

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 26 APR 2023	DAY: WED
TABLED BY:	Deputy chief whip majority party
CLERK-AT-THE-TABLE:	Christine Ndintu

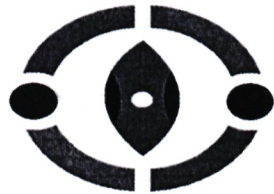
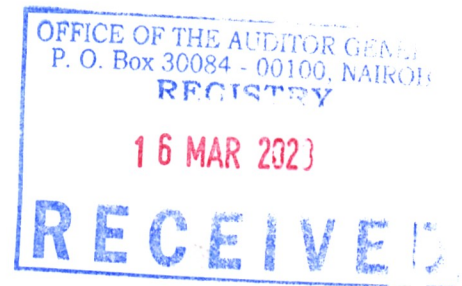
**OF**

**THE AUDITOR-GENERAL**

**ON**

**INTERGOVERNMENTAL RELATIONS  
TECHNICAL COMMITTEE**

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



**IGRTC**  
INTERGOVERNMENTAL  
RELATIONS TECHNICAL  
COMMITTEE

Consultation, Cooperation & Coordination in Devolution

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INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2022**

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**Intergovernmental Relations Technical Committee  
Annual Reports and Financial Statements  
For the year ended June 30, 2022**

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**Intergovernmental Relations Technical Committee  
Annual Reports and Financial Statements  
For the year ended June 30, 2022**

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## **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.

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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 30<sup>th</sup> June 2022 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Accounting Officer	Agnes M Ndwiga
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.

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**1. FULL-TIME COMMITTEE MEMBERS**



Mrs Angeline Hongo-  
Member



Mr Kithinji Kiragu-  
Chairman



Mrs. Linet Mavu -  
Member



Mrs. Wilson Pere -  
Member



Mrs. Saadia Kontoma  
Vice-chairperson



Mrs Alice Mayaka -  
Member



Dr. Perminus Ndimitu  
- Member



Ms Agnes M. Ndwiga-  
Chief Executive Officer



Mr. John Burugu-  
Member

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.

**(a) Entity Headquarters**

Parklands Plaza  
MEZZANINE, 3<sup>TH</sup> & 4<sup>TH</sup> Floor.  
Nairobi, KENYA

**Entity Contacts**

Parklands Plaza  
P.O. Box 44880-00100  
NAIROBI.  
Telephone:  
Landline: 0202101489  
E-mail: [info@igrtc.go.ke](mailto:info@igrtc.go.ke), [igrtc2015@gmail.com](mailto:igrtc2015@gmail.com)  
Website: [www.igrtc.go.ke](http://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

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**2. THE BOARD OF DIRECTORS**

<b>No</b>	<b>Name</b>	<b>2021/2022</b>
1.	Mr. Kithinji Kiragu	Chairperson
2.	Ms. Saadia Kontoma	Member
3.	Mr John Burugu	Member
4.	Mrs. Linet Mavu	Member
5.	Dr. Ndimitu Perminus	Member
6.	Mrs. Alice Mayaka	Member
7.	Mr. Wilson Pere	Member
8.	Mrs. Angelline Hongo	Member
9.	Mr. Peter Musaki (PS Alt)	Member
10.	Mr .John Kimwela	Member
11	Ms Agnes M Ndwiga	CEO/Secretary
<b>Management</b>		
1.	Mr. Agnes Ndwiga	CEO/Secretary
2.		Director
3.		Director

### **3. CHAIRMAN'S STATEMENT**

The Constitution of Kenya (COK, 2010) created a devolved system of government premised on a two-tier structure of government. This system comprises the national government and forty-seven (47) county governments. The structure of devolved system of government involves the transfer of political, economic as well as administrative powers from the national to county governments. It also encompasses equitable sharing of national resources between the two levels of government. Articles 6(2) and 189 of the COK, 2010 provide the basis for relationships between the two levels of government. It outlines the nature of the cooperation between the national and county governments, where it stipulates that either level shall perform its functions, and exercise its powers in a manner that respects the functional and institutional integrity of the government at the other level, and respects the constitutional status and institutions of government at the other level. It also provides for consultation and cooperation between the two levels of government and among county governments as the two levels are distinct but interdependent.

The Intergovernmental Relations Technical Committee (IGRTC) is established under Section 11 of the Intergovernmental Relations Act, 2012 (IGRA, 2012). The functions of the Technical Committee are provided for in Section 12 of the Act and include facilitating the activities and implementing the decisions of the National and County Government Coordinating Summit (The Summit) and the Council of County Governors (COG). As an intergovernmental structure established under an Act of Parliament, IGRTC is tasked with providing fora for consultations and cooperation between the national government and county governments; and amongst county governments, as well as providing a framework for the inclusive consideration of any matter that affects the relations between the two levels of government and amongst county governments.

