


REPUBLIC OF KENYA



PARLIAMENT
OF KENYA
LIBRARY

 THE NATIONAL ASSEMBLY PAPERS LAID		
REPORT	03 MAY 2023	DAY. Wednesday
TABLED BY:	Hon. Kimani Ichung'wah (Leader of the Majority Party)	
CLERK-AT THE-TABLE:	Kalama	

OF

THE AUDITOR-GENERAL

ON

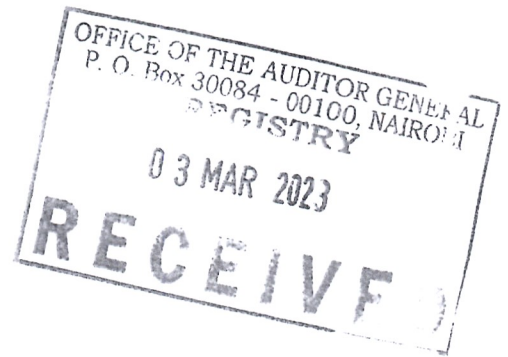
COUNCIL OF GOVERNORS

**FOR THE YEAR ENDED
30 JUNE, 2022**

1111111111



Council of Governors



COUNCIL OF GOVERNORS

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2022

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

**Council of Governors
Annual Report and Financial Statements
For the year ended 30 June 2022.**

(Leave this page blank)

**Council of Governors
Annual Report and Financial Statements
For the year ended 30 June 2022.**

Table of Contents	Page
1. Key Entity Information and Management	ii
2. Executive Council of Governors Members.....	vi
4. Chairman’s Statement.....	x
5. Report of the Chief Executive Officer	xii
6. Statement of Performance against Predetermined Objectives for FY 2021/22.....	xiv
7. Corporate Governance Statement	xvii
8. Management Discussion and Analysis	xxi
9. Environmental and Sustainability Reporting	xxiv
10. Report of the Council	xxvi
11. Statement of Council Responsibilities.....	xxviii
12. Report of the Independent Auditor for the Council of Governors.....	xxx
13. Statement of Financial Performance for the year ended 30 June 2022	1
14 Statement of Financial Position as at 30 June 2022	2
15 Statement of Changes in Net Assets for the year ended 30 June 2022	4
16. Statement of Cash Flows for the year ended 30 June 2022	5
17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2022	7
18. Notes to the Financial Statements.....	8
19. Appendix	26
Appendix IV: Recording of Transfer from other Government Entities	30

1. Key Entity Information and Management

(a) Background information

The Council of Governors was established under section 19 of the Intergovernmental Relations Act 2012 with the mandate to provide a mechanism for consultation amongst county governments, share information on performance of the counties in execution of their functions, facilitate capacity building for governors and consider reports from other intergovernmental forums on national and county interests amongst other functions. The Council of Governors has a governing body as provided for under Section 19 of the Intergovernmental Act consisting of the Chairman, Deputy Chairman, co-opted the position of whip and Eighteen Committees. 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 Gadae Godhana
Information, Communication, and Technology	H.E. Jackson Kiplagat Mandago, EGH

(b) Principal Activities

**Council of Governors
Annual Report and Financial Statements
for the year ended 30 June 2022.**

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

(c) Key Management

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 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
4.	Director Health	Khatra Ali Ibrahim
5.	Manager Planning Monitoring & Knowledge Management	Rosemary Njaramba
6.	Caroline Odandi	Principal Human Resource & Development Officer
7.	Joyce Chepkoech	Principal Finance & Accounts Officer
8.	James Kamau	Principal Supply Chain Management Officer

(e) 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.

(f) Entity Headquarters

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

(g) Entity Contacts

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

(h) Entity Bankers

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

(i) Independent Auditors





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

(j) Principal Legal Adviser

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

**Council of Governors
Annual Report and Financial Statements
for the year ended 30 June 2022.**

2. Executive Council of Governors Members

Ref	Executive Member	Details
1.	 H.E Hon. Martin Wambora, EGH	Chairman Council of Governors, Governor Embu County
2.	 H.E James Ongwae, EGH, CBS, EBS	Vice Chairman Council of Governors, Governor, Kisii County.
3.	 H.E Alex Tolgos, EGH	Whip Council of Governors, Governor, Elgeyo Marakwet County.
4.	 Mary Mwiti	Chief Executive Officer, Council of Governors. Secretary to the Executive of the Council

3. Management Team

	Management	Details
1.	 Mary Mwiti Chief Executive Officer	<p>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.</p>
2.	 Irine Moraa Ogamba Director Legal Services	<p>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.</p>
3.	 Kizito Wangalwa Director Committees	<p>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.</p>

**Council of Governors
Annual Report and Financial Statements
for the year ended 30 June 2022.**

4.	 Rosemary Njaramba Manager, Planning Monitoring & Knowledge Management	<p>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.</p>
5.	 CPA Joyce Chepkoech Principal Finance & Accounts Officer	<p>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</p>
6.	 Caroline Odandi Principal Human Resource & Development Officer	<p>The officer oversees all aspects of human resource planning, organizing and management in line with industrial relations policies, practices and operations for the Council.</p>
7.		<p>The officer oversees procurement system and data strategy of the Council and ensure the institution achieve value for money</p>

**Council of Governors
Annual Report and Financial Statements
for the year ended 30 June 2022.**

	James Kamau Principal Supply Chain Management Officer	
--	--	--

4. Chairman's Statement



This report has been prepared in compliance with statutory obligations of the Intergovernmental Relations (IGRA) Act 2012, which establishes the Council of Governors. The mandate of the Council of Governors is anchored in section 20 of the Act. Having had nine 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. Over the last two (2) years, the pandemic hugely disrupted service delivery and affected various sectors of the economy.

During the period under review, the County Governments have implement the County Socio-Economic Recovery and Re-Engineering Strategy meant to spur the economic recovery and return to normalcy and will continue to implement the same. 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. Further, the Council managed to regularly bring together Governors 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.

