

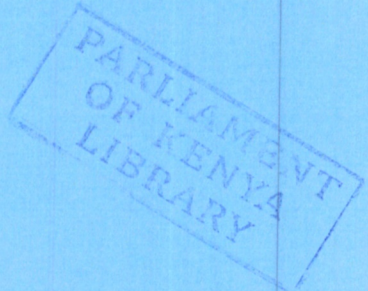
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



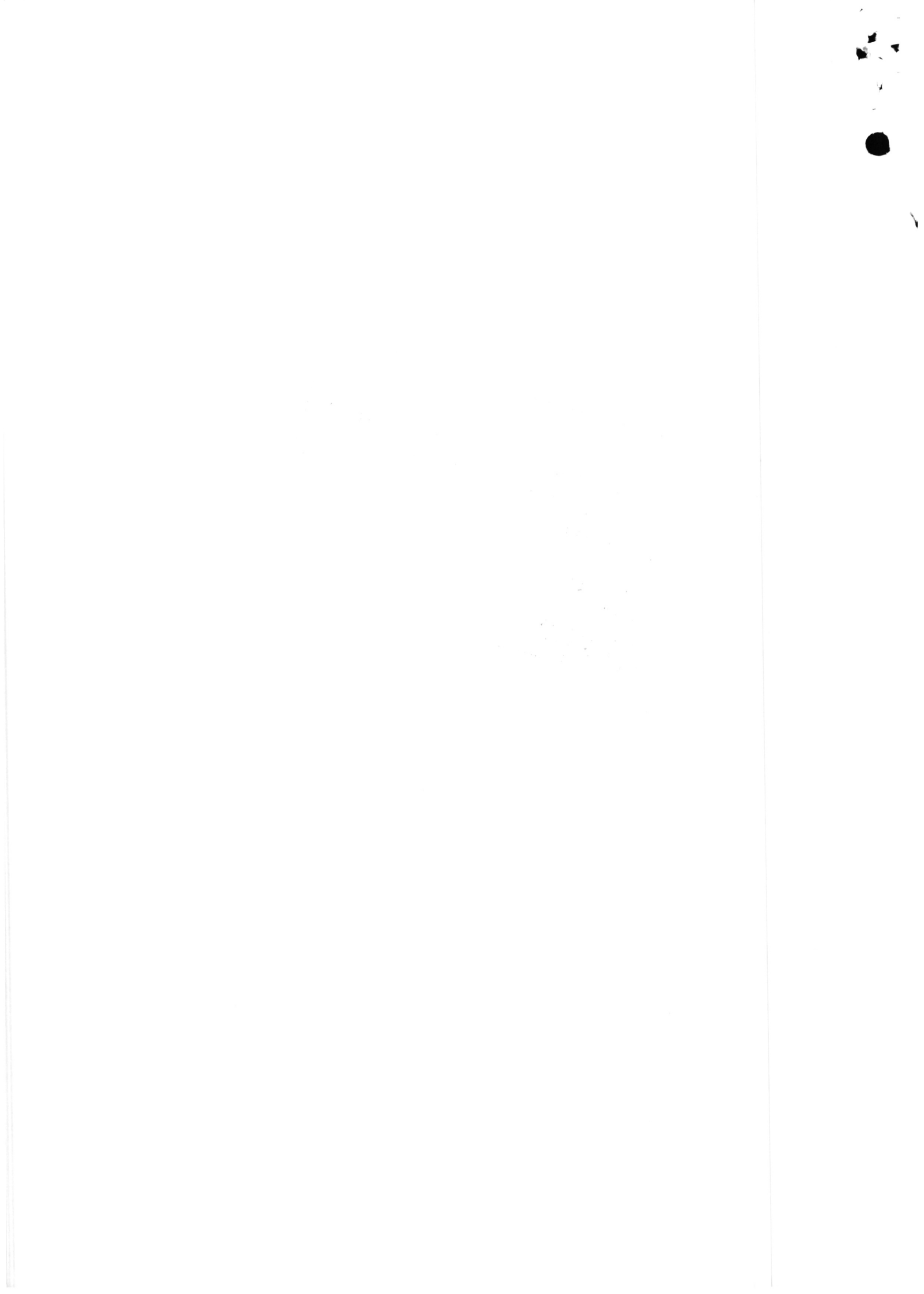
REPORT
THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 18 JULY 2019 DAY: Thursday
Tabled by: Majority Whip
Clerk: Wabunde debole
THE AUDITOR-GENERAL



