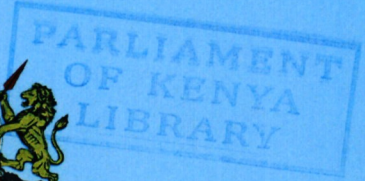


REPUBLIC OF KENYA



Enhancing Accountability



 THE NATIONAL ASSEMBLY	
REPORT 02 MAR 2022	
DAY: WEDNESDAY	
TABLED BY:	MAJORITY WHIP HON. E. WANGWE
CHIEF OF TABLE:	SAMUEL KALAMA.

THE AUDITOR-GENERAL

ON

**INTERGOVERNMENTAL RELATIONS
TECHNICAL COMMITTEE**

**FOR THE YEAR ENDED
30 JUNE, 2020**





IGRTC
INTERGOVERNMENTAL
RELATIONS TECHNICAL
COMMITTEE

Consultation, Cooperation & Coordination in Devolution



INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020**

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

**Intergovernmental Relations Technical Committee
Annual Reports and Financial Statements
For the year ended June 30, 2020**

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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.
- 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.

**Intergovernmental Relations Technical Committee
Annual Reports and Financial Statements
For the year ended June 30, 2020**

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
- 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.

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.

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
Annual Reports and Financial Statements
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a. Full-time members



Mrs. Saadia Kontoma -
Member



Mr. John Burugu, Ag.
Chairman



Mrs. Linet Mavu -
Member



Mrs Angeline Hongo –
Member



Mr. Peter Leley
Chief Executive Officer

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
Annual Reports and Financial Statements
For the year ended June 30, 2020

(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 2019/2020, 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 and devolved functions.** IGRTC in consultation with IBEC and MODP developed framework for the verification and transfer of the assets and liabilities of the defunct local authorities and devolved functions 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 2019/2020 Financial Year, IGRTC approved recurrent budget was Kshs.410,736,000. Under the same period, total expenditure amounted to Kshs 395,600,000 leaving a balance of Kshs 15,136,137. This expenditure represents an absorption rate of 96.3%

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 and devolved functions.

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)

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.

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
Annual Reports and Financial Statements
For the year ended June 30, 2020

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 (2019/2020) ended on June 30, 2020.

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.

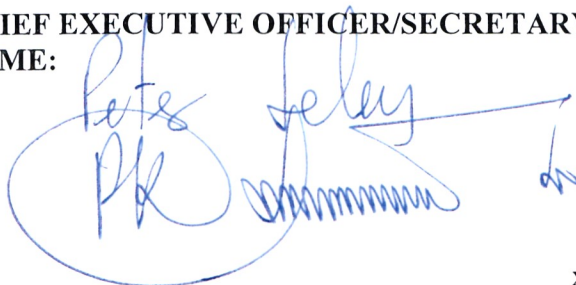
The Accounting Officer in charge of the IGRTC accepts responsibility for the Authority's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). 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, 2020, 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

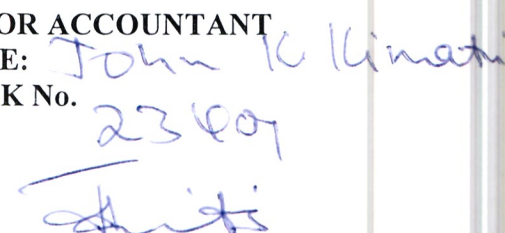
The entity's financial statements were approved and signed by the Accounting Officer on 30/6/2020.

CHIEF EXECUTIVE OFFICER/SECRETARY
NAME:

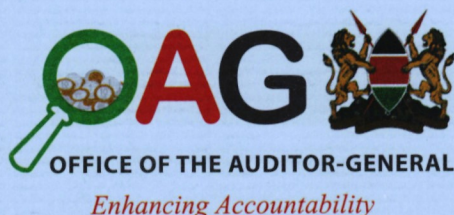


SENIOR ACCOUNTANT
NAME:

ICPAK No.


23407

REPUBLIC OF KENYA



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

REPORT OF THE AUDITOR-GENERAL ON INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Intergovernmental Relations Technical Committee (IGRTC) set out on pages 1 to 16, which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, the statement of changes in net assets, the statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Intergovernmental Relations Technical Committee as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Intergovernmental Relations Act, 2012 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Remuneration to Members of the Committee

The statement of financial performance reflects remuneration to Members of the Committee balance of Kshs.86,646,652 which as disclose in Note 8(b) to the financial statements has not been supported by way of detailed payrolls indicating how much each Member received during the year.

Consequently, the accuracy of the reported remuneration to Members of the Committee amounting to Kshs.86,646,652 for the year ended 30 June, 2020 could not be confirmed.

2. Inaccuracies in the Financial Statements

Annual Report Presentation

Review of the financial statements revealed that the statement of financial performance reflects depreciation expense of Kshs.5,252,400 which as disclosed in Note 9 to the financial statements differs with Note 15 to the financial statements on movements of property plant and equipment which reflects a depreciation charge for the year of Kshs.5,574,414 resulting to an unexplained variance of Kshs.322,014.