The Council has continued to achieve its mandate despite the challenges. Among the key achievements of the year 2021/2022 are;

- ❖ Through our Maarifa Centre, the Council has documented the success stories and innovations that emerge from the Counties in the course of performing their functions. Knowledge Management is slowly becoming a critical aspect of governance all over the world.
- ❖ Maarifa Centre documented and uploaded **52 County initiatives** from all sectors, growth from 26 initiatives covered last year. Some of the initiatives that were identified from Counties include:
 - ✓ Kakamega County gives free legal services to Sexual and Gender Based Violence survivors to ensure timely access to justice.
 - ✓ Nairobi County improves quality of Early Childhood Education by narrowing the teacher pupil ratio
 - ✓ Nyamira County provides free medical insurance to vulnerable families

**Council of Governors
Annual Report and Financial Statements
for the year ended 30 June 2022.**

- ❖ Maarifa Centre launched the Compendium of County Innovations and Best Practices on COVID-19 response. The inaugural edition focused on County-level success stories in efforts towards prevention, response and management of the COVID-19 pandemic. Thirteen Counties were featured in the Compendium.

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
Chairman, Council of Governors
H.E Hon. Martin Wambora, EGH

5. 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 (9) years with institutional structures and enhanced capacity to carry out its mandate. The period under review (July 2021-June 2022) 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 2021/2022 in line with the mandate of CoG in Section 20 of the Intergovernmental Relations Act (IGRA) and is executed through the Strategic Plan 2017-2022. The achievement of the CoG strategic objectives are anchored in the five critical performance areas: 1) Good Governance; 2) Adequate Resourcing for the devolved functions; 3) Build a strong CoG; 4) Knowledge-driven performance; and 5) Strengthen intergovernmental relations and devolution. Therefore, progress report for FY 2021/2022 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 2021/2022, the Council facilitated 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. Further, the CoG focused on 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. The CoG has developed a County Handbook on Knowledge Capturing and Sharing to equip County Governments with the necessary skills to identify, capture, document and disseminate good practices and lessons learned when performing their functions.

- ii. Peer-to-peer learning on the development of ATI laws brought together 62 participants, including county Attorneys, Access to Information Officers, and Directors of Public Participation. The learning session focused on sensitization by the Commission on Administrative Justice (CAJ) on ATI model law, provisions of the ATI act, and best practices of Kwale, Kisumu and Embu Counties. In addition, Embu and Kisumu counties shared their experiences in legislation and implementing their laws on 31st March 2022. Through the proactive disclosure by the county government's representatives on the progress towards developing ATI laws, CAJ and CoG were tasked to develop and share a guide on the same. Best practices that emerged included.
- iii. A peer learning session on how the Governors' Service Delivery Units (SDUs) operate where County Governments present to share their experiences. The necessary action from the meeting was for CoG to offer technical support to County Governments that have not established SDUs and ensure that each County has a Service Delivery Unit.
- iv. Successfully held the 7th Annual devolution conference in Makueni County leading to adoption of resolutions which have led to elaborate engagement with key stakeholders in the Devolution.

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

6. Statement of Performance against Predetermined Objectives for FY 2021/22

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 5 strategic Key Performance Areas within the current Strategic Plan for the FY 2017- FY 2022. These strategic Key Performance Areas are as follows:

1. Good governance
2. Adequate resourcing for devolved functions
3. Build a strong Council of Governors
4. Knowledge Driven Performance
5. Strengthen Intergovernmental relations and Devolution

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 2021/2020 period for its Key Focus areas, as indicated in the diagram below:

Key Focus Area	Objective	Key Performance Indicators	Activities	Achievements
Good Governance	<p>-Facilitate Counties to implement performance management framework.</p> <p>-Support Counties to adopt and domesticate national indicators related to devolved function</p> <p>-Capacity for Governors and County Governments to enhance good governance</p> <p>-Improving</p>	-No of Counties of implementing performance contracting	<p>-Sensitize County officers on Performance management</p> <p>-Provide technical assistance to Counties to performance management</p>	<p>-47 Counties implementing reviewed performance contract guidelines Implementations of reviewed performance contracting in Counties</p> <p>- CoG provided technical</p>

**Council of Governors
Annual Report and Financial Statements
for the year ended 30 June 2022.**

	<p>stakeholder participation in devolved functions</p> <p>-Strengthening risk management through establishing and operationalizing County emergency response frameworks</p>			<p>inputs during the coffee and sugar growers' and stakeholders' engagements across the 47 County Governments</p> <p>- Developed Education (ECDE) Teachers' Scheme of Service.</p>
<p>Adequate resourcing for devolved functions</p>	<p>✓ Foster cooperation between the National and County Governments on matters relating to budgeting, economic and financial management of both levels of government</p>	<p>-Increased County allocation of equitable share Increase allocation to the Council of Governors</p>	<p>Developed the position paper on Budget Policy Statement and Division of Revenue 2022/2023 Develop concept and budget proposals</p>	<p>-Allocation to County governments Additional allocation to the Council of Governors</p>

**Council of Governors
Annual Report and Financial Statements
for the year ended 30 June 2022.**

Build Strong Council of Governors	<ul style="list-style-type: none"> ✓ Strengthen COG Committees. ✓ Position COG in regional and international organizations for Sub-National governments 	<ul style="list-style-type: none"> - Operationalize the Resource mobilization strategy 	<ul style="list-style-type: none"> -Strengthen the organizational structure and identity, resource mobilization for the CoG Technical Team, re-engineer systems, processes, and technology, and improve public relations and communication. 	<ul style="list-style-type: none"> -Increased resource support to the Council of Governors through donor support.
Knowledge Driven Performance	<ul style="list-style-type: none"> ✓ Facilitate Research & knowledge generation. ✓ Develop and operationalize CoG KM strategy. ✓ Facilitate peer learning on devolved functions 	<ul style="list-style-type: none"> -Maarifa Centre Platform -No of knowledge products publications -Tailored guidance, including a “How-to guide” that can be adapted and replicated by Counties themselves to track, communicate and be accountable for results from P2P learning focusing first on the problem-solving phase 	<ul style="list-style-type: none"> -Identify and document knowledge management products -Operationalize Maarifa Centre -Develop tailored guidance that can be adopted by Counties themselves to track, Communicate and be accountable for results from P2P learning 	<ul style="list-style-type: none"> -Peer learning forums on climate change and spatial thinking in Counties, sustainable Land Management, and Physical and Land Use Planning Guidelines held.

