenses	3,416,305	14,880,650
Other General Expenses	10,595,569	9,253,014
Payments in Kind	6,296,904	34,976,123
Taxation	-	482,533
The Kenya Symbiocity Programme	1,869	105,420,802
Total	**205,712,268**	**370,070,498**

Notes to the Financial Statements (Continued)

12. Employee Cost

	2022-2023	2021-2022
	Kshs	Kshs
Salaries and wages	130,491,659	114,818,902
Employee related costs - contributions to pensions and medical aids	25,423,255	22,278,945
Employee costs	**155,914,914**	**137,097,847**

13. Depreciation and Amortization Expense

Description	2022-2023	2021-2022
	Kshs	Kshs
Property, plant and equipment	13,928,112	4,775,788
Total depreciation and amortization	**13,928,112**	**4,775,788**

14. Repairs and Maintenance

Description	2022-2023	2021-2022
	Kshs	Kshs
Motor Vehicles	2,641,690	3,329,986
Furniture and fittings, Equipment and Computers	4,034,099	3,042,642
Maintenance of Buildings and Stations - Non-Residential	9,765,300	-
Total repairs and maintenance	**16,441,089**	**6,372,628**

15. Cash and Cash Equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Current account	207,066,967	60,073,992
Cash in hand	198,572	192,160
Staff mortgage	-	66,770,500
Total cash and cash equivalents	**207,265,539**	**127,036,652**

Notes to the Financial Statements (Continued)

15a.Detailed Analysis of the Cash and Cash Equivalents

Financial institution	Account number	2022-2023 KShs	2021-2022 KShs
a) **Current account**			
Kenya Commercial bank-Operation	1164902318	113,762,685	26,300,904
Kenya Commercial bank-Project	1212164717	18,363,488	8,659,524
Kenya Commercial bank- NAVCDP Project	1316184927	30,000,000	-
Cooperative Bank of Kenya-Operation	01143201338000	42,586,548	22,485,547
Cooperative Bank of Kenya - Project	01134201338000	880,436	991,753
National Bank of Kenya -Symbiocity Project	01001113869200	327,194	186,264
Cooperative Bank of Kenya-Danida Project	01141201338001	1,146,616	1,450,000
Sub- total		**207,066,967**	**60,073,992**
b) Staff car mortgage			
Housing Finance Corporation Limited	9783685079	-	66,770,500
Sub- total		**-**	**66,770,500**
e) Others			
cash in hand		198,572	192,160
Sub- total		**198,572**	**192,160**
Grand total		**207,265,539**	**127,036,652**

16. Loan Receivable

Description	2022-2023	2021-2022
Loan Receivable	-	71,512,097
Total	**-**	**71,512,097**

17. Rent Deposit

Description	2022-2023	2021-2022
Lease Agreement 2nd and 11th Floor	-	7,302,873
Total	**-**	**7,302,873**

18. Intangible Asset

Description	2022-2023	2021-2022
ERP Software	4,690,000	-
EPR Software under Development	2,010,000	
Total	**6,700,000**	**-**

Notes to the Financial Statements (Continued)

19. Trade and other payables

Description	2022-2023	2021-2022
Trade Payables	6,493,679	-
Total	**6,493,679**	**-**

20. Tax on interest -A/C 9783685079

Date of Debit	2022-2023	2021-2022
Taxation	-	482,553
Total	**-**	**482,553**

21. Reserves

Date of Debit	2022-2023	2021-2022
Reserves	243,324,022	315,079,516
Total	**243,324,022**	**315,079,516**

22. Prior Year Adjustment

Date of Debit	2022-2023	2021-2022
Mortgage Account balances	**66,770,000**	**-**
Loan Receivable	64,787,774	-
Total	**131,557,774**	**-**

Notes to the Financial Statements (Continued)

23. Property, Plant and Equipment

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT SCHEDULE					
	Office Machines	Office furniture	Computers and Equipments	Motor vehicles	TOTAL
Cost	12.5%	12.5%	30%	25%	
As at 1st July 2021	3,864,116	20,036,931	10,122,741	40,392,618	74,416,406
Additions for the year 2021	-	-	2,178,600	23,885,310	26,063,910
Additions: Donated Vehicle	-	-	-	1,850,000	1,850,000
AS at 30th June 2022	3,864,116	20,036,931	12,301,341	66,127,928	102,330,316
Additions	-	200,000	90,000		290,000
Adjustments	-	-	-	16,600,000	16,600,000
As at 30th June 2023	3,864,116	20,236,931	12,391,341	82,727,928	119,220,316
Depreciation					
As at 1 July 2021	1,932,058	10,018,466	7,639,401	40,392,618	59,982,543
Depreciation	483,015	2,504,617	1,325,657	462,500	4,775,789
As at 30th June 2022	2,415,073	12,523,083	8,965,058	40,855,118	64,758,332
Depreciation	483,015	2,504,617	356,653	10,583,828	13,928,112
As at 30th June 2023	2,898,087	15,027,700	9,321,711	51,438,946	78,686,444
Net Book Values	966,029	5,209,231	3,069,630	31,288,983	40,533,873
As at 30th June 2022	1,449,044	7,513,848	3,336,283	25,272,810	37,571,985
As at 30th June 2023	966,029	5,209,231	3,069,630	31,288,983	40,533,873

