

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Paper laid by the
Leader of Opposition
MP
Tuesday 26/7/2018*

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REPORT

OF

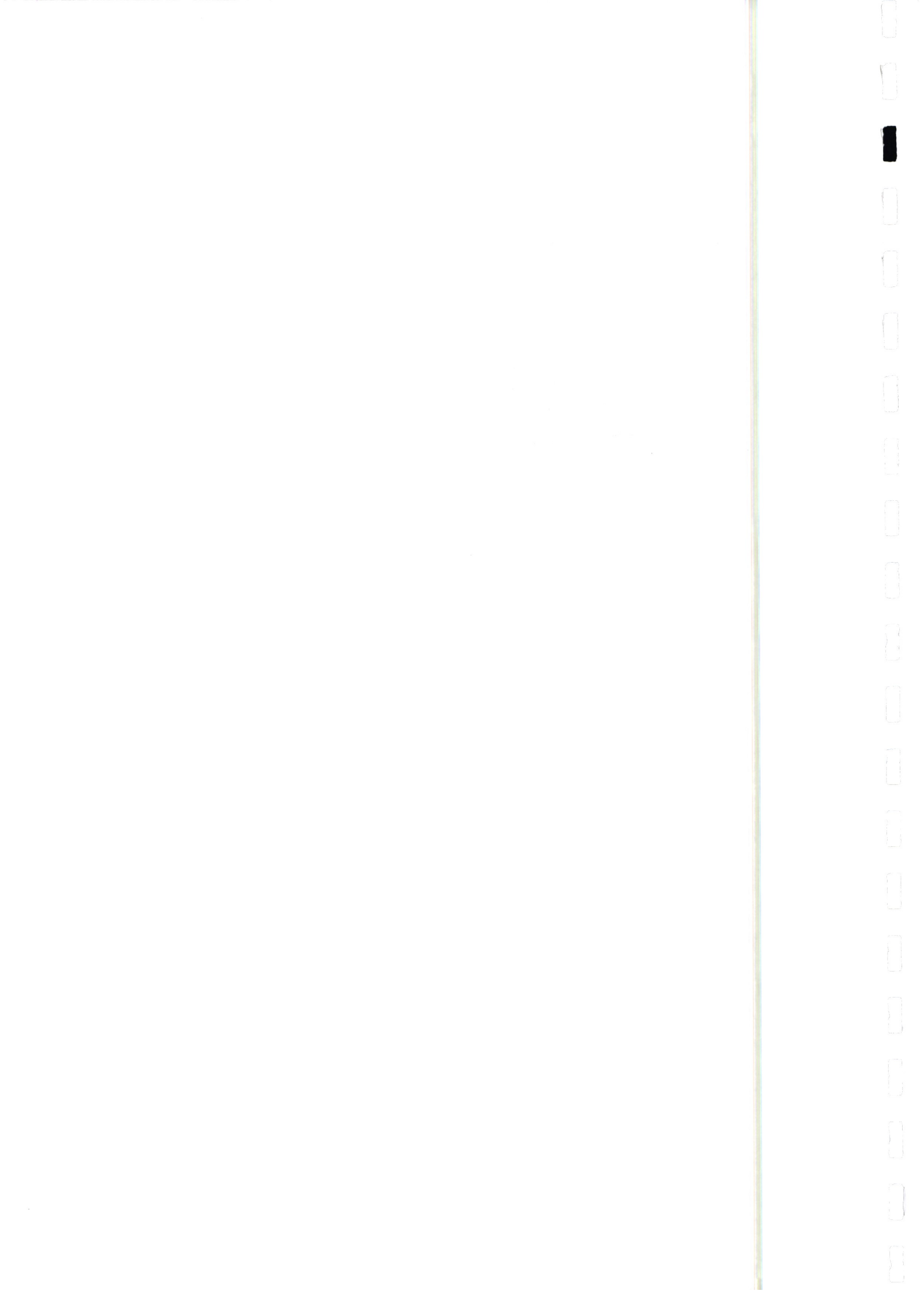


THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
COUNCIL OF GOVERNORS SECRETARIAT**

**FOR THE YEAR
ENDED 30 JUNE 2017**





The Council of County Governors

Annual Report and Financial Statements

2016 - 2017

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

Professionalism | Independence | Equality & Equity | Cooperation | Visionary

COUNCIL OF GOVERNORS SECRETARIAT
Reports and Financial Statements
For the year ended June 30, 2017 (Kshs')