**Council of Governors
Annual Report and Financial Statements
for the year ended 30 June 2022.**

		of P2P learning.		
Strengthen Intergovernmental Relations and Devolution	<p>✓ Support the implementation Article 189 of the Constitution and operationalization of all intergovernmental forums under all Acts.</p> <p>✓ Strengthen intergovernmental alternative dispute resolution mechanism.</p>	-No of intergovernmental forums held	-Participating in intergovernmental forums.	-The CoG took lead in the creation of 5 Technical Working Groups (TWGs) for the Counties to participate in thematic areas in health

7. 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 Council of Governors (CoG) conducted elections for the new executive. The elections were conducted in January 2021, where H.E Hon Martin Wambora was elected as Chairperson. H. E. James Ongwae, EGH, CBS, EBS was elected as the Vice-Chairperson and H.E. Eng. Alex Tanui Tolgos, EGH as the Whip. The CoG also restructured the Committees from the previous 12 to 18 in a bid to enhance efficiency and effective coordination of the CoG's mandate. 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;

**Council of Governors
Annual Report and Financial Statements
for the year ended 30 June 2022.**

- 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 2022, the Council had Eighteen (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 (16) Council meetings in the FY 2020/2021. Out of the 16 meetings held in the year, eight (8) were held in 2020 i.e 7th July 2020, 9th July 2020, 24th July 2020, 21st August 2020, 3rd September 2020, 8th September 2020, 24th September 2020 and 3rd November 2020, while the other 8 meetings were held in 2021 i.e 4th January 2021, 29th January 2021, 22nd March 2021, 19th March 2021, 10th March 2021, 21st May 2021, 27th May 2021 and 30th June 2021. The meetings focused on key issues that affect the 47 County Governments including the issue of disbursement of funds, Division of Revenue and COVID 19 pandemic 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.

8. Management Discussion and Analysis

The Council of Governors is implementing the strategic plan for 2017-2022. 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 (5) Kenya Performance Areas (KPAs), consistent with the vision and mandate of the Council of Governors are:

- KPA 1: Good governance
- KPA 2: Adequate resourcing for devolved functions
- KPA 3: Building a strong Council of Governors
- KPA 4: Knowledge driven performance and
- KPA 5: Sustainable intergovernmental relations

The CoG Strategic Plan 2017-2022 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 reporting period, the CoG, in collaboration with other stakeholders, finalized the Early Childhood Development and Education (ECDE) Teachers' Scheme of Service. 30 officers drawn from County Governments, the National Treasury, the Ministry of Education, County Public Service Boards (CPSBs), and the Teachers Service Commission (TSC) were appraised on the scheme and the roadmap for implementation. Among the resolutions agreed upon was ensuring that all CPSBs develop employment plans for ECDE teachers per the approved scheme of service. Following the dissemination of the approved ECDE teachers' scheme of service, Kakamega County has already set aside KSh.422 million to implement the scheme. Currently, 21 County Governments have already kick-started implementation of the scheme.

To effectively manage the transition and Assumption to the office of the County Governor, the CoG enhanced the knowledge of different cohorts of county officials on their roles in Assumption to the Office of the Governor Act 2019. They include: 70 County Secretaries and County Attorneys, 37 Chairpersons and 37 Secretaries of the County Public Service Boards. 94 Chief Officers of Finance, Information & Communication, Public Service, and Culture & Social Services.

CoG also has enlightened other sector teams, including CECMs, COs, Directors of Health, Chief Officers of Natural Resource Management, and CECMs of Urban, on the Assumption to the Office of the Governor and their roles during the transition process. Further, CoG sensitized Kajiado County staff on Succession Management in preparation for the elections.

The Council is finalizing the development of the induction manual for the Governors, Deputy Governors, CECMs, COs, and Directors to ensure that the incoming county leadership is appraised of their roles in sustaining the gains of devolution.

Given that Counties are in the process of developing their third generation CIDPs, it was important to review and relook at guidelines to ensure harmonized development across the 47 Counties instead of conducting Mid-Term review. It was in this backdrop that CoG, with support from the State Department for Planning and other partners organized for CIDP III guidelines dissemination meetings. 47 County Governments' officers gave their input on the CIDP guidelines on two separate engagement workshops. The guidelines were finalized incorporating the comments from the County Governments and will be disseminated in the first quarter of the next financial year to enable the County Governments develop their third generation CIDPs.

Peer-to-peer learning plays a critical role in promoting cross-learning among county governments. During the reporting period, the Council coordinated the convening of the following peer-to-peer learning sessions:

Peer-to-peer learning on the development of ATI laws brought together 62 participants, including county Attorneys, Access to Information Officers, and Directors of Public Participation. The learning session focused on sensitization by the Commission on Administrative Justice (CAJ) on ATI model law, provisions of the ATI act, and best practices of Kwale, Kisumu and Embu Counties. In addition, Embu and Kisumu counties shared their experiences in legislation and implementing their laws on 31st March 2022. Through the proactive disclosure by the county government's representatives on the progress towards developing ATI laws, CAJ and CoG were tasked to develop and share a guide on the same. Best practices that emerged included.

- The institutionalization and decentralization of County Information officers should be independent of public participation officers. However, they can serve both roles as the county governments develop their governance structures.
- Kisumu County Government, Whistle Blowers Act, to serve as learning legislation. The Council and Ombudsman to interrogate it against the proposed bill in Parliament.
- Nandi County Assembly serves as a best practice model for digitalizing records.
- A peer learning session on how the Governors' Service Delivery Units (SDUs) operate where County Governments present to share their experiences. The necessary action from the meeting was for CoG to offer technical support to County Governments that have not established SDUs and ensure that each County has a Service Delivery Unit.
- Community of practice session on Accountability and Transparency: Citizen's engagement and participatory mechanism in the case of Makueni County and Council

of Governors organized by Regions4 (Regions for Sustainable Development) and bringing together other regions and sub-national governments globally. The Council of Governors and Makueni County presented SDG implementation and mechanisms for advancing accountability and transparency through citizen engagement and participatory tools.