Notes to the Financial Statements (Continued)

23 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Motor Vehicles, Including Motorcycles	82,727,928	51,438,946	31,288,983
Computers And Related Equipment	12,391,341	9,321,711	3,069,630
Office Equipment, Furniture, And Fittings	24,101,047	17,925,787	6,175,260
Total	**119,220,316**	**78,686,444**	**40,533,873**

24. Cash Generated from Operations

Description	2022-2023	2021-2022
	Kshs	Kshs
Surplus for the year before tax	**150,167,596**	-
Adjusted for:		
Depreciation	13,928,112	-
Loan receivable 2021/2022	(71,512,097)	-
Mortgage balances	(66,770,500)	-
Revaluation reserves	(16,600,000)	
Working capital adjustments		
Increase in inventory	(2,010,000)	-
Increase in payables	6,493,679	-
Decrease in receivables	-	-
Decrease in payables	71,512,097	-
Net cash flow from operating activities	**85,208,887**	-

Notes to the Financial Statements (Continued)

25. 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.

Notes to the Financial Statements (Continued)

ii) Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Entity has significant concentration of credit risk on amounts due from xxx. The board of directors sets the Entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

iii) 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.

Notes to the Financial Statements (Continued)

i) Market risk

The *Entity* has put in place an internal audit function to assist it in assessing the risk faced by the Entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Entity's exposure to market risks or the way it manages and measures the risk.

Notes to the Financial Statements (Continued)

26. Related Party Disclosures

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) The Parent Ministry
ii) County Governments
iii) Other SCs and SAGAs

Description	2022-2023	2021-2022
	Kshs	Kshs
Transactions with related parties		
a) Grants /transfers from the government		
State Department from Devolution	215,140,000	212,340,000
County government	128,999,400	56,948,385
State Department of Medical Services	-	1,450,000
State Department for Crops and Development	30,000,000	-
National Treasury	17,616,000	-
State Department for Devolution (Kenya Symbiocity Programme)	-	10,623,015
Public Contribution and Donation	136,480,466	129,470,796
Total	**528,235,866**	**410,832,196**

27. Events after the Reporting Period

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

28. Ultimate and Holding Entity

The Entity is a Semi- Autonomous Government Agency under the State Department for Devolution Its ultimate parent is the Government of Kenya.

29. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

20. Appendices

Appendix 1: Implementation Status of Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
1.	Motor vehicle without ownership documents	The Council of Governors at the closure of the project in which the vehicles are supporting request for transfer of vehicles to the Council of Governors	Not Resolved	30th June 2024
2.	Legality of Council of Governors	The Council of Governors is an establishment in Section 19 of the Intergovernmental Relations Act 2012	Not Resolved	30th June 2024
3.	Payment of Insurance Premium for Government of Kenya Plated Vehicles	Due to the limited budget for the Council, it is prudent that insurance of Motor vehicle against possible risk as per internal Risk Management Policy and Procedures Manual is provide. The Council does not have access to the exiting pool in the event such risk and the Attorney	Not Resolved	30th June 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		General does not enter appearance in Court neither does the office defend the Council of Governors in the proceedings. As such the cover is taken to cushion the Council against such risks.		
4.	Donations not deposited in the Consolidated fund	The amount relates to A-I-E with respect to Council of Governors budget for the year and the same is reflected in the approved budget.	Not Resolved	30th June 2024

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Chief Executive Officer

Date:07/02/2024

Appendix II: Projects implemented by *(The Entity)*

Projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements. (Yes/No)
Kenya Symbiocity Programme	51110060	Sida	5yrs		No	No

Status of Projects completion

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Kenya Symbiocity Program	289,646,353	289,585,900	100%	289,646,353	289,585,900	Sida

Appendix III: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized						Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
State Department for Devolution	22/08/2022	Recurrent	52,660,000	52,660,000	-	-	-	-	52,660,000
	01/11/2022	Recurrent	52,660,000	52,660,000	-	-	-	-	52,660,000
	30/1/2023	Recurrent	52,660,000	52,660,000	-	-	-	-	52,660,000
	28/04/2023	Recurrent	52,660,000	52,660,000	-	-	-	-	52,660,000
	30/06/2023	Development	4,500,000	4,500,000	-	-	-	-	4,500,000
State Department for Crops Development	30/06/2023	Donor fund	30,000,000	30,000,000	-	-	-	-	30,000,000
The National Treasury	30/06/2023	Donor Fund	17,616,000	17,616,000	-	-	-	-	17,616,000
Total			**262,756,000**	**262,756,000**	**-**	**-**	**-**	**-**	**262,756,000**