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The Executive Committee



H.E. Josephat Koli Nanok
Chairman

Governor, Turkana County



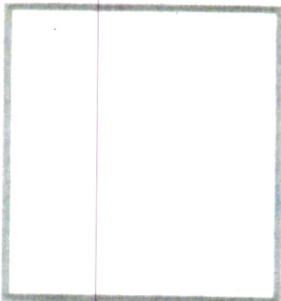
H.E. Engineer John Mruttu
Vice Chairman

Governor, Taita Taveta County



H.E. William Kabogo
Whip

Governor, Kiambu County





Jacqueline Mogeni
Chief Executive Officer

Masters International studies



Festus Omariba
Administrator

Bachelor of Commerce



David Kisabuli
Accountant

Bachelor of Commerce (Finance), CPA (K)



(a) Background information

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

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

(b) Fiduciary Oversight Arrangements

The Council's day-to-day management is under the following key committees:

- i. Rules and Business Committee
- ii. Legal Affairs and Human Rights Committee
- iii. Energy, Roads and Transport Committee
- iv. Finance, Commerce and Economic Affairs Committee
- v. Education and ICT Committee
- vi. Human Resource, Labour and Social Welfare Committee
- vii. Health
- viii. Agriculture and Land Committee
- ix. Foreign Affairs Committee
- x. Security Committee
- xi. Arid and Semi-Arid Lands Committee
- xii. Water, Mining & Natural Resource Committee
- xiii. Resource mobilization Committee
- xiv. Youth, Sports, Gender and Culture Committee
- xv. Media, Liaison and Communications
- xvi. Trade and Investments
- xvii. Urban Development Committee and
- xviii. Intergovernmental Relations Committee

(c) Entity Headquarters

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

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(d) Entity Contacts

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

(e) Entity Bankers

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

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

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

(f) Independent Auditors

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

II. FORWARD BY THE CHAIRMAN



As a nation, our capacities at both national and county institutions faced a general inadequacy of resources, gaps within the legal and policy frameworks, among other factors continued to impact on the implementation of devolution.

The transition period did provide an opportunity to actualize our constitution into reality. While there has been considerable progress, courtesy of my predecessors who I appreciate for the strong foundations they set as pioneer chairs of the Council of Governors. Indeed, many factors did influence the nature and pace of implementation of devolved governance.

Whereas the sovereign power of the people is exercised at the national level and the county level and that both are distinct and inter-dependent, there has continued to be a mutual relations on the basis of consultation and cooperation on functions. It is against this that the Council of Governors continued to speak with one voice on matters of important to the Counties. This was observed in the manner in which the transitions were undertaken by the Council from one Chair to the other.

It is important to note that essential structures and systems are now in place for the implementation of devolution in the coming phase. The whole County has witnessed the fruits of devolution and there is continued increase in service delivery of essential services across the sectors.

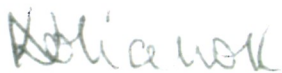
For the fourth year now, the Council of Governors has continued to celebrate its accomplishments. I am aware that the greatest of these is that the Council has contributed significantly to the progress of our transition to a fully devolved system. This could not be achieved without the support of all players in the devolution sector.

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During the reporting period, the Council continued to play its key role of promoting intergovernmental relations by strengthening the established strategic linkages between County Governments and the National Government's ministries, departments and agencies, parliament and the private sector including civil society. This approach has provided a platform for policy and legislative collaboration, and importantly, the Council has been able to step up confidently and assert itself as a leader and custodian of devolution. Devolution witnessed great successes including the guidance by the courts on the functions and consultative approached.

The Council has managed to regularly bring together the Governors to discuss issues of mutual interest and find consensus on the same. The country has heard us speak in one voice on critical matters, including matters of health, human resource, and disbursement of funds to Counties, legislation of interest to County Governments and transfer of functions. Through our Committees, we have been able to share best practices, promote cohesiveness amongst Counties and address key service delivery concerns.

The Council managed to usher in a new Executive Committee, the Vice- Chairman. It is my hope that with the unwavering support of my fellow colleague Governors, the team will continue to steer the Council as the authoritative institution it has been known to be on all matters devolution. On partnerships, I would like to acknowledge the continued support of development partners to our work, both in the Counties and at our Secretariat. They have been valuable, offering both technical and operational assistance and in the year under review, they have consistently stood with us. The National Treasury and the Ministry of Devolution and Planning, State Department of Devolution have been of great support. I would like to thank the Counties that contributed faithfully to ensure the Council fulfills its mandate.



H. E. Josephat Nanok
Chairman, Council of Governors

III. FORWARD BY THE CHIEF EXECUTIVE OFFICER



The Council of Governors (CoG) continues to grow in an effort to fulfil its constitutional and statutory mandate. The period under review, (July 2016-June 2017) has been both challenging and productive for the Council of Governors.