- Africa Union virtual Recognition of Prior Learning (RPL) peer learning webinar, bringing together experts on RPL from South Africa, Senegal, Mozambique, Zimbabwe, and Portugal who showcased how they have developed their RPL frameworks. RPL, a relatively new concept premised on lifelong learning, will benefit the people in counties with competencies that are not assessed and, therefore, not bankable.
- A virtual peer-to-peer learning session on youth-related best practices at the County level. Isiolo Youth Innovation Centre was one of the identified best practices. The Centre is spearheaded by the County and Kenya School of Government. The Centre hosts up to 100 youth daily and has benefitted them in various ways since its establishment. For instance, 890 Youths have benefitted from sensitization on self-development and policy awareness, 140 youth have benefitted from entrepreneurship training, and 50 have benefitted from Huawei's computer security and networking basics, among others. The Embu Talent Centre, on the other hand, is charged with talent identification, tapping, nurturing, developing and placement of creative and sports talents. Some of the services offered by the Centre include film production, music training, live performances, and sports training. Since its establishment, some of the achievements of the Centre include more than 200 songs belonging to different artists, 50 youth trained in film production, and one grand cinematography-training workshop in partnership with Canon and Kenya Film Commission. A draft policy brief has also been developed on the Establishment of County Youth Innovation Centers.
- Learning and experience sharing among the County Governments on the sustainability of Public-Private Partnerships (PPPs) bringing together Homa Bay, Trans Nzoia, and Kisumu Counties also helped to flag out available sustainable PPPs for scale-up.

Despite the great achievements, the County Governments faced a couple of challenges that slowed down the development at the County level. Delayed disbursement of equitable share to the County Governments by the National Treasury and the several pieces of legislation that claw back on devolution were among the CoG's issues during the reporting period.

9. 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.

10. Report of the Council

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 2022, 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;

**Council of Governors
Annual Report and Financial Statements
for the year ended 30 June 2022.**

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, 2022, are set out on page 1 and 2

iii) Executive Council

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

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



.....

**Name: Mary Mwiti
Secretary to the Council of Governors**

11. Statement of Council Responsibilities

Section 81 of the Public Finance Management Act, 2012 require the Accounting Officer to prepare financial statements in respect of that *Entity*, which give a true and fair view of the state of affairs of the *Entity* at the end of the financial year/period and the operating results of the *Entity* for that year/period. The Accounting officer is also required to ensure that the *Entity* 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 *Entity*.

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, 2022. 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, 2022, and of the *Entity's* financial position as at that date.

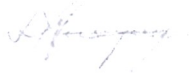
The Accounting officer further confirms the completeness of the accounting records maintained for the *Entity*, which have been relied upon in the preparation of the *Entity's* financial statements as well as the adequacy of the systems of internal financial control.

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

**Council of Governors
Annual Report and Financial Statements
for the year ended 30 June 2022.**

The Council of Governors financial statements were approved by the Council on 28th September 2022 and signed on its behalf by:

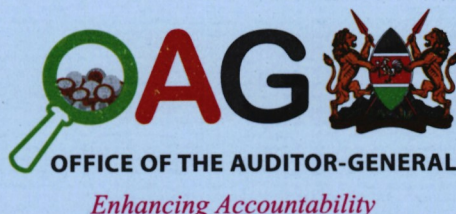


.....
Name: H.E Hon Martin Wambora, EGH
Chairperson of the Council

.....
Name: Mary Mwiti
Accounting Officer

REPUBLIC OF KENYA

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



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, 2022

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 Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on 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, the risk management environment and the 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 27, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets 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

Report of the Auditor-General on Council of Governors for the year ended 30 June, 2022

of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Council of Governors as at 30 June, 2022, 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

Motor Vehicles Without Ownership Documents

The statement of financial position reflects property, plant and equipment balance of Kshs.37,571,985 and as disclosed in Note 20 to the financial statements. The following anomalies were however noted:

As reported in the prior year audit, the asset register indicates that three (3) motor vehicles were received by the Council through the Transforming Health Systems (THS) Project. The three motor vehicles, which included GKB 478S, GKB 477S and GKB 293V were transferred to the Council using S11 forms but had no corresponding logbooks. In addition, Toyota Landcruiser registration number GKB 380W, a donation from International Livestock Research Institute registered in May, 2009 as per its logbook was excluded in the asset registers and financial statements.

In the circumstances, ownership of the vehicles could not be confirmed and the accuracy of property, plant and equipment balance of Kshs.37,571,985 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.615,576,022 and Kshs.449,395,203 resulting in an under-funding of Kshs.166,180,819 or 27% of the budget. Further, the Council expended Kshs.434,476,798 against approved budget of Kshs.615,576,021 resulting to an under-expenditure of Kshs.181,099,223 or 29% of the budget.

In the circumstances, planned activities may not have been performed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, 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. Payment of Insurance Premium for Government of Kenya Plated Vehicles

The statement of financial performance reflects an expenditure totalling Kshs.229,191,040 in respect to use of goods and services which includes an amount of Kshs.13,414,569 for insurance expenses as disclosed under Note 10 to the financial statements. The insurance expenses include payment of Kshs.912,823 for comprehensive insurance cover for vehicles registered in the name of Government of Kenya, contrary to Section 4(3) of the Insurance Third Party Risks Act, 2012 that exempts Government owned vehicles from insurance except for those displaying private plates.

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

2. Legality of Council of Governors Expenses

The Council of County Governors is a creation of Section 19 of the Intergovernmental Relations Act (ITGRA), 2012 and not Council of Governors. The Act does not recognize the existence and function of Council of Governors Management. Section 17 of the Inter-Governmental Relations Act, 2012 stipulates that the Intergovernmental Relations Technical Committee may employ officers and staff for its Secretariat as necessary for proper discharge of the functions of the Committee, the Council of Governors and the Summit. However, the Council Management has over the last seven years procured goods and services and entered into several contracts totalling Kshs.4,104,366,538 from financial years 2015/2016 to 2021/2022.

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

3. Donations not Deposited into the Consolidated Fund

The statement of financial performance reflects public contributions and donations totalling Kshs.129,470,796. Included in the amount are donations totalling Kshs.23,518,996 that were not deposited into the Consolidated Fund contrary to Section 71 (2) of the Public Finance Management Act Regulations, 2015 which states that all cash grants, donations or sponsorships shall be deposited in the Consolidated Fund.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, 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

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

Responsibilities of Management and those Charge with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 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 are in compliance 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 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 the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue to sustain its services. If I conclude that a material uncertainty exists,

I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Council to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Council to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 April, 2023