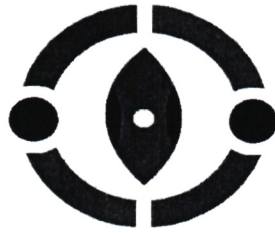
ON

THE FINANCIAL STATEMENTS OF
INTERGOVERNMENTAL RELATIONS
TECHNICAL COMMITTEE

FOR THE YEAR ENDED
30 JUNE 2018



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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IGRTC
INTERGOVERNMENTAL
RELATIONS TECHNICAL
COMMITTEE

Consultation, Cooperation & Coordination in Devolution

INTERGOVERNMENTAL RELATION TECHNICAL COMMITTEE

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
Reports and Financial Statements
For the year ended June 30, 2018

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I. KEY ENTITY INFORMATION AND MANAGEMENT

Background information

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

Vision Statement

Harmonious and effective intergovernmental relations.

Mission Statement

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

Mandate

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

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

Core Values

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

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE

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- d) **Transparency:** IGRTC will conduct its affairs openly and grant oversight institutions the access to information that they require to hold it to account to the Kenyan people.
- e) **Integrity:** IGRTC will conduct all its affairs above board and will, amongst others, enforce a policy of zero tolerance to corruption. It will comply with integrity requirements in public service.
- f) **Public participation:** IGRTC will involve members of the public in diverse ways, as appropriate, in the formulation of policies and its other work.

Key Management

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

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

Fiduciary Management

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

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

FIDUCIARY OVERSIGHT ARRANGEMENTS

1. **Finance and Institutional Development Committee**
Deals with day to today operations on internal financial and administrative issues while ensuring that programmes and activities are implemented as planned and that they are within the budget

2. **Audit committee**

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

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
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OVERVIEW

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

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

a. Full-time members



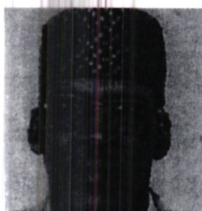
Mrs. Njambi Muchane
-Member



Prof Karega Mutahi,
CBS-Chairman



Prof Shanyisa
Khasiani -Member



Dr. Billow Khalid -
Member



Ms. Allyce Kureiya –
Vice Chairperson



Prof Judith Miguda-
Attyang -Member



Dr. Nyeris Raymond-
Member



Mrs Angeline Hongo-
Alt Member



Dr. Francis Fondo -
Member



Mr. Peter Leley
Chief Executive Officer

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
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b. Members

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

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

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

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
Reports and Financial Statements
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INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE

Reports and Financial Statements

For the year ended June 30, 2018

(a) Entity Headquarters

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

Entity Contacts

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

(b) Entity Bankers

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

(c) Independent Auditors

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

(d) Principal Legal Adviser

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

II. FORWARD BY THE CHIEF EXECUTIVE OFFICER

It gives me great pleasure to present the 2017/2018, Intergovernmental Relations Technical Committee (IGRTC) Financial Report. The IGRTC is responsible for facilitating the activities of the Summit and CoG, as well as implementing the decisions of the two bodies. It also took over residual functions of the defunct Transition Authority which was established under the law relating to transition to devolved government that is the Transition to Devolved Government Act (TDGA) 2012. During this reporting period, there were considerable achievements in the various departments and committees of the IGRTC. I am confident to state that the Committee worked diligently to deliver desirable results while leveraging opportunities that arose from time to time. Strategically, the Committee adopted and implemented practical approaches, which continue to guide the transition process, while drawing from successful models around the world.