This report gives a picture of the efforts made and results achieved by the CoG against these challenges during the transition period.

The financial report provides a short overview of the financial year 2016/2017 and also sets out the key activities undertaken by the Council of Governors in supporting the 47 Governors achieve their collective mandate. The reported here is, therefore, a culmination of the efforts of many individuals and stakeholders who provided their expertise and capacity in support of the work of the Council.

During the 2016/2017 Financial Year, the Council did receive an allocation of Ksh.108M and a through the State Department of Devolution. Transfers of Ksh.101.1M was received and a balance of KSh.7M had not been made by the end of the financial year..

Some of the key achievements by the Council through the secretariat included;

- Convening and Coordinating intergovernmental sectoral forums for CECS and county officials
- CoG did establish a best Practice Centre dubbed Maarifa Centre, which was launched in March 2017 by H.E the President of the Republic of Kenya.
- Convened the first County Innovation and Learning Forum.
- Undertook research and Produced Technical Papers that guided on policy.

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- Facilitated networking and learning exchange between Governors and peers of the Council, e.g NGA, SALAR, ORFUGAR, Delegations from Nepal, Federal Republic of Somalia and Ghana etc
- Supported the development of a county-responsive Funds-flow mechanism has been adopted as an intergovernmental framework where the money flows directly into the county revenue Fund (CRF) Accounts.
- Supported some Counties in the review of CIDPs.
- Supported the developed for Scheme of Service for ECD teachers in consultations with SRC, MoE, TSC , KNUT , NT , MGYPS that has informed Job Evaluation for the ECDE teachers and
- Coordinated negotiations leading to registration of Doctors CBA among others.
- Provided support to the development of performance management framework (PMF) for Counties, which was launched by the President of the Republic of Kenya in March 2017.

As a secretariat, we are committed to ensuring that the CoG continues to undertake its mandate. We appreciate the support from all Counties in ensuring that the secretariat is functional and able to provide the much needed support to fulfil its legal mandate as elaborated in Section 20 of the Intergovernmental Relations Act.

Signed:



Chief Executive Officer

IV. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

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

The Accounting Officer in charge of the Council of Governors Secretariat is responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of the Council of Governors secretariat for and as at the end of the financial year ended on June 30, 2017.

This responsibility includes:

- I. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- II. 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;
- III. Safeguarding the assets of the Council of Governors secretariat
- IV. Selecting and applying appropriate accounting policies; and
- V. Making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the Council of Governors Secretariat accepts responsibility for the financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Council of Governors secretariat's financial statements give a true and fair view of the state of secretariat's transactions during the financial year ended June 30, 2017, and of the financial position as at that

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date. The Accounting Officer in charge of the Council of Governors Secretariat further confirms the completeness of the accounting records maintained for the Council of Governors secretariat, which have been relied upon in the preparation of the Council of Governors secretariat financial statements as well as the adequacy of the systems of internal financial control.

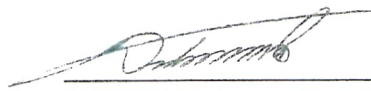
The Accounting Officer in charge of the Council of Governors Secretariat confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the Council of Governors secretariat financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The Council of Governors secretariat financial statements were approved and signed by the Accounting Officer on 30th September 2017.



Chief Executive Officer



Accountant
ICPAK Member Number: 17785

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNCIL OF GOVERNORS SECRETARIAT FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Council of Governors Secretariat set out on pages 1 to 15, which comprise the statement of assets as at 30 June, 2017, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the 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 the Secretariat as at 30 June, 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standard (Cash Basis) and comply with the Public Finance Management Act, 2012.

Further, as required by Article 229(6) of the Constitution, except for the matter described in the Basis for Qualified Opinion section of my report, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Bank Guarantee

Included in the statement of assets as at 30 June 2017 is a bank guarantee deposit of Kshs.300,000 number TFBG/15/0090 which was issued on account of Council of Governors by Cooperative Bank of Kenya to Toyota Kenya effective 10 February, 2015 and expiring on 31 January, 2016. Upon expiry of the guarantee, the deposit was not lifted or formally rolled over. In addition, no evidence of either renewal or cancellation of the guarantee has been provided for audit review. This effectively means that the guarantee deposit has been held by the bank for over three years but was not disclosed as an asset in the two preceding financial years. In the circumstances, I am unable to confirm the accuracy and validity of the bank

Report of the Auditor-General on the Financial Statements of Council of Governors Secretariat for the year ended 30 June 2017

guarantee reported and the accuracy of the accounting records recognizing the guarantee in the current year.