**Council of Governors
Annual Report and Financial Statements
for the year ended 30 June 2022.**

13. Statement of Financial Performance for the year ended 30 June 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfer from Government Entities	6	56,948,385	30,063,646
Public Contributions and Donations	8	129,470,796	31,612,182
Grants From Ministry of Devolution	7a	212,340,000	195,340,000
Grants From Ministry of Health	7b	1,450,000	-
Grants From Ministry of Devolution (The Kenya Symbiocity Programme)	7c	10,623,015	-
Receipts in Kind	9	34,976,123	49,369,027
Rent Deposit		-	3,568,975
Bank Interest on Staff Loan Fund (Mortgage)	16	382,948	4,633,023
Miscellaneous receipt -Symbiocity		370,000	-
Total revenue		446,561,268	314,586,852
Expenses			
Use of goods and services	10	229,191,040	144,585,784
Employee costs	11	137,097,847	131,646,800
Depreciation expense	12	4,775,788	11,249,181
Repairs and maintenance	13	6,372,628	10,957,367
Kenya Symbiocity Programme		105,420,802	59,225,182
Payments in Kind	9	34,976,123	49,369,027
Taxation	17	482,533	805,993
Total expenses		518,316,761	407,839,334
Net Surplus for the year		(71,755,494)	(93,252,482)

The notes set out on pages 7 onwards form an integral part of these Financial Statements. The Financial Statements were signed on behalf of the Council of Governors by:



Accounting Officer
Name: Mary Mwiti

Date: 2nd March 2023



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

Date: 2nd March 2023



Chairman of the Board
Name: H.E Hon. Martin Wambora, EGH

Date: 2nd March 2023

**Council of Governors
Annual Report and Financial Statements
for the year ended 30 June 2022.**

14 Statement of Financial Position as at 30 June 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	14	127,036,652	237,810,849
Rent Receivable		-	45,796,095
Loan Receivable	18	71,512,097	28,683,758
Rent Deposit	19	7,302,873	3,568,974
Bank Interest	16	382,948	-
		206,234,570	315,859,676
Non-current assets			
Property, plant and equipment	20	37,571,985	15,392,834
		37,571,985	15,392,834
Total assets		243,806,555	331,252,510
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	15	-	15,367,000
Tax on interest	17	482,533	805,993
		482,533	16,172,993
Non-current liabilities			
Non-current employee benefit obligation		-	-
Total liabilities		482,533	16,172,993
Net assets		243,324,022	315,079,516
Reserves		315,079,516	343,763,493
Adjustment:Prio year		-	15,203,436
Adjustment:Prior Yea:Rent deposit		-	49,365,069
Accumulated surplus		(71,755,494)	(93,252,482)
Total net assets and liabilities		243,324,022	315,079,516

The financial statements set out on pages 2 were signed on behalf of the Council of Governors by:



.....
Name: Mary Mwiti
Accounting Officer



.....
Name: Joyce Chepkeoch
Head of Finance
ICPAK Member



.....
Name: H.E Hon. Martin
Wambora, EGH
Chairman of Governors

**Council of Governors
Annual Report and Financial Statements
for the year ended 30 June 2022.**

Date: 2nd March 2023

Number: 29569

Date: 2nd March 2023

Date: 2nd March 2023

**Council of Governors
Annual Report and Financial Statements
for the year ended 30 June 2022.**

15 Statement of Changes in Net Assets for the year ended 30 June 2022

	Retained earnings	Capital/Development/Fund	Total
As at July 1 2020	(51,608,157)	-	(51,608,157)
Total comprehensive income	(144,860,639)	-	(144,860,639)
As at June 30 June 2021	(93,252,482)	-	(93,252,482)
		-	
At 1 July 2021	(93,252,482)	-	(93,252,482)
Total comprehensive income	(165,007,976)	-	(165,007,976)
As at 30 June 2022	(71,755,494)	-	(71,755,494)

Council of Governors
Annual Report and Financial Statements
for the year ended 30 June 2022.

16. Statement of Cash Flows for the year ended 30 June 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfer from County Governments	6	56,948,385	30,063,646
Public Contributions and Donations	8	129,470,796	31,612,182
Grants From Ministry of Devolution	7a	212,340,000	195,340,000
Grants From Ministry of Health	7b	1,450,000	
Grants From Ministry of Devolution The Kenya Symbiocity Programme)	7c	10,623,015	-
Bank Interest on Staff loan Fund	16	382,948	4,633,023
Miscellaneous receipts:Symbiocity Programme		370,000	-
Total Receipts		411,585,144	261,648,850
Payments			
Use of goods and services	10	229,191,040	144,585,783
Employee costs	11	137,097,847	131,646,800
Repairs and maintenance	13	6,372,628	10,957,367
The Kenya Symbiocity Programme		105,420,802	59,225,182
Taxation	17	482,533	805,993
Total Payments		478,564,850	347,221,126
Net cash flows from operating activities		(66,979,705)	(85,572,276)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(26,839,161)	(1,566,800)
Decrease in non-current receivables			-
Increase in investments		-	-
Net cash flows used in investing activities		(26,839,161)	(1,566,800)
Cash flows from financing activities			
Decrease in Payables		(15,690,460)	(52,859,742)
Adjustment: Rent Deposit		45,796,095	45,796,095
Adjustment: Rent Deposit		(3,733,899)	-
Adjustment: Cash and Cash Equivalent as at 1st July 2021		(498,728)	-
Non current Employee Benefit Obligation			-
Decrease in Receivables		-	46,543,205
Loan Receivable		(42,828,339)	28,683,758
Net cash flows used in financing activities		(16,955,331)	68,163,316
Net increase/(decrease) in cash and cash equivalents		(110,774,197)	(18,975,760)
		(110,774,197)	(18,975,760)
Cash and cash equivalents at 1 JULY 2021		237,810,849	334,055,276
Cash and cash equivalents at 30 JUNE 2022		127,036,652	315,079,516

**Council of Governors
Annual Report and Financial Statements
for the year ended 30 June 2022.**

The financial statements set out on pages 4 to 5 were signed on behalf of the Council of Governors by:



.....
Name: Mary Mwititi

.....
Name: Joyce Chepkoech

.....
Name: H.E Hon. Martin Wambora, EGH

Accounting Officer

Head of Finance

Chairman Council of Governors

Date: 2nd March 2023

**ICPAK M/No: 29569
Date: 2nd March 2023**

Date: 2nd March 2023

**Council of Governors
Annual Report and Financial Statements
for the year ended 30 June 2022.**

17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2022

	Original budget		Adjustments		Final Budget		Actual on comparable basis		Performance difference		% Variance	
	A	Kshs	B	Kshs	C=(a+b)	Kshs	D	Kshs	E=(c-d)	Kshs	F=d/c	
Revenue												
Transfer From County Governments	94,000,000		-		94,000,000		56,948,385	37,051,615			61%	
Public Contributions and Donations	258,600,000		-		258,600,000		129,470,796	129,129,204			50%	
Grants From Ministry of Devolution	212,340,000		-		212,340,000		212,340,000	-			100%	
Grants From Ministry of Devolution (The Kenya Symbiocity Programme)	10,993,015		-		10,993,015		10,993,015	-			0%	
Grants from Ministry of Health	1,450,000		-		1,450,000		1,450,000	-			0%	
Bank Interest	3,216,883		-		3,216,883		3,216,883	-			0%	
Receipts in Kind	34,976,123		-		34,976,123		34,976,123	-			100%	
Total income	615,576,021		-		615,576,021		449,395,203	166,180,819				
Expenses												
Compensation of employees	143,067,421		-		143,067,421		137,097,847	5,969,574			96%	
Goods and services	403,631,326		-		403,631,326		229,191,040	174,440,286			57%	
Purchase of Vehicles and Other Transport Equipment	24,500,000		-		24,500,000		23,885,310	614,690				
Purchase of Computers, printers and other IT equipment	2,965,018		-		2,965,018		2,953,850	11,168				
Repairs and maintenance	6,436,133		-		6,436,133		6,372,628	63,505			99%	
Payments In Kind	34,976,123		-		34,976,123		34,976,123	-			100%	
Total expenditure	615,576,021		-		615,576,021		434,476,798	181,099,223				
Surplus for the period	-		-		-		14,918,404	(14,918,404)			-	

18. 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.

3. Adoption of New and Revised Standards

i. Early adoption of standards

The Entity did not early – adopt any new or amended standards in year 2021/2022.

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. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

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.

a) Budget information

The Council of Governors approved the original budget for FY 2021-2022 on 13th July 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.

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

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

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

b) 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.

c) Leases

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

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

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

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

**Council of Governors
Annual Reports and Financial Statements
for the year ended 30 June 2022.**

Notes to the Financial Statements (Continued)

d) 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.

e) 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.

f) 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.

g) 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

h) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and 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.

i) 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.

j) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

Notes to the Financial Statements (Continued)

Significant Judgments and Sources of Estimation Uncertainty (Continued)

k) 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.

l) Comparative figures

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

m) 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, 2022.

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

Notes to the Financial Statements (Continued)

Significant Judgments and Sources of Estimation Uncertainty (Continued)

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

**Council of Governors
Annual Reports and Financial Statements
for the year ended 30 June 2022.**

Notes to the Financial Statements (Continued)

6. Transfers from Other Government entities

Description	2021-2022	2020-2021
	Kshs	Kshs
County Governments	56,948,385	30,063,646
Total	56,948,385	30,063,646

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

Name of the Entity sending the grant	Amount recognized to Statement of	Amount deferred under deferred income	Amount recognised in capital	Total grant income during the	2021-2022	2020-2021
	Kshs	Kshs				
			Kshs	Kshs	Kshs	Kshs
a) Ministry of Devolution	212,340,000	-	-	212,340,000	212,340,000	195,340,000
b) Ministry of Health	1,450,000	-	-	1,450,000	1,450,000	-
c) Ministry of Devolution - The Kenya Symbiocity Programme	10,623,015	-	-	10,623,015	10,623,015	-
Sub-Total	224,413,015	-	-	224,413,015	224,413,015	195,340,000

8. Public Contributions and Donations

Description	2021-2022	2020-2021
	Kshs	Kshs
Bill and Melinda Gates Foundation Grants	5,375,000	18,398,864
Devolution Conference Registration	51,374,102	540,000
Devolution Conference Exhibition	5,299,500	1,150,000
Children Investment Fund	-	4,030,000
UNICEF	4,932,336	3,137,818
VIDAPHARMA LIMITED	-	742,400
Un Women	-	763,100
Laptrust Fund	400,000	300,000
Connect Places Catapult	-	2,550,000
AMREF Health Africa	13,211,660	-
NHIF	1,267,481	-
Jacaranda Health	200,000	-
Devolution Conference Sponsorship	47,294,317	-
Other Income	116,400	-
Total	129,470,796	31,612,182

Notes to the Financial Statements (Continued)

9. Receipts in Kind

Description	2021-2022	2020-2021
	Kshs	Kshs
UNDP	14,162,047	35,564,747
UN WOMEN	19,063,876	13,804,280
UNICEF	1,750,200	-
Total	34,976,123	49,369,027

10. Use of Goods and Services

Description	2021-2022	2020-2021
	Kshs	Kshs
Electricity	1,674,864	1,910,457
Security & Cleaning	1,707,680	2,081,488
Rent Proceeds	28,734,892	42,230,684
Communication supplies and Services	3,651,022	4,555,901
Domestic Travel, Subsistence & other transportation costs	25,034,881	15,630,634
Foreign Travel, Subsistence & other transportation costs	1,964,084	-
Printing & Advertising	6,617,198	6,288,655
Training, Conference and Workshops	742,284	9,348,082
Hospitality Supplies and services	97,489,156	1,842,451
Professional services/Consultancies	16,617,000	5,261,846
Subscription to professional bodies	3,654,300	3,463,970
Bank Charges	338,486	315,473
Fuel, oil and Lubricants	3,416,960	3,292,375
Insurance	13,414,569	11,895,760
Legal expenses	14,880,650	10,406,100
Other General Expenses	9,253,014	26,061,905
Total	229,191,040	144,585,783

**Council of Governors
Annual Reports and Financial Statements
for the year ended 30 June 2022.**

Notes to the Financial Statements (Continued)

11. Employee Costs

	2021-2022	2020-2021
	KShs	KShs
Salaries and wages	114,818,902	109,308,774
Employee related costs - contributions to pensions and medical aids	22,278,945	22,338,027
Employee costs	137,097,847	131,646,800

12. Depreciation Expense

Description	2021-2022	2020-2021
	KShs	KShs
Property, plant and equipment	4,775,788	11,249,181
Total depreciation and amortization	4,775,788	11,249,181

13. Repairs and Maintenance

Description	2021-2022	2020-2021
	Kshs	Kshs
Motor Vehicles	3,329,986	4,305,377
Furniture and fittings, Equipment and Computers	3,042,642	6,651,990
Total repairs and maintenance	6,372,628	10,957,367

Notes to the Financial Statements (Continued)