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

Key among them is;

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

To deliver on its mandates, IGRTC required funding. During the 2017/2018 Financial Year, IGRTC approved recurrent budget was Kshs.350, 522,000. Under the same period, total expenditure amounted to Kshs 342,085,687 leaving a balance of Kshs 8,466,313. This expenditure represents an absorption rate of 99.8%

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

KEY ACHIEVEMENTS

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

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

Summit Meeting

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

Alternative Dispute Resolution (ADR)

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

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

Cost of Litigation

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

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
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Civic Education and Public Participation

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

Agriculture Levies and Licenses

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

Transfer of functions

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

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

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

Rationalization and deployment of staff framework.

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

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STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

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

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


This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of IGRTC; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

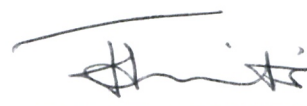
The Accounting Officer in charge of the IGRTC accepts responsibility for the Authority's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the IGRTC's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2018, and of the Committee's financial position as at that date. The Accounting Officer in charge of the IGRTC further confirms the completeness of the accounting records maintained for the Committee, which have been relied upon in the preparation of the Committee's financial statements as well as the adequacy of the systems of internal financial control.

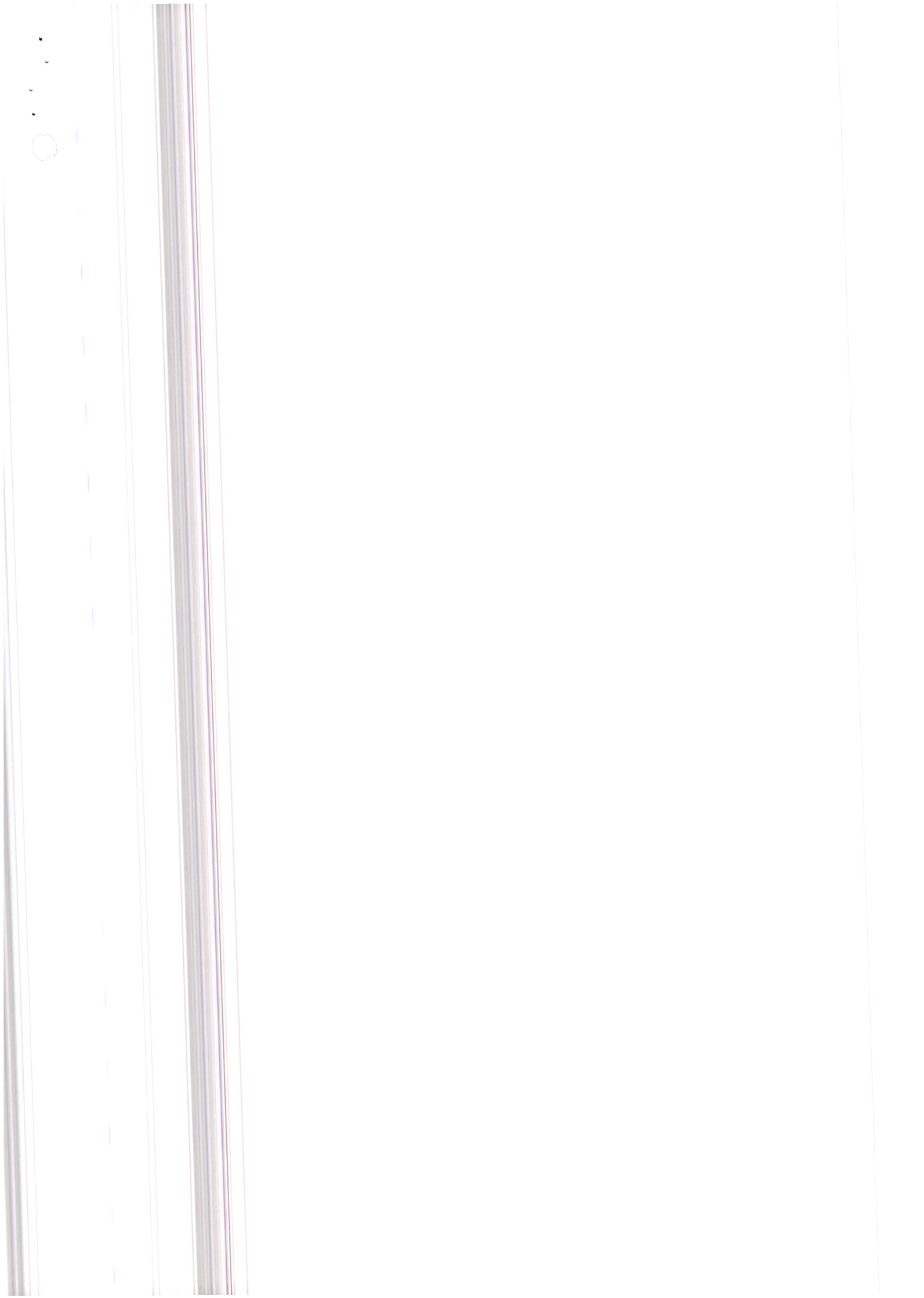
The Accounting Officer in charge of the IGRTC confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which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