2. Staff Loan Fund

2.1. The Council of Governors Secretariat entered into an agreement with KCB Bank Limited on 20 April 2017 through which, the bank was appointed as a financier to the Secretariat employees' special housing scheme. According to the terms and conditions of the agreement, the Council of Governors Secretariat obligations included confirming to KCB Bank in writing that any applicant seeking to use the facility is a permanent employee. However, no document was provided for audit review to confirm prior approval of the housing scheme and agreement by the Council of Governors. In addition, the Council of Governors Secretariat does not have permanent staff contrary to one of the conditions of the agreement.

2.2. The statement of assets as at 30 June 2017 reflects staff loan fund balance of Kshs.100,000,000 representing a deposit placed with the KCB Bank Limited to guarantee the special staff housing scheme between the Secretariat and the Bank. The deposit earns interest at a rate of 10% but only to the extent that there are no equivalent loans advanced to the staff. An amount equivalent to loans advanced to staff is transferred from the interest bearing deposit account to a non-interest bearing in lien deposit account. The following anomalies have noted regarding the loan fund:

- (i) The commitment of the Kshs.100,000,000 was not factored in the approved budget for 2016/2017. Alternatively, approval if any for reallocation of the funds to the item was not provided for audit verification.
- (ii) There was no explanation on rationale for the bank not to pay interest on deposit transferred to lien deposit account yet the staff were paying to the bank interest on loans advanced to them.
- (iii) The process of appointment of KCB Bank as the scheme administrator was not documented to enable verification of the legality and efficiency of the process.

3. Transfers from Government Entities

The statement of receipts and payments reflects transfer from government entities totalling Kshs.361,259,779 in respect of contributions from County Governments in the financial year 2016/2017. The contributions relate specifically to rent for liaison offices, inter-governmental contribution and devolution conference support. The following unsatisfactory have been noted regarding the contributions:

- a) The Council of Governors Secretariat entered into lease agreement with Garden Properties Ltd in 2014 for office space at Delta Corner Tower. At the

point of leasing the space all the 47 County Governments were to take up and pay for some space to establish their liaison offices. The County Governments have since established county liaison offices in the building and rent is payable quarterly by the counties to the Secretariat who in turn remits it to the landlord. However, some counties have not been remitting their quarterly rent obligations to the Secretariat and an amount of Kshs.19,373,127 was outstanding as at 30 June, 2017. In the circumstances, the Secretariat being the tenant, faces possible eviction and possibility of litigation.

- b) The Council of Governors in a meeting held on 5 September, 2016 agreed that each county was to contribute Kshs.12,500,000 and Kshs.2,000,000 towards inter-governmental and devolution conferences, respectively. However, out of the total expected revenue of Kshs.681,500,000, the Secretariat received Kshs.290,212,315 only in respect of the two items from the counties in the financial year 2016/2017.
- c) One county government honoured its obligation in full towards inter-governmental contribution while twenty counties did not give any monies at all for the same. Eight county governments similarly did not contribute any monies at all for the devolution conference support.

The failure to collect budgeted receipts from the County Governments while the planned activities are undertaken would adversely affect the continued of operation of the Council and financial sustainability of the Secretariat.

4. Compensation of Employees

During the year under review, the Council of Governors Secretariat management recruited and promoted staff in various categories. This resulted to an increase in the amount of compensation paid to Kshs.60,227,174 in 2016/2017 from Kshs.29,422,841 paid the previous year, an increase of 30,804,333 or about 105%. As reported in the previous year, the staff of the Secretariat continued to be paid salaries and allowances without advice of the Salaries and Remuneration Commission contrary to the provisions of Article 230(4) b of the Constitution of Kenya 2010. Consequently, the validity of compensation of employees' expenditure of Kshs.60,227,174 cannot be confirmed under the circumstances.

5. Legal Expenses

The legal fees of Kshs.41,849,005 disclosed under Note 3 to the financial statements includes an amount of Kshs.31,142,450 paid to one lawyer that was handling cases between the Council and various arms of the National Government including Senate, National Assembly and, the Independent Electoral and Boundaries Commission among others. No proper justification has been provided for appointing the lawyer to handle all these cases.