Throughout the reporting period, the Committee undertook various county visits to ascertain the nature of the disputes and held consultative meetings with the National Land Commission on disputes relating to land.

During the period, IGRTC offered technical support in the review and amendment of policies and laws under devolution.

I hope that you will find the report insightful and adequately informative on the IGRTC continuing work and achievements for the review period. The Committee wishes to thank all stakeholders and partners for their continued support. We look forward to building on the achievements to deliver on our mandate effectively and efficiently in the next financial year.

Chairman of the Committee

Name: **CPA KITHINJI KIRAGU**



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**4. STATEMENT OF IGRTC's PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022**

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

*IGRTC* has several strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2021- 2022. These strategic pillars/ themes/ issues are as follows:

Pillar /theme/issue 1:

Pillar/theme/issue 2:

*IGRTC* develops its annual work plans based on the above pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *IGRTC* achieved its performance targets set for the FY 2021/2022 period for its strategic pillars, as indicated in the diagram below:

<b>Program</b>	<b>Strategic Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Summit and Council of Governors Affairs	To Coordinate and organize Summit meetings and implementation of the resolutions of the Summit and the COG	Summit held & Resolutions Implemented	% of resolutions Implemented	80%
Assets and Liabilities	To carry out Identification, Verification and transfer of Assets & Liabilities relating to devolved Functions	Identification, Verification and transfer of Assets & Liabilities relating to devolved Functions Finalized	No. of reports completed	21
Alternative Dispute Resolution(ADR) Mechanism	To resolve Intergovernmental disputes through Alternative Dispute Resolutions Mechanisms	Intergovernmental/Intra Governmental Disputes Resolved	No. of disputes resolved	9

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Functional Analysis, Costing & Transfer	To facilitate the unbundling of devolved functions	Devolved functions unbundled	No. of functions unbundled	4
Consultation, Cooperation, Coordination, HR and Capacity Development	To operationalize sectoral forums in Energy, Housing, Trade and Tourism	Sectoral Forums	No. of Sectoral Forums Held	4

**5. CORPORATE GOVERNANCE STATEMENT**

We remain committed to the highest standards of corporate governance and business ethics. Good corporate governance practices are essential to the delivery of long term objectives.

We believe that good corporate governance is critical, not only at the corporate level but also at the national level. We require our partners to adhere to the highest level of integrity and business ethics in their dealings with us or with other entities.

In the financial year under review, we continued to achieve high levels of corporate governance by focusing on the following areas:

- Continuing to implement our strategy for the long-term prosperity of the entity.
- Timely and relevant disclosures and financial reporting for a clear understanding of our operations and performance;
- Focus on clearly defined board and management duties and responsibilities;
- Ensuring Committee members competencies through induction for new members and on-going trainings for all members;
- Focusing on compliance with relevant laws and upholding the highest levels of integrity in the organization’s culture and practices.

The IGRTC board is constituted by;

1. A chairperson competitively recruited and appointed by the Summit;
2. Not more than eight members competitively recruited and appointed by the Summit; and
3. The Principal Secretary of the State department for the time being responsible for matters relating to devolution;
4. The CEO/Secretary competitively recruited and appointed by the Technical Committee, with the approval of the Summit who will be an ex-official member without voting rights.

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The members elect one person from amongst their number to be the vice-chairman, to step in to and coordinate a meeting in the absence of the chairman.

The Chairperson, Members of the Board and the Chief Executive Officer are appointed for a non-renewal term of 6 years.

IGRTC's Technical Committee undertakes its Ordinary meetings once every quarter to deliberate matters presented before it by management for policy direction. The Chairperson sets the agenda for the meetings in consultation with the Secretary/CEO and in accordance with the strategic plan, emerging needs and challenges. The Ordinary meetings are held at least once every quarter of the financial year.

The period under review, the Technical Committee met five times as shown in the table below;

Board meetings 2021/2022

No	Name	19.8.21	30.9.21	24.11.21	23.2.22	15.6.22
1.	Mr. Kithinji Kiragu- . Chairperson	✓	✓	✓	✓	✓
2.	Ms. Saadia Kontoma-Member	✓	x	✓	✓	✓
3.	Mr John Burugu- Member	✓	✓	✓	✓	✓
4.	Mrs. Linet Mavu- Member	✓	✓	✓	✓	✓
5.	Dr. Ndimitu Perminus- Member	✓	x	✓	✓	✓
6.	Mrs. Alice Mayaka- Member	✓	✓	✓	✓	✓
7.	Mr. Wilson Pere- Member	✓	✓	✓	✓	✓
8.	Mrs. Angelline Hongo- Member	✓	✓	✓	✓	✓
9.	Mr. Peter Musaki- Member (PS Alt)	x	x	✓	x	x
10.	Ms, Agnes Ndwiga- CEO	✓	✓	✓	✓	✓

IGRTC has a Board Charter 2021 which outlines the conduct of the Board, powers, duties, fiduciary duty, how to carry out meetings among other procedures.