Further, the statement of cash flows under cash flows on financing activities reflects proceeds from borrowings (outflows) of Kshs.10,168,997 that differs with the movement in trade payables liabilities of Kshs.10,068,997 resulting to unexplained variance of Kshs.100,000.

Under the circumstances the accuracy of the financial statements for the year ended 30 June, 2020 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. 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.

Responsibilities of Management and the Members of the Committee

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

In preparing the financial statements, Management is responsible for assessing the Committee's ability to continue to sustain services, disclosing, as applicable,

Report of the Auditor-General on Intergovernmental Relations Technical Committee for the year ended 30 June, 2020

matters related to sustainability of service and using the applicable basis of accounting unless Management is aware of the intentions to terminate the Committee or to cease operations.

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

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

The Members of the Committee are responsible for overseeing the Committee financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and

systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non compliance.. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 an assurance on the effectiveness of the Committees' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Committee'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 Committee to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Committee 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

07 February, 2022

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
Annual Reports and Financial Statements
For the year ended June 30, 2020

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2019-2020	2018-2019
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from State Department for Devolution	6	287,600,000	444,920,000
Total revenue		287,600,000	444,920,000
Expenses			
Use of goods and services	7	222,367,972	177,631,475
Employee costs	8	24,173,924	29,380,309
Remuneration of Members and Directors	8b	86,646,652	77,527,465
Depreciation expense	9	5,252,400	4,917,864
Repairs and maintenance	10	14,997,460	18,554,301
Contracted services	11	8,883,076	5,024,730
Gratuity	12	5,908,373	16,383,633
General expenses	13	16,976,179	14,030,242
Total expenses		385,618,051	343,450,019
Net Surplus /deficit for the year		(98,018,051)	101,954,981

The notes set out on pages 1 to 19 form an integral part of these Financial Statements

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
Annual Reports and Financial Statements
For the year ended June 30, 2020

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	2019-2020	2018-2019
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	14	15,361,104	123,136,136
Total Current Assets		15,361,104	123,136,136
Non-current assets			
Property, plant and equipment	15	23,811,236	24,123,251
TOTAL ASSETS		39,172,340	147,259,388
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	16	6,271,039	16,340,036
NET ASSETS		32,901,301	130,719,352
Accumulated surplus/ Deficit		7,960,794	105,978,845
Capital Fund		24,940,507	24,740,507
TOTAL NET assets and liabilities		32,901,301	130,719,352


The Financial Statements set out on pages 1 to 20 were signed on behalf of the Board of Directors by:

Chief Executive Officer/Secretary

Name:

Pete Leley

Date.....

PK 

Senior Accountant

Name

John K. Kinatui

Date

31/3/2021
23401

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
Annual Reports and Financial Statements
For the year ended June 30, 2020

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2020

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
At July 1, 2019	-	-	-	105,978,845	-	24,950,507	130,929,352
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Surplus/deficit for the year	-	-	-	(98,018,051)	-	-	(98,018,051)
Capital/Development grants received during the year	-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid – 2017	-	-	-	-	-	-	-
Interim dividends paid – 2018	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
At June 30, 2020	-	-	-	7,960,794	-	24,950,507	32,911,301
At July 1, 2020	-	-	-	7,960,794	-	24,950,507	32,911,301

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Government grants and subsidies	287,600,000	-	287,600,000	287,600,000	100%
Total income	287,600,000		287,600,000	287,600,000	
Other sources of funds					
Balance from previous year					
Total funds available				123136137	
Expenses				410726137	
Compensation of employees	-	-	112,308,460	110,820,576	
Goods and services	-	-	261,271,540	174,012,274	
Finance cost	-	-		0	
Rent paid	-	-	50,000,000	49,293,146	
Taxation paid	-	-		0	
Other payments	-	-	4,800,000	39,919,267	
Gratuity-Civil servants	-	-	16,540,000	5,908,373	
Total expenditure				379,953,636	
Prior Period commitments paid				10,168,997	
Total expenditure				390,122,633	
Surplus for the period				20,03,504	

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL 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.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *IGRTC's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *IGRTC*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

b) Budget information

The original budget for FY 2019-2020 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the

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respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Ksh 13,100,00 on the 2019-2020 budget following the governing body's approval.