6. Domestic Travel and Subsistence

Domestic travel and subsistence expenditure of Kshs.43,097,567 disclosed under Note 4 to the financial statements includes payments amounting to Kshs.7,671, 260 in respect of helicopter and charter to a service provider during the year under review. However, documents in support of procurement and sourcing of the service provider whose contract was signed on 15 September, 2016 were not provided for audit verification. Consequently, the propriety of this expenditure cannot be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Council of Governors Secretariat in accordance with ISSAI 30 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. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no Key Audit Matters to communicate in my report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standard (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Secretariat'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 the management either intends to liquidate the Secretariat or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Secretariat's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. 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 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving and assurance on the effectiveness of the Secretariat's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern 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 Secretariat'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 Secretariat to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether 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 activities of the Secretariat to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

16 March 2018

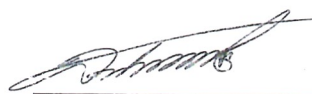
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V. STATEMENT OF RECEIPTS AND PAYMENTS			
RECEIPTS	NOTE	2016-7	2015-6
	Kshs	Kshs	Kshs
Transfer From Government Entities	2	361,259,779	587,212,435
Proceeds From Domestic and Foreign Grants	1	78,549,775	41,459,691
Grants From Ministry of Devolution	2	101,193,624	94,728,686
Grants From Symbiocity Project		52,009,000	111,127,457
Donations In-Kind	8	73,427,547	67,093,870
TOTAL RECEIPTS		666,439,725	901,622,139
PAYMENTS			
Compensation of Employees	3	60,227,174	29,422,841
Use of Goods and Services	4	517,978,440	587,427,855
Acquisition of Non-Financial Assets	5	9,879,015	50,187,929
SymbioCity Kenya Programme Payments		24,470,975	-
Payments In-Kind		73,427,547	67,093,870
TOTAL PAYMENTS		685,983,151	734,132,495
SURPLUS/(DEFICIT)		(19,543,426)	167,489,644

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30th September, 2017 and signed by:



Chief Executive Officer



Accountant
ICPAK Member Number: 17785

COUNCIL OF GOVERNORS SECRETARIAT
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VI. STATEMENT OF ASSETS

	Note	2016-7 Kshs	2015-6 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	6	287,728,803	407,350,354
Cash Balances	7	162,762	384,637
Bank Guarantee		300,000	-
Staff Loan Fund		100,000,000	-
NET FINANCIAL POSITION		388,191,565	407,734,991

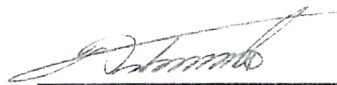
REPRESENTED BY:

Funds Balance b/fwd		407,734,991	240,245,347
Surplus/(Deficit) for the Year		(19,543,426)	167,489,644
Prior Year Adjustments			
NET FINANCIAL POSITION		388,191,565	407,734,991

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30th September, 2017 and signed by:



Chief Executive Officer



Accountant
 ICPAK Member Number: 17785

COUNCIL OF GOVERNORS SECRETARIAT
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VII. STATEMENT OF CASHFLOW

	Note	2016-7 Kshs	2015-6 Kshs
Receipts for Operating Income			
Transfer From County Governments	2	361,259,779	587,212,435
Proceeds From Domestic & Foreign Grants	1	78,549,775	41,459,691
Grants From Ministry of Devolution	7	101,193,624	94,728,686
SymbioCity Project		52,009,000	111,127,457
Payments for Operating Expenses			
Compensation of Employees		(60,227,174)	(29,422,841)
Use of Goods and Services	4	(517,978,440)	(587,427,855)
SymbioCity Kenya Programme Expense		(24,470,975)	-
Net Cash flow from Operating Activities		(9,664,411)	217,677,573
Cash flow from Investing Activities			
Proceeds from Sale of Assets		-	-
Acquisition of Assets	3	(9,879,015)	(50,187,929)
Net Cash flows from Investing Activities		(9,879,015)	(50,187,929)
Cash flow from Borrowing Activities			
Proceeds from Domestic Borrowings		-	-
Domestic Currency and Domestic Deposit		-	-
Net Cash flow from financing Activities		-	-
Net Increase in Cash and Cash Equivalent		(-19,543,426)	167,489,644
Cash and cash equivalent at BEGINNING of the year		407,734,991	240,245,347
Cash and cash equivalent at END of the year		388,191,565	407,734,991

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30th September, 2017 and signed by:



Chief Executive Officer



Accountant
 ICPAK Member Number: 17785

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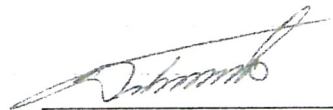
VIII. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Final Budget	Actual on Comparable Basis	Variance	% of Variance
	a	c=a+b	d	e=d-c	f=e/c %
Receipts					
Transfer from Government entities	790,361,414	790,361,414	361,259,779	-429,101,635	-54%
Proceeds from domestic and foreign grants			78,549,775	78,549,775	100%
Grants from Ministry of Devolution	108,000,000	108,000,000	101,193,624	-6,806,376	-6%
Donations In-kind	-	-	-	-	0%
Total Receipts	898,361,414	898,361,414	541,003,178	-357,358,236	40%
Payments					
Compensation of employees	120,845,200	120,845,200	60,227,174	60,618,026	50%
Purchase of goods and services	751,408,214	751,408,214	517,978,440	233,429,774	31%
Acquisition of non-financial assets	26,108,000	26,108,000	9,879,015	16,228,985	62%
Total Payments	898,361,414	898,361,414	588,084,629	310,276,785	35%

Explanations to the statement of comparative budget and actual amount is provided in Annex 1



Chief Executive Officer



Accountant
 ICPAK Member Number: 17785

IX. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Council of Governors secretariat. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the Council of Governors secretariat.