14. Cash and Cash Equivalents

Description	2021-2022	2020-2021
	KShs	KShs
Current account	60,073,992	146,841,551
Cash in hand	192,160	85,760
Staff mortgage	66,770,500	90,883,538
Total cash and cash equivalents	127,036,652	237,810,849

14.(a) Detailed Analysis of the Cash and Cash Equivalents

Financial institution	Account number	2021-2022	2020-2021
		KShs	KShs
a) Current account			
Kenya Commercial bank	1164902318	26,300,904	29,226,717
Kenya Commercial bank	1212164717	8,659,524	1,123,692
Cooperative Bank of Kenya	01143201338000	22,485,547	11,042,823
Cooperative Bank of Kenya	01134201338000	991,753	10,960,079
National Bank of Kenya	01001113869200	186,264	94,488,241
Cooperative Bank of Kenya	01141201338001	1,450,000	-
Sub- total		60,073,992	146,841,552
b) Staff car mortgage			
Housing Finance Corporation Limited	9783685079	66,770,500	90,883,538
Sub- total		66,770,500	90,883,538
e) Others			
cash in hand		192,160	85,760
Sub- total		192,160	85,760
Grand total		127,036,652	237,810,849

15. Receivables from Exchange Transactions

Supplier	Invoice number	2021-2022	2020-2021
		Kshs	Kshs
Price Water House Coopers (Technical Assistance)	NBO37102432	-	15,367,000
TOTAL		-	15,367,000

Council of Governors
Annual Reports and Financial Statements
for the year ended 30 June 2022.

Notes to the Financial Statements (Continued)

16. Interest on Mortgage -A/C 9783685079

Date of credit	Details	2021-2022
30/06/2022	Credit Interest	382,948
	Total	382,948

17. Tax on Interest -A/C 9783685079

Date of Debit	Details	2021-2022
30/09/2021	Tax on Interest	171,545
31/12/2021	Tax on Interest	154,621
31/03/2022	Tax on Interest	56,366
		482,533

18. Loan Receivable -A/C 9783685089

NAME	PRODUCT DESCRIPTION	AMOUNT - COST	AMOUNT - PA	BALANCE AMOUNT
JOYCE CHEPKOECH	PURCHASE OWNER OCCUPIER	6,990,714	663,559	6,327,155
CAROLINE ODHIAMBO AWUOR	PURCHASE OWNER OCCUPIER	6,824,485	645,492	6,178,993
EVANS KIPKEMOI KIPRUTO	PLOT PURCHASE	1,595,306	424,197	1,171,109
ZIPPORAH MUTHAMA	PURCHASE OWNER OCCUPIER	4,767,770	89,178	4,678,592
EVA SAWE CHEBET	CONSTRUCTION OWNER OCCUPIER	8,993,846	850,070	8,143,776
CAROLYNE MAGE	PURCHASE OWNER OCCUPIER	10,974,131	1,053,334	9,920,797
MERCY WAITHIRA	PURCHASE OWNER OCCUPIER	1,564,002	44,677	1,519,325
JOSEPH KING'U	PURCHASE OWNER OCCUPIER	6,953,752	376,474	6,577,278
ROSMARY NJARAMBA	PURCHASE OWNER OCCUPIER	19,999,440	150,984	19,848,456
YABESH NYAKUNDI	PURCHASE OWNER OCCUPIER (Under Auction)	4,324,526	107,487	4,217,039
JAMES MAINA	MOTOVEHICLE PURCHASE	1,571,926	26,282	1,545,644
WALTER ATITO	MOTOVEHICLE PURCHASE	1,407,383	23,450	1,383,933
		75,967,281	4,455,184	71,512,097

19. Rent Deposit

Lease Agreement	Deposit Amount
Lease Agreement 2nd Floor	3,330,918
Lease Agreement 11th Floor	3,330,918
Lease Agreement 2nd Floor -Link	641,037
	7,302,873

Council of Governors
Annual Reports and Financial Statements
for the year ended 30 June 2022.

Notes to the Financial Statements (Continued)
20. 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 2020	3,864,116	20,036,931	8,555,941	40,392,618	72,849,606
Additions for the year 2020	-	-	1,566,800	-	1,566,800
AS at 30th June 2021	3,864,116	20,036,931	10,122,741	40,392,618	74,416,406
Additions	-	-	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
Depreciation					
As at 1 July 2020	1,449,044	7,513,849	6,488,374	30,294,463	45,745,730
Depreciation	483,015	2,504,617	1,151,027	10,098,155	14,236,814
As at 30th June 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	4,775,788
As at 30th June 2022	2,415,073	12,523,083	8,965,058	40,855,118	64,758,331
Net Book Values	1,449,044	7,513,848	3,336,283	25,272,810	37,571,985
As at 30th June 2021	1,932,058	10,018,465	2,483,340	-	14,433,863
As at 30th June 2022	1,449,044	7,513,848	3,336,283	25,272,810	37,571,985

**Notes to the Financial Statements (Continued)
20 b Property, Plant and Equipment as cost**

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Motor Vehicles, Including Motorcycles	66,127,928	40,855,118	25,272,810
Computers And Related Equipment	12,301,341	8,965,058	3,336,283
Office Equipment, Furniture, And Fittings	23,901,047	14,938,156	8,962,892
Total	102,330,316	64,758,331	37,571,985

21. Financial Risk Management

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

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

i) Credit risk

The Entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Entity's management based on prior experience and their assessment of the current economic environment.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Entity's directors, who have built an appropriate liquidity risk management framework for the management of the Entity's short, medium and long-term funding and liquidity management requirements. The

**Council of Governors
Annual Reports and Financial Statements
for the year ended 30 June 2022.**

Entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Entity's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Entity considers relevant and observable market prices in its valuations where possible.