Approval of the financial statements

The entity's financial statements were approved and signed by the Accounting Officer on 29/9/2018.


CHIEF EXECUTIVE OFFICER/SECRETARY
NAME: Peter Lehey


SENIOR ACCOUNTANT
NAME: John W. Kinani
ICPAK No. 23401



II. FORWARD BY THE CHIEF EXECUTIVE OFFICER

It gives me great pleasure to present the 2017/2018, Intergovernmental Relations Technical Committee (IGRTC) Financial Report. The IGRTC is responsible for facilitating the activities of the Summit and CoG, as well as implementing the decisions of the two bodies. It also took over residual functions of the defunct Transition Authority which was established under the law relating to transition to devolved government that is the Transition to Devolved Government Act (TDGA) 2012. During this reporting period, there were considerable achievements in the various departments and committees of the IGRTC. I am confident to state that the Committee worked diligently to deliver desirable results while leveraging opportunities that arose from time to time. Strategically, the Committee adopted and implemented practical approaches, which continue to guide the transition process, while drawing from successful models around the world.

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REPUBLIC OF KENYA

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Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Intergovernmental Relations Technical Committee set out on pages 1 to 11, which comprise the Statement of financial Assets as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and Statement of Comparative budget and actual amounts, 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report. I have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Presentation of Financial Statements

The Gazette Notice No 5440 on the PFM Act No 18 of 2012 established the PSASB and made the pronouncements on specific categories of entities financial reporting frameworks. In section 2 of the Gazette notice, the Financial Reporting standards under section 2.2.2 state that the Semi-Autonomous National and County Government Agencies shall apply IPSAS Accrual Based standards statements

The Intergovernmental Relations Committee management has prepared financial statements using the IPSAS Cash based standards contrary to the PSASB's pronouncement made via the Kenya Gazette No 18 of 2014. Therefore, the committee has not complied with the recommended reporting framework.

In consequence, the presentation of the financial statements for the year ended 30 June 2018 do not comply with the prescribed financial reporting framework.

Report of the Auditor-General on the Financial Statements of Intergovernmental Relations Technical Committee for the year ended 30 June 2018

2. Accuracy and Completeness of the Financial statements

The Management submitted the first set of financial statements for audit on 28 September, 2018. The management revised the financial statements and submitted the revised statement on 30 April, 2019. However, under Statement of receipts and payment, use of goods and services which was previously reported as Kshs.210,565,513 was revised to Kshs.213,777,723 resulting to an unexplained balance of Ksh.3,212,219 while the acquisition of assets was revised from Kshs.19,287,560 to Kshs.21,399,710 resulting into an unexplained movement of Kshs.2,112,150.