2. Recognition of revenue and expenses

The Council of Governors secretariat recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the Council of Governors secretariat. In addition, the Council of Governors secretariat recognises all expenses when the event occurs and the related cash has actually been paid out by the Council of Governors secretariat.

3. In-kind contributions

In-kind contributions are donations that are made to the Council of Governors secretariat in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Council of Governors secretariat includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

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4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held 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 imprest and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

5. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The Council of Governors secretariat budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the Council of Governors secretariat actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

6. Comparative figures

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

7. 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, 2017.

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X. NOTES TO THE FINANCIAL STATEMENTS

1. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of the Donor	2016-7 Kshs	2015-6 Kshs
Devolution Conference Registration and Others	74,248,475	21,171,791
Lap Trust		120,000
Delloitte		1,500,000
Co-operative Bank of Kenya		500,000
UN-Women, UNDP,	-	8,831,700
Price Waterhouse		700,000
Netherland Development Organization		150,000
SALAR		361,200
Controller of Budget		180,000
CRA		50,000
IDLO		305,000
UNCEF	4,051,300	1,200,000
National Bank of Kenya		5,000,000
Telkom		130,000
D.T.Dobie		510,000
UNFPA		500,000
Jay Letoya		250,000
HDI Marketers Ltd	250,000	-
TOTAL	78,549,775	41,459,691

2. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Item	Note	2016-7 Kshs	2015-6 Kshs
Grants From Ministry of Devolution		101,193,624	94,728,686
SymbioCity Project		52,009,000	111,127,457
Transfers from Counties	Annex 2	361,259,779	587,212,435
Total		514,462,403	793,068,578

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3. COMPENSATION OF EMPLOYEES

Item	Note	2016-7 Kshs	2015-6 Kshs
Basic salaries of permanent employees		-	-
Basic wages of temporary employees		-	-
Personal allowances paid as part of salary		60,227,174	29,422,841
Total		60,227,174	29,422,841

4. USE OF GOODS AND SERVICES

Item	Note	2016-7 Kshs	2015-6 Kshs
Rental, Proceeds, Utilities and services		156,995,126	143,973,640
Communication, supplies and services		3,422,976	3,661,590
Domestic travel and subsistence		43,097,567	52,282,621
Foreign travel and subsistence		20,485,267	25,870,624
Printing, advertising and information supplies & services		19,008,479	40,097,634
Training, Conferences and workshops expenses		174,423,084	144,106,512
Hospitality supplies and services		37,091,987	12,187,917
Insurances		11,607,390	2,804,287
Routine maintenance—vehicles and other transport equipment		7,181,226	5,573,927
Routine maintenance—other assets (Partitioning)			
Donations			1,116,661
Legal Fees		41,849,005	131,259,140
Total Grants		517,978,440	587,427,853

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5. ACQUISITION OF NON-FINANCIAL ASSETS

Item	Note	2016-7 Kshs	2015-6 Kshs
Purchase of vehicles & other transport equipment			23,098,086
Purchase of computers and Equipment		5,974,385	6,096,085
Purchase of office furniture & general equipment		3,904,630	20,993,758
Total Grants		9,879,015	50,187,929

6. Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	2016-7	2015-6
Co-operative Bank of Kenya, Ac No. 0114320133800 (Ksh)	Kshs	76,296,801	169,920,469
Co-operative Bank of Kenya, Ac No. 0113420133800 (Ksh)	Kshs	18,349,184	22,129,219
Kenya Commercial Bank Ac. N01164902318	Kshs	54,463,552	39,944,523
National Bank AC No. 01001113869200	Kshs	138,619,266	111,127,457
Cash in Transit	Kshs	-	64,228,686
Total Grants		287,728,803	407,350,354

7. Cash In Hand

Item	2016-7 Kshs	2015-6 Kshs
Head Office	162,762	384,637
Total Grants	162,762	384,637