The members of the Board are paid such remuneration, fees, allowances and disbursements for expenses as per the SRC guidelines. The Board undergoes induction every time a new board is in office.

## **6. MANAGEMENT DISCUSSION AND ANALYSIS**

### **IGRTC MAJOR ACHIEVEMENTS FOR THE LAST THREE YEARS**

- i. Three Ordinary sessions of the Summit and three Extra-Ordinary Sessions (Special) of National and County Government co-coordinating summit meetings were held and resolutions implemented.
- ii. Identification and verification of Assets and Liabilities of the Defunct Local Authorities carried out in all the 47 counties and report implemented.
- iii. Assets and liabilities of the devolved functions were completed in twenty-seven (27) counties.
- iv. Establishment and convened intergovernmental sectorial forums in the following:
  - a. Delineation of cooperatives function;
  - b. Betting, licensing, casinos and gaming functions;
  - c. Sharing of revenue from meat inspection functions between national and county governments and agricultural training center houses to the counties;
  - d. Intergovernmental forum on human resource management in Kenya's public service;
  - e. Supported sector forums in health, Trade and Agriculture and;
  - f. Operationalization of the Framework for the Inter-governmental Gender Sector Forum.
- v. Development of the guidelines on Closure and Transfer of Public Records and Information.
- vi. Unbundling and Transfer of functions in Library, Museums, disaster management and Cooperatives.
- vii. Eight (8) Intergovernmental Disputes resolved through Alternative Dispute Resolution mechanism.
- viii. Carried out research and published studies on;
  - Emerging Issues on Devolution and Best Practices in Intergovernmental Relations
  - Finalization of outstanding issues in the Transfer of Functions in the Agriculture sector
  - Emerging issues on Transfer of Functions to National and County Government
  - Cost of Litigation in Inter and Intra-Government Litigation in Kenya
  - Monitoring Evaluation Framework
  - Status of Sectoral and Intergovernmental Forums in Kenya 2018
  - Final Public Participation Report
  - Deepening devolution
  - Intergovernmental relations workshop report

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**FUTURE MAJOR ACTIVITIES**

- i. Coordinate and organize at least 2 Summit meetings and implementation of the resolutions of the Summit and the COG.
- ii. Convene meetings of the county secretaries thirty (30) days preceding every Summit meeting.
- iii. Resolve at least Eight (8) Intergovernmental Disputes cases through Alternative Dispute Resolution mechanism.
- iv. Unbundle and transfer of functions in Regional Development Authorities, Water, Housing and Public works.
- v. Identification, Verification and Validation of Assets and Liabilities of 156 State Corporations and Semi-Autonomous agencies.
- vi. Closure of Public Records and Information of the 175 Defunct Local Authorities
- vii. Finalization of coordination and valuation of Assets of 175 Defunct Local Authorities and the 14 Devolved functions in 47 Counties.
- viii. Valuation of the 47 County Assets of the defunct local Authorities and devolved functions  
County Assets
- ix. Coordinate and facilitate the assumption of office of the new governors and their initial induction.
- x. Carry-out consultative sensitization forums in intergovernmental relations for new County Governments and Parliament (National Assembly and Senate) after the 2022 general elections.

**7. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

IGRTC exists to enhance collaboration between the two levels of government to entrench sharing and devolution of power. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting matters devolution first, delivering relevant services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

**i) Sustainability strategy and profile**

IGRTC has put in place a strategic plan with clear activities and undertakes consultative meetings between the two levels of government and other key

stakeholders in devolution. IGRTC has an adequate institutional capacity with appropriate work environment and human resource development plan.

**ii) Environmental performance**

IGRTC takes action that are in the interests of protecting the natural resources, with particular emphasis on preserving the capability of the environment to support human life. IGRTC has put in place measures that control, prevent and reduce pollution to the environment by ensuring proper handling and disposal of waste

**iii) Employee welfare**

IGRTC is committed to the employee welfare by implementing trust fund welfare to cater for unforeseen circumstances such as staff bereavement. IGRTC undertakes annual assessment on various training need for both members and staff. During the reporting period members and senior officers were trained on corporate governance. At the same time various staff members were able to undertake various courses at the Kenya School of Government. IGRTC also provides equal employment opportunity to all qualified Kenyans and encourages all genders and persons with disability to apply for jobs.

IGRTC implements measures to support gender mainstreaming and youth empowerment through employment. IGRTC also undertakes bi-annual gender mainstreaming reporting to the National Gender and Equality Commission on gender disaggregated data.