Under statement of financial assets, bank balances was revised from Kshs.3,515,313 to Kshs.3,061,953 while the receivables changed from Kshs.4,951,000 to Kshs.80,000 resulting to unexplained variances of Kshs.453,360 and Kshs.4,871,000 respectively.

In addition, note 5 and note 6 to the financial statements do not tally or agree to the figures disclosed in the statement of receipts and payments and the statement of financial assets respectively.

Under the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June 2018 could not be ascertained.

3. Cash and Cash Equivalent Balances

The statement of financial assets reflects an amount of Kshs.3,061,953 as bank balance. The certificate of bank balance had Kshs.36,377,534 but no bank reconciliation between the two figures was produced for audit verification. Further, the bank reconciliation statements for March, April, May and June 2019 that were availed for audit verification had no supporting details and document for the reconciling items.

Consequently, the accuracy and validity of the cash and cash equivalent balance of Kshs.3,061,952 could not be confirmed.

4. Acquisition of Assets

The Committee did not maintain an updated fixed asset register during the year under review. The Statement of receipts and payments reflects a balance of Kshs.21,399,710 relating to acquisition of assets. However, documents in respect of purchase and payment for the supply of UPS Kshs.837,000 and adjustment(s) of Kshs.2,112,150 were not provided for audit verification.

Under the circumstances, the accuracy and completeness of the acquisition of assets of Kshs.21,399,710 as reflected in the financial statements for the year ended 30 June 2018 could not be confirmed.

5. Use of Goods and Services

5.1 Utilities Supplies and Services

The use of goods and services expenditure of Kshs.213,777,723 as shown on the statement of receipts and payments and note 3 to the financial statements reflect Kshs.929,062 in

respect of Utilities, supplies and services. However, invoices totaling to Kshs.689,944 which had not been paid, were not disclosed as pending bills. Therefore understating the utilities expenditure.

5.2 Domestic Travel and Subsistence

The use of goods and services expenditure of Kshs.213,777,723 as shown on statement of receipts and payments and note 3 to the financial statements reflects Kshs.60,049,382 in respect of domestic travel and subsistence. However on examination of payment vouchers revealed that payments for Kshs.420,400 paid in relation to motor vehicle repairs have been posted as Domestic travel and subsistence, hence misclassification of expenditure. Further, expenditure totaling Kshs.2,771,474 did not have any supporting documents provided for audit verification.

In addition, a purchase of air tickets amounting to Kshs.4,371,962, was directly procured through single sourcing from one supplier, hence no competitiveness and fairness as required by Public Procurement and Asset Disposal 2015 Section 60. (1).

5.3 Printing Advertising and Information

The use of goods and services expenditure of Kshs.213,777,723 as shown on statement of receipts and payments and note 3 to the financial statements reflects Kshs.18,485,53 in respect of printing advertising and Information services. However, two payment vouchers totaling to Kshs.2,330,300 were captured twice in the ledger hence overstating the account balance. The anomaly has not been corrected or explained.

5.4 Rentals for Produced Assets

The accounts figure for rentals of produced assets is Kshs.49,259,538. However, parking fees of Kshs.942,600 for April to June 2018 was paid but not included in the account balance. This has resulted to an understatement of the expenditure by Kshs.942,600, hence rendering the accounts balance inaccurate.

In addition, the Lease for the rented premises does not show the tenant as IGRTC, but is between the Parklands Plaza Ltd and the Government of Kenya and the lease has not yet been registered by the Ministry of Housing.

Under the circumstance, the completeness and accuracy of the use of goods and services balance of Kshs.213,777,723 as reflected in the financial statements for the year ended 30 June 2018 could not be confirmed.