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8. Donations in Kind

IN-KIND DONATIONS FROM DEVELOPMENT PARTNERS		
ORGANIZATION	TYPE OF SUPPORT	AMOUNTS
UNDP	The Integrated Programme to Support Devolution is designed to support the implementation of Devolution to achieve improved good governance and socio-economic development in Kenya	37,263,240
UN Women	<p>'Effective Implementation of the Gender Functions at the County Level</p> <p>A Program to facilitate capacity building for Counties to advance the gender equality and women's empowerment work. Thus, the work under this project focused on the objectives outlined below;</p> <ul style="list-style-type: none"> (a) Building the capacity of CECMs in charge of Gender (b) Creating linkages with, and clarifying the role of the National Government in relation to that of County Governments in Gender matters and; (c) Facilitating the participation and involvement of County Governments in international events touching on gender. 	27,515,520
UNICEF	<ul style="list-style-type: none"> a) Provision of Technical Support on matters relating to Early Child Education Policies and laws. b) Provision of support to children's devolution conference, which was meant to give children a platform to tell their story of devolution 	7,673,780
UNFPA	Sensitization/Orientation session for Counties on MNCH High Impact Interventions including Community Health Sessions	975,000
	Total	73,427,540

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ANNEXES

**ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE
 BUDGET AND ACTUAL AMOUNTS**

	Final Budget	Actual on Comparable Basis	Budget Utilization Variance	% of Utilization Variance to Final Budget	Comments on Variance
	a	B	c=a-b	d=c/a %	
Transfer from County Governments	790,361,414	361,259,779	-429,101,635	-54%	This is attributed to outstanding contributions from counties
Proceeds from domestic and foreign grants		78,549,775	78,549,775	100%	This were resources received specifically to support devolution conference
Grants from Ministry of Devolution	108,000,000	101,193,624	-6,806,376	-6%	National Government allocation did not match the COG proposed budget presented
Payments					
Compensation of employees	120,845,200	60,227,174	60,618,026	50%	Most of the staff are on secondment from GOK, Counties and Development Partners
Purchase of goods and services	751,408,214	517,978,440	233,429,774	31%	Due to liquidity COG was not able to carry out all the planned activities on time
Acquisition of non-financial assets	26,108,000	9,879,015	16,228,985	62%	Most of the planned acquisitions did not happen due to non-availability of funds

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ANNEX 2. CONTRIBUTIONS FROM COUNTY GOVERNMENTS			
	COUNTIES	2016-2017	2015-2016
01	Mombasa County Government	6,074,637	6,235,550
02	Kwale County Government	370,000	5,398,289
03	Kilifi County Government	6,650,000	6,750,000
04	Tana River County Government	3,642,359	10,241,770
05	Lamu County Government	2,239,349	16,343,156
06	Taita-Taveta County Government	2,849,995	14,576,358
07	Garissa County Government	2,000,000	8,000,000
08	Wajir County Government	13,622,626	22,764,227
09	Mandera County Government	7,933,810	14,596,561
10	Marsabit County Government	14,525,286	20,163,635
11	Isiolo County Government	1,922,693	5,750,000
12	Meru County Government	17,907,136	19,264,616
13	Tharaka Nithi County Government	4,767,359	11,546,578
14	Embu County Government	-	4,853,723
15	Kitui County Government	14,862,732	18,967,320
16	Machakos County Government	7,200,000	1,750,000
17	Makueni County Government	17,217,732	36,234,171
18	Nyandarua County Government	4,650,000	3,419,700
19	Nyeri County Government	8,532,136	19,483,527
20	Kirinyaga County Government	2,100,000	11,590,800
21	Murang'a County Government	2,000,000	6,750,000
22	Kiambu County Government	2,100,000	1,750,000
23	Turkana County Government	13,900,286	16,698,378
24	West Pokot County Government	3,125,000	8,250,000
25	Samburu County Government	5,407,136	7,847,217
26	Trans-Nzoia County Government	1,891,762	36,983,392
27	Uasin Gishu County Government	2,000,000	1,750,000
28	Elgeyo Marakwet County Government	2,996,531	3,405,931
29	Nandi County Government	3,702,980	2,300,000
30	Baringo County Government	9,788,911	18,117,595
31	Laikipia County Government	2,000,000	10,800,000
32	Nakuru County Government	6,026,308	10,520,825
33	Narok County Government	22,414,058	8,327,511
34	Kajiado County Government	2,000,000	9,875,000
35	Kericho County Government	11,334,352	9,046,578

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36	Bomet County Government	16,867,849	20,414,334
37	Kakamega County Government	11,375,000	16,332,254
38	Vihiga County Government	7,094,906	23,553,820
39	Bungoma County Government	14,215,285	12,653,259
40	Busia County Government	7,000,000	11,750,000
41	Siaya County Government	16,767,359	4,023,288
42	Kisumu County Government	14,592,453	34,125,143
43	Homa-Bay County Government	5,500,000	9,750,000
44	Migori County Government	6,567,732	23,586,000
45	Kisii County Government	16,833,000	9,641,762
46	Nyamira County Government	14,691,021	4,280,167
47	Nairobi County	-	6,750,000
	TOTALS	361,259,779	587,212,435