Appendix IV: Variance Explanation –Comparative Budget and Actual

	Final budget	Actual on comparable basis	Budget utilization variance	Comments on the variance
	2022-2023	2022-2023	2022-2023	
Revenue	Kshs	Kshs	Kshs	
Transfer from other Government Entities	141,000,000	128,999,400	12,000,600	This relates the outstanding contribution from Counties
Transfer from Ministries Departments and Agencies (MDAs)	263,256,000	262,756,000	500,000	The state Department for Devolution did not disbused the amount as per the approved budget.
Public Contributions and Donations	160,131,167	136,480,466	23,650,701	The actual resources mobilized could not meet the planned target.
Bank Interest	1,836,400	1,736,400	100,000	
Total income	**566,223,567**	**529,972,266**	**36,251,301**	
Expenses				
Compensation of employees	156,615,018	155,914,914	700,104	The difference relates to budget for officers who resigned and positions had not been filled as at closure of the Year.
Use of Goods and services	388,164,766	205,715,896	182,448,870	The amount resourced for the activities could not match the budget estimtes for the year
Purchase of Computers, printers and other IT equipment	4,995,018	4,980,000	15,018	
Repair and Maintenance	16,448,765	16,441,089	7,676	
Total expenditure	**566,223,567**	**383,051,899**	**183,171,668**	
Surplus for the period	-	**146,920,367**	**(146,920,367)**	

Appendix V: County Contributions from County Government

	County	Intergovermental Contribution	Devolution Conference Contribution	Legal Contribution	Total
1	Mombasa County	-	2,000,000	-	2,000,000
2	Kwale County	2,000,000	-	1,000,000	3,000,000
3	Kilifi County	2,000,000	2,000,000	1,000,000	5,000,000
4	Lamu County	2,000,000	2,000,000	1,000,000	5,000,000
5	Taita/Taveta County	2,000,000	-	1,000,000	3,000,000
6	Garissa County	2,000,000	2,000,000	1,000,000	5,000,000
7	Wajir County	2,000,000	-	1,000,000	3,000,000
8	Mandera County	-	2,000,000	1,000,000	3,000,000
9	Marsabit County	2,000,000	-	999,400	2,999,400
10	Isiolo County	-	2,000,000	-	2,000,000
11	Meru County	2,000,000	-	1,000,000	3,000,000
12	Tharaka-Nithi County	-	-	1,000,000	1,000,000
13	Embu County	2,000,000	-	1,000,000	3,000,000
14	Kitui County	2,000,000	-	1,000,000	3,000,000
15	Machakos County	2,000,000	-	1,000,000	3,000,000
16	Makueni County	2,000,000	2,000,000	-	4,000,000
17	Nyandarua County	2,000,000	2,000,000	1,000,000	5,000,000
18	Kirinyaga County	2,000,000	2,000,000	1,000,000	5,000,000
19	Kiambu County	-	2,000,000	1,000,000	3,000,000
20	Turkana County	2,000,000	-	-	2,000,000
21	West Pokot County	-	2,000,000	1,000,000	3,000,000
22	Trans Nzoia County	2,000,000	-	1,000,000	3,000,000
23	Uasin Gishu County	-	2,000,000	-	2,000,000

24	Nandi County	2,000,000	2,000,000	1,000,000	5,000,000
25	Laikipia County	2,000,000	-	1,000,000	3,000,000
26	Nakuru County	2,000,000	2,000,000	1,000,000	5,000,000
27	Narok County	2,000,000	2,000,000	1,000,000	5,000,000
28	Kajiado County	2,000,000	2,000,000	1,000,000	5,000,000
29	Bomet County	-	2,000,000	1,000,000	3,000,000
30	Kakamega County	2,000,000	2,000,000	1,000,000	5,000,000
31	Vihiga County	2,000,000	-	-	2,000,000
32	Bungoma County	2,000,000	2,000,000	1,000,000	5,000,000
33	Kisumu County	-	-	1,000,000	1,000,000
34	Homa Bay County	2,000,000	2,000,000	1,000,000	5,000,000
35	Migori County	2,000,000		1,000,000	3,000,000
36	Kisii County	2,000,000	2,000,000	1,000,000	5,000,000
37	Nairobi County	-	2,000,000	1,000,000	3,000,000
	Total	**54,000,000**	**44,000,000**	**30,999,400**	**128,999,400**