6. Outstanding Previous Year Audit Issues

The following previous year audit issues are yet to be resolved:

(i) Rentals of Produced Assets

During the financial year under review Intergovernmental Relations Technical Committee paid Kshs.50,202,137 in respect of rentals of produced assets as per note 3 of the financial statements. However Kshs.11,610, 934 covering the period July 2016 to September 2016 was paid without a supporting lease agreement. The lease agreement was signed by the tenant in October 2016 and the landlord in November 2016 and was yet to be registered with the relevant government department as at 20 April 2018 it is noted that the lease agreement is neither dated nor registered.

In the circumstances, the validity of the lease agreement could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Intergovernmental Relations Technical Committee 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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7 (1) (a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

1. Internal Audit

The Public Finance Act Section 73. (1) (a) requires that every national government entity shall ensure that it complies with this Act and ensure to have appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board.

During the audit of the year under. It was established that the Intergovernmental Relations Technical Committee did not have an Audit Committee contrary to the regulations cited above. In the circumstances, the accuracy and completeness of the financial statements could not be ascertained

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, 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.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards Accrual

2. Board Members appointment and Contract Extension

The Technical Committee shall be appointed on such terms and conditions as the Summit may determine. It was observed that members of Intergovernmental Relations Technical Committee were appointed by the Cabinet Secretary for Devolution and not by summit as per Intergovernmental Relations Act, 2012 against the provisions of the Act. It was also observed that members were employed on 3 year Non-renewable terms as per their appointment letters but have had various 3-months termly extensions and paid gratuities at the end of this 3 months.

The committee continued to incur expenses on members whose term in office expired on 28th February 2018 which illegally form part of employee costs and gratuity expenses in the financial statements to the tune of Kshs.28,000,000. Consequently, the lawfulness of the expenditure cannot be ascertained.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Committee's ability to continue sustaining 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 Committee or to cease operations, or have no realistic alternative but to do so.

The 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.

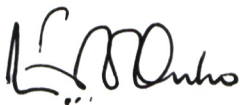
Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Committee monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and 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

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of the Committee 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.



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

Nairobi

04 July 2019

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
Reports and Financial Statements
For the year ended June 30, 2018

III. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017-2018 Kshs	2016-2017 Kshs
RECEIPTS			
Transfers from other government entities	1	299,000,000	300,000,000
Reimbursements and Refunds		-	-
Other Receipts		<u>51,552,000</u>	-
TOTAL RECEIPTS		<u>350,552,000</u>	<u>300,000,000</u>
PAYMENTS			
Compensation of Employees	2	80,660,555	71,135,126
Use of goods and services	3	213,777,723	214,723,113
Other grants and transfers		-	-
Social Security Benefits	4	31,572,059	-
Acquisition of Assets	5	<u>21,399,710</u>	<u>13,466,203</u>
TOTAL PAYMENTS		<u>347,410,047</u>	<u>299,324,442</u>
SURPLUS		<u>3,141,953</u>	<u>675,558</u>

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 28/9/2018 and signed by:



CHIEF EXECUTIVE OFFICER/SECRETARY

NAME: Peter Leley



SENIOR ACCOUNTANT

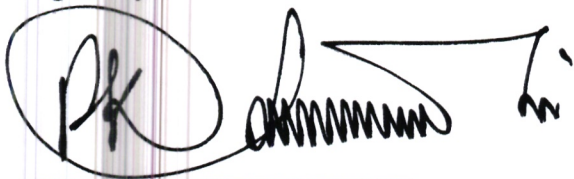
NAME: John C. Kimani
 ICPAK No. 23401

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
Reports and Financial Statements
For the year ended June 30, 2018

IV. STATEMENT OF FINANCIAL ASSETS

	Note	2017-2018 Kshs	2016-2017
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	6	3,061,953	51,558
Receivables			
Outstanding Imprests	7	80,000	624,000
TOTAL FINANCIAL ASSETS		<u>3,141,953</u>	<u>675,558</u>
REPRESENTED BY			
Surplus/Deficit for the year		3,141,953	675,558
NET FINANCIAL POSITION		<u>3,141,953</u>	<u>675,558</u>