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset Class	Note	2016-7 Kshs	2015-6 Kshs
Transport equipment		-	23,098,086
Office equipment, furniture and fittings		3,904,630	20,993,758
ICT Equipment, Software and Other ICT Assets		5,974,385	6,096,085
Total Grants		9,879,015	50,187,929

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ANNEX 4 – DETAILED CONTRIBUTION FROM COUNTY GOVERNMENTS

CODE	COUNTY	RENT FOR LIAISON OFFICE	INTER GOVERNMENTAL CONTRIBUTION	DEVOLUTION CONFERENCE SUPPORT	TOTAL
01	Mombasa County Government	4,074,637	-	2,000,000	6,074,637
02	Kwale County Government	-	-	370,000	370,000
03	Kilifi County Government	-	5,000,000	1,650,000	6,650,000
04	Tana River County Government	1,642,359	-	2,000,000	3,642,359
05	Lamu County Government	2,239,349	-	-	2,239,349
06	Taita-Taveta County Government	1,094,906	1,755,089	-	2,849,995
07	Garissa County Government	-	-	2,000,000	2,000,000
08	Wajir County Government	-	11,622,625.80	2,000,000	13,622,625.80
09	Mandera County Government	4,208,810	3,125,000	600,000	7,933,810
10	Marsabit County Government	3,407,158	9,118,128	2,000,000	14,525,286
11	Isiolo County Government	1,922,693	-	-	1,922,693
12	Meru County Government	3,407,136	12,500,000	2,000,000	17,907,136
13	Tharaka Nithi County Government	1,642,359	3,125,000	-	4,767,359
14	Embu County Government	-	-	-	-
15	Kitui County Government	2,215,185	10,375,000	2,272,547	14,862,732
16	Machakos County Government	-	5,000,000	2,200,000	7,200,000
17	Makueni County Government	2,215,185	12,500,000	2,502,547	17,217,732
18	Nyandarua County Government	-	2,650,000	2,000,000	4,650,000
19	Nyeri County Government	3,407,136	3,125,000	2,000,000	8,532,136
20	Kirinyaga County Government	-	-	2,100,000	2,100,000
21	Murang'a County Government	-	-	2,000,000	2,000,000
22	Kiambu County Government	-	-	2,100,000	2,100,000
23	Turkana County Government	2,525,286	9,375,000	2,000,000	13,900,286
24	West Pokot County Government	-	3,125,000	-	3,125,000
25	Samburu County Government	3,407,136	-	2,000,000	5,407,136
26	Trans-Nzoia County Government	841,762	-	1,050,000	1,891,762
27	Uasin Gishu County Government	-	-	2,000,000	2,000,000

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28	Elgeyo Marakwet County Government	1,594,031	-	1,402,500	2,996,531
29	Nandi County Government	1,702,980	-	2,000,000	3,702,980
30	Baringo County Government	2,215,185	7,573,726	-	9,788,911
31	Laikipia County Government	-	-	2,000,000	2,000,000
32	Nakuru County Government	4,026,308	-	2,000,000	6,026,308
33	Narok County Government	4,289,058	16,125,000	2,000,000	22,414,058
34	Kajiado County Government	-	-	2,000,000	2,000,000
35	Kericho County Government	2,165,648	9,168,704	-	11,334,352
36	Bomet County Government	4,078,430	10,789,419	2,000,000	16,867,849
37	Kakamega County Government	-	9,375,000	2,000,000	11,375,000
38	Vihiga County Government	1,642,359	3,452,547	2,000,000	7,094,906
39	Bungoma County Government	2,215,285	10,000,000	2,000,000	14,215,285
40	Busia County Government	-	5,000,000	2,000,000	7,000,000
41	Siaya County Government	1,642,359	13,125,000	2,000,000	16,767,359
42	Kisumu County Government	1,094,906	11,497,547	2,000,000	14,592,453
43	Homa-Bay County Government	-	3,000,000	2,500,000	5,500,000
44	Migori County Government	1,667,732	4,000,000	900,000	6,567,732
45	Kisii County Government	2,271,065	12,511,935	2,050,000	16,833,000
46	Nyamira County Government	2,191,021	12,500,000	-	14,691,021
47	Nairobi County	-	-	-	-
	TOTALS	71, 047, 464	220,514,721	69,697,594	361,259,779