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

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

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

c) Property, plant and equipment

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

d) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

e) Changes in accounting policies and estimates

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

f) Related parties

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

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash

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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.

h) Comparative figures

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

i) Subsequent events

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

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6. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2019-2020
			KShs	KShs	KShs
Ministry/State Department for Devolution	287,600,000	0	0	287,600,000	287,600,000
Total	287,600,000	0	0	287,600,000	287,600,000

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7. USE OF GOODS AND SERVICES

Description	2019-2020	2018-2019
	KShs	KShs
Electricity	953,941.00	1,994,561.00
Communication & postage	4,839,050.00	2,947,495.30
Travel Costs Local	124,782,968.00	72,847,539.00
Travel Costs Foreign	1,586,900.00	277,373.00
Printing and Publicity	8,651,282.00	11,746,690.00
Rent and Rates Expense	49,293,145.00	49,784,537.40
Hire of transport	873,040.00	0
Training expenses	6,239,600.00	3,157,312.00
Meetings and seminars	14,998,046.00	20,275,668.00
Fuel and Oils	10,150,000.00	14,600,000.00
Total good and services	222,367,972.00	177,631,475.30

8. EMPLOYEE COSTS

	2019-2020	2018-2019
	KShs	KShs
Salaries and wages	24,173,924.00	29,380,309.55

8b. REMUNERATION OF DIRECTORS

Description	2019/2020	2018/2019	Kshs
	Kshs		
Full time members and Directors	86,646,665	77,527,465	

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9. DEPRECIATION EXPENSE

Description	2019-2020	2018-2019
	KShs	KShs
Property, plant and equipment	5,252,400	4,917,864
Total depreciation and amortization	5,252,400	4,917,864

10. REPAIRS AND MAINTENANCE

Description	2019-2020	2018-2019
	KShs	KShs
General Repairs & Maintenance- Buildings	12,394,832.00	7,489,500.00
Vehicles	2,602,628.40	11,064,801.00
Total repairs and maintenance	14,997,460.40	18,554,301.00

11. CONTRACTED SERVICES

Description	2019-2020	2018-2019
	KShs	KShs
Medical Insurance	8,883,075.80	1,235,680.50
Contracted Professional Services	0	3,789,050.00
Total contracted services	8,883,075.80	5,024,730.50

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. GRATUITY.

Description	2019-2020	2018-2019
	KShs	KShs
Gratuity – Civil servants	5,908,372.80	16,383,633.
Total grants and subsidies	5,908,372.80	16,383,633

13. GENERAL EXPENSES

Description	2019-2020	2018-2019
	KShs	KShs
Purchase of Uniforms and Clothing - Staff	0	0
General office supplies (paper, Pencils forms)	3,625,073.20	14,030,242.00
Supplies and accessories for computers and Printers	12,761,106.00	0
Sanitary and cleaning materials, supplies	590,000.00	0
Total general expenses	16,976,179.20	14,030,242.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. CASH AND CASH EQUIVALENTS

Description	2019-2020		2018-2019	
	KShs		KShs	
CBK-Current Account number 1000304863		15,361,104		123,136,136
Total cash and cash equivalents		15,361,104		123,136,136

15. PROPERTY, PLANT AND EQUIPMENT

Cost	Motor vehicles	Furniture and fittings	Computers	Total
	Shs	Shs	Shs	Shs
Book Value as at 1 July 2018		20,839,209	6,275,488	27,114,697
Additions for the year 2019		1,936,418	-	1,938,418
Total Assets for Depreciation 2019		22,775,627	6,275,488	29,051,115
Rates	0.250	0.125	0.330	
Charge for the year		2,846,953	2,070,911	4,917,864
Net Book Value as at 30th June 2019		19,033,440	4,204,577	24,133,251
Net Book Value as at 1 st July 2020	-	22,033,440	6,275,488	29,051,115
Additions for the year 2020		5,252,400	-	5,252,400
TOTAL ASSETS FOR DEPRECIATION 2020		28,026,027	6,275,488	34,303,515
RATES		0.125	0.330	
Accumulated depreciation as at 1 July 2019		2,846,953.75	2,070,911.04	4,917,864.415
Charge for the year 2020		3,503,503.38	2,070,911.04	5,574,414.42
NET BOOK VALUE AS AT 30 JUNE 2020		21,677,570.25	2,133,665.92	23,811,236.17

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16. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	KShs	KShs
Trade payables	-	16,340,036
Payments received in advance	-	-
Members Gratuity	5,908,373.00	-
New IGRTC members salary arrears	362,666.00	-
Other payables	-	-
Total trade and other payables	6,271,039.00	16,340,036.00

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized						Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific		
Ministry of Planning and Devolution	22/8/2019	Recurrent	68,625,000	-	-	-	-	-	68,625,000	
Ministry of Planning and Devolution	18/11/2019	Recurrent	68,625,000	-	-	-	-	-	68,625,000	
Ministry of Planning and Devolution	17/01/2020	Recurrent	68,625,000	-	-	-	-	-	68,625,000	
Ministry of Planning and Devolution	18/05/2020	Recurrent	68,625,000	-	-	-	-	-	68,625,000	
Ministry of Planning and Devolution	26/6/2020	Recurrent	13,100,000	-	-	-	-	-	13,100,000	
Total			287,600,000	-	-	-	-	-	287,600,000	