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 28/9/18 2018 and signed by:



CHIEF EXECUTIVE OFFICER/SECRETARY
 NAME: Peter Lehey



SENIOR ACCOUNTANT
 NAME: John K. Kinathi
 ICPAK NO. 23401

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE

Reports and Financial Statements

For the year ended June 30, 2018

V. STATEMENT OF CASHFLOW

	Note	2017-2018 Kshs	2016-2017 Kshs
Receipts for operating income			
Transfers from National Treasury	1	350,552,000	300,000,000
Transfers from Other Government Entities		-	-
Reimbursements and Refunds		-	-
Other Revenues		-	-
Payments for operating expenses			
Compensation of Employees	2	(80,660,555)	(71,135,126)
Use of goods and services	3	(213,777,723)	(214,723,113)
Other grants and transfers		-	-
Social Security Benefits	4	(31,572,059)	-
Receivables		-	-
Refund to treasury		-	-
Adjusted for:			
Adjustments during the year		-	-
Net cash flow from operating activities		22,429,513	14,141,761
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	5	(21,399,710)	(13,466,203)
Net cash flows from Investing Activities		<u>3,778,239</u>	<u>675,558</u>
NET INCREASE IN CASH AND CASH EQUIVALENT		3,141,953	675,558
Cash and cash equivalent at BEGINNING of the year		-	-
Cash and cash equivalent at END of the year		<u>3,141,953</u>	<u>675,558</u>

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 28/9/2018 and signed by:

CHIEF EXECUTIVE OFFICER/SECRETARY
 NAME: Peter Lehey

SENIOR ACCOUNTANT
 NAME: John K. Kimani
 ICPAK No. 23401

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE

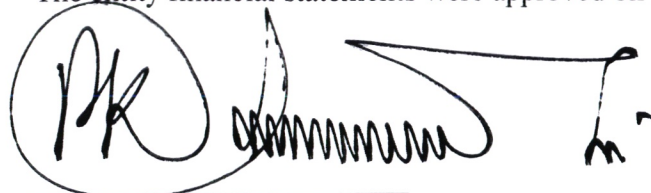
Reports and Financial Statements

For the year ended June 30, 2018

VI. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Transfer from National Treasury	299,000,000	51,552,000	350,552,000	350,552,000		100%
TOTAL	299,000,000	51,552,000	350,552,000	350,552,000		100%
PAYMENTS						
Compensation of Employees	80,686,000	-	80,686,000	80,660,555		100%
Use of goods and services	165,340,950	51,552,000	216,892,950	213,777,723		100%
Transfers to Other Government Units						100%
Social Security Benefits	31,572,200	31,572,200	31,572,200	31,572,059		100%
Acquisition of Assets	21,400,850		21,400,850	21,399,710		100%
TOTALS	299,000,000	51,552,000	350,552,000	347,410,047		

The entity financial statements were approved on 28/9/ 2018 and signed by:



CHIEF EXECUTIVE OFFICER/SECRETARY

NAME: Peter Lehey.

4



SENIOR ACCOUNTANT

NAME: John K. Kimani

ICPAK No. 23407

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE

Reports and Financial Statements

For the year ended June 30, 2018

VII. 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 IGRTC. 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 entity.

2. Recognition of revenue and expenses

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

3. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Central Bank of Kenya and 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.

4. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of IGRTC at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
Reports and Financial Statements
For the year ended June 30, 2018

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 IGRTC budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the IGRTC actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

6. Related parties

IGRTC regards a related party as a person with the ability to exert control individually or jointly or to exercise significant influence over the Authority or vice versa. Members of key management are regarded as related parties and comprise the Board members, Chief executive officer and the Directors.