22. 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) National Government
- ii) County Governments

**Council of Governors
Annual Reports and Financial Statements
for the year ended 30 June 2022.**

	2021-2022	2020-2021
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Transfer from County Governments	56,948,385	30,063,646
Public Contribution and Donation	129,470,796	31,612,182
Grants From Ministry of Devolution	212,340,000	195,340,000
Grants from Ministry of Health	1,450,000	-
Grants from Ministry of Devolution (Kenya Symbiocity Programme)	10,623,015	-
Total	410,832,196	257,015,828

23. Events after the Reporting Period

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

24. Ultimate and Holding Entity

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

25. Currency

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

**Council of Governors
Annual Reports and Financial Statements
for the year ended 30 June 2022.**

**Council of Governors
Annual Reports and Financial Statements
for the year ended 30 June 2022.**

19. Appendix

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.	Lack of 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	30 th June 2023
2.	Unsupported Rent Receivable	The outstanding rent has been cleared against the deposit withheld by the Landlord in reference to the lease agreements	Resolved	
3.	Legality of Council of Governors Expense	The Council of Governors is an establishment in Section 19 of the Intergovernmental Relations Act 2012	Resolved	
4.	Payment of Insurance Premium	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	Not Resolved	

**Council of Governors
Annual Reports and Financial Statements
for the year ended 30 June 2022.**

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)
		Council does not have access to the exiting pool in the event such risk and the Attorney 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.		

The Council is yet to receive the certificate of Audit report for 2020/2021 and will comment on the Auditors recommendation once the same is received.



.....

Chief Executive Officer

Date: 2nd March 2023

**Council of Governors
Annual Reports and Financial Statements
for the year ended 30 June 2022.**

Appendix II: Projects implemented by Council of Governors

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

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

**Council of Governors
Annual Reports and Financial Statements
for the year ended 30 June 2022.**

Appendix III: Transfers from Other Government Entities

ENTITY NAME:				
Break down of Transfers from the Ministry of Devolution				
FY 2021/2022				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
		08/05/2021	48,835,000	2021/2022
		11/04/2021	48,835,000	2021/2022
		03/02/2022	48,835,000	2021/2022
		03/02/2022	7,000,000	2021/2022
		05/05/2022	48,835,000	2021/2022
		27/06/2022	10,000,000	2021/2022
		Total	212,340,000	
b.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
		22/10/2021	10,623,015	Kenya Symbiocity Programme
		Total	10,623,015	

The above amounts have been communicated to and reconciled with the parent Ministry

**Council of Governors
Annual Reports and Financial Statements
for the year ended 30 June 2022.**

Appendix IV: Recording of Transfer 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	
Ministry of Devolution	08/05/2021	Recurrent	48,835,000	48,835,000	-	-	-	-	48,835,000
	11/04/2021	Recurrent	48,835,000	48,835,000	-	-	-	-	48,835,000
	03/02/2022	Recurrent	48,835,000	48,835,000	-	-	-	-	48,835,000
	03/02/2022	Recurrent	7,000,000	7,000,000	-	-	-	-	7,000,000
	05/05/2022	Recurrent	48,835,000	48,835,000	-	-	-	-	48,835,000
	27/06/2022	Recurrent	10,000,000	10,000,000	-	-	-	-	10,000,000
Total			212,340,000	212,340,000	-	-	-	-	212,340,000

**Council of Governors
Annual Reports and Financial Statements
for the year ended 30 June 2022.**

Appendix V: Variance Explanation – Comparative Budget and Actual

	Final budget	Actual on	Budget utilization	Comments on the variance
	2021-2022	comparable basis	variance	
Revenue	Kshs	Kshs	Kshs	
Transfer From County Governments	94,000,000	56,948,385	37,051,615	This is the outstanding contribution from Counties
Public Contributions and Donations	258,600,000	129,470,796	129,129,204	The Council through resource mobilization could not get enough support to fund the budget.
Grants From Ministry of Devolution	212,340,000	212,340,000	-	
Grants From Ministry of Devolution (The Kenya Symbiocity Programme)	10,993,015	10,993,015	-	
Grants from Ministry of Health	1,450,000	1,450,000	-	
Bank Interest	3,216,883	3,216,883	-	
Receipts in Kind	34,976,123	34,976,123	-	
Total income	615,576,021	449,395,203	166,180,819	
Expenses				
Compensation of employees	143,067,421	137,097,847	5,969,574	The difference relates to budget for officers who resigned and positions had not been filled
Goods and services	403,631,326	229,191,040	174,440,286	Due to liquidity, the Council of Governors was not able to carry out all the planned activities.
Purchase of Vehicles and Other Transport Equipment	24,500,000	23,885,310	614,690	
Purchase of Computers, printers and other IT equipment	2,965,018	2,953,850	11,168	
Repair and Maintenance	6,436,133	6,372,628	63,505	
Payments In Kind	34,976,123	34,976,123	-	The implementation of the activities as per the approved plan with support from the partner is through direct implementation.
Total expenditure	615,576,021	434,476,798	181,099,223	
Surplus for the period	-	14,918,404	(14,918,404)	

**Council of Governors
Annual Reports and Financial Statements
for the year ended 30 June 2022.**

Appendix vi: County Contributions from County Government

County	Intergovernment Contribution	Devolution Conference Contribution	Liason Outstanding Rent	Legal Contribution	Total
004 Tana River County	-	2,000,000	-	2,000,000	4,000,000
009 Mandera County	-	-	-	2,000,000	2,000,000
010 Marsabit County	-	2,000,000	-	-	2,000,000
012 Meru County	-	2,000,000	968,140	1,000,000	3,968,140
014 Embu County	-	2,000,000	-	1,000,000	3,000,000
016 Machakos County	-	2,000,000	-	-	2,000,000
017 Makeni County	-	-	-	1,000,000	1,000,000
018 Nyandarua County	-	2,000,000	-	-	2,000,000
021 Murang'a County	-	2,000,000	-	-	2,000,000
027 Uasin Gishu County	-	2,000,000	-	-	2,000,000
028 Elgeyo Marakwet County	-	2,000,000	-	-	2,000,000
030 Baringo County	-	2,000,000	-	1,000,000	3,000,000
033 Narok County	-	2,000,000	-	500,000	2,500,000
033 Kericho County	-	2,000,000	-	-	2,000,000
037 Kakamega County	2,000,000	-	-	1,000,000	3,000,000
038 Vihiga County	-	2,000,000	-	-	2,000,000
040 Busia County	-	2,000,000	-	-	2,000,000
041 Siaya County	-	2,000,000	2,509,764	-	4,509,764
043 Kisumu County	-	2,000,000	-	950,000	2,950,000
044 Homabay County	-	1,999,400	-	-	1,999,400
045 Kisii County	-	2,000,000	-	1,500,000	3,500,000
046 Nyamira County	-	-	1,521,081	-	1,521,081
047 Nairobi County	-	2,000,000	-	-	2,000,000
Total	2,000,000	37,999,400	4,998,985	11,950,000	56,948,385