Key management compensation:

	2016/2017
Members	62,532,726.00
Directors	<u>1,602,160 .00</u>
TOTAL	<u>64,134,886.00</u>

N.B: Please note that the amount of Ksh62,134,886.00 disclosed above relates salaries paid to members and directors of the organisation. These were paid through the monthly payrolls and forms part of the employee related costs figure of Ksh. 80,660,55 On note number 2

7. Comparative figures

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

8. 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, 201

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS

1 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

	2017 - 2018	2016-2017
	Kshs	Ksh
State Department of Devolution	350,552,000	300,000,000
Total	<u>350,552,000</u>	<u>300,000,00</u>

Description and reference of the transfer

1st quarter transfer	74,750,000	59,000,000
2nd quarter transfer	74,750,000	40,000,000
3rd quarter transfer	74,750,000	100,000,000
4th quarter transfer	74,750,000	84,924,921
Strategic funds	51,552,000	16,075,079

PAYMENTS MADE BY THE MINISTRY

-

Total	<u>350,552,000</u>	<u>300,000,000</u>
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2 COMPENSATION OF EMPLOYEES

Basic salaries of permanent employees	70,850,108	50,428,101
Personal allowances paid as part of salary	<u>9,810,447</u>	<u>20,707,025</u>
Total	<u>80,660,555</u>	<u>71,135,126</u>

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
Reports and Financial Statements
For the year ended June 30, 2018

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
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3 USE OF GOODS AND SERVICES

	2017-2018	2016-2017
	Kshs	Kshs
Utilities, supplies and services	929,062	1,955,517
Communication, supplies and services	2,789,255	3,800,180
Domestic travel and subsistence	60,049,382	65,940,329
Foreign travel	-	-
Printing, advertising and information supplies & services	18,485,538	17,422,799
Rentals of produced assets	49,259,538	50,202,137
Training expenses	5,359,221	6,608,472
Hospitality supplies and services	20,668,587	20,226,292
Insurance costs	12,465,203	5,499,562
Specialised materials and services	636,286	-
Office and general supplies and services	11,471,008	18,876,394
Hire of Transport	-	-
Routine maintenance – vehicles and other transport equipment	7,197,276	6,626,180
Routine maintenance – other assets	11,454,670	9,836,876
Other operating expenses	367,000	514,374
Contracted Professional Services	-	-
Fuel Oil and Lubricants	<u>12,645,697</u>	<u>7,214,000</u>
Total	<u>213,777,723</u>	<u>214,723,113</u>

4 GRATUITY TO MEMBERS

Total Gratuity paid to Members **31,572,059**

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 ACQUISITION OF ASSETS

	2017 - 2018 Kshs.	2016-2017 Kshs
Purchase of Vehicles and Other Transport Equipment	-	-
Overhaul of Vehicles and Other Transport Equipment	-	-
Purchase of Office Furniture and General Equipment	21,399,710	13,466,202
Purchase of Specialized Plant, Equipment and Machinery	<u>-</u>	-
Total	<u>19,287,560</u>	<u>13,466,202</u>

6 BANK ACCOUNTS

Name of Bank, Account	2017 - 2018 Kshs	2016-2017 Ksh
Central Bank of Kenya. - 1000304863	- 3,061,952	51,558
Total	<u>3,515,313</u>	<u>51,558</u>

7. RECEIVABLES

	2017 - 2018 Kshs	2016-2017 Kshs
Outstanding imprests	<u>80,000</u>	<u>624,000</u>
(Annex 1)	<u>80,000</u>	<u>624,000</u>

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
Reports and Financial Statements
For the year ended June 30, 2018

Annex 1
OUTSTANDING IMPRESTS – 2017/2018

Name of the officer	Amount taken	Outstanding amount. Ksh.
JACKSON ONGOSI		80,000
TOTAL		80,000

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
Reports and Financial Statements
For the year ended June 30, 2018

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
Reports and Financial Statements
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ANNEX 1- SUMMARY OF FIXED ASSET

ASSET	HISTORICAL COST 2016/2017(Ksh.)	HISTORICAL COST 2016/2017 (ksh.)
Office EQUIPMENT FURNITURE AND FITTINGS	21,399,710	21,399,710