**iv) Market place practices-**

IGRTC continues to promote local manufacturers by purchasing goods manufactured locally through the buy and build Kenya initiative.

**a) Responsible Supply chain and supplier relations**

IGRTC maintains good business practices by engaging local Kenyans for the provision of services and purchase of goods. IGRTC treats suppliers responsibly by honouring contracts and making payments on time.

**b) Responsible marketing and advertisement**

IGRTC places its advertisements in the main daily newspapers and on the IGRTC website, while providing equal opportunity to all suppliers and encouraging youth and women and people living with disability to apply for tenders.

## **THE CHIEF EXECUTIVE OFFICER**

It gives me great pleasure to present the 2021/2022, 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 24<sup>th</sup> 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 27<sup>th</sup> March 2013.

To deliver on its mandates, IGRTC required funding. During the 2021/2022 Financial Year, IGRTC approved recurrent budget was Kshs.496,772,032. Under the same period, total expenditure amounted to Kshs 492,275,870. This expenditure represents an absorption rate of 98%

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.

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**KEY ACHIEVEMENTS**

- i. Three Ordinary sessions of the Summit and three Extra-Ordinary Sessions (Special) of National and County Government co-coordinating summit meetings were held and resolutions implemented.
- ii. Identification and verification of Assets and Liabilities of the Defunct Local Authorities carried out in all the 47 counties and report implemented.
- iii. Assets and liabilities of the devolved functions were completed in twenty-seven (27) counties.
- iv. Establishment and convened intergovernmental sectorial forums in the following:
  - g. Delineation of cooperatives function;
  - h. Betting, licensing, casinos and gaming functions;
  - i. Sharing of revenue from meat inspection functions between national and county governments and agricultural training center houses to the counties;
  - j. Intergovernmental forum on human resource management in Kenya's public service;
  - k. Supported sector forums in health, Trade and Agriculture and;
  - l. Operationalization of the Framework for the Inter-governmental Gender Sector Forum.
  - m. Development of the guidelines on Closure and Transfer of Public Records and Information.
  - n. Unbundling and Transfer of functions in Library, Museums, disaster management and Cooperatives.
  - o. Eight (8) Intergovernmental Disputes resolved through Alternative Dispute Resolution mechanism.
- v. Carried out research and published studies on;
  - Emerging Issues on Devolution and Best Practices in Intergovernmental Relations
  - Finalization of outstanding issues in the Transfer of Functions in the Agriculture sector
  - Emerging issues on Transfer of Functions to National and County Government
  - Cost of Litigation in Inter and Intra-Government Litigation in Kenya
  - Monitoring Evaluation Framework
  - Status of Sectoral and Intergovernmental Forums in Kenya 2018
  - Final Public Participation Report

## **8. 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 (2021/2022) ended on June 30, 2022.

This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of 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, 2022, 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 30/9 2022.

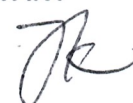
**CHIEF EXECUTIVE OFFICER/SECRETARY**

**NAME: NAME: AGNES NDWIGA**



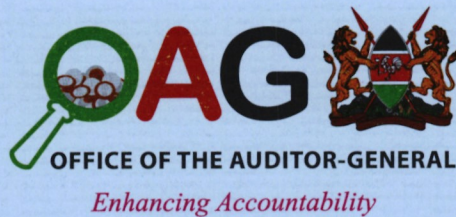
**PRINCIPAL ACCOUNTANT**

**JOHN K. KIMATHI  
ICPAK No. 23401**



# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
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P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Intergovernmental Relations Technical Committee set out on pages 1 to 17, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget

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*Report of the Auditor-General on Intergovernmental Relations Technical Committee for the year ended 30 June, 2022*

and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Intergovernmental Relations Technical Committee as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Intergovernmental Relations Act, 2012.

## **Basis for Qualified Opinion**

### **1. Inaccuracies in the Financial Statements**

#### **1.1 Remuneration of Members and Directors**

The statement of financial performance and as disclosed in Note (8a) to the financial statements reflects remuneration of directors amounting to Kshs.85,418,368. However, review of documents provided reflected an expenditure totaling to Kshs.67,473,538 resulting to an unexplained variance of Kshs.17,944,830.

#### **1.2 Accounts Payables**

IGRTC did not provide for audit fees in the statement of financial position under accounts payables.

#### **1.3 Repairs and Maintenance**

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects repairs and maintenance amounting to Kshs.10,863,943 which includes Kshs.5,103,712 in respect of maintenance of buildings and general repair expenses. However, review of sampled vouchers revealed mis-posting of expenditure of Kshs.1,050,000.

In the circumstances, the accuracy of the financial statements could not be confirmed.

### **2. Unsupported Repairs and Maintenance**

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects repairs and maintenance amounting to Kshs.10,863,943 which includes Kshs.5,760,231 in respect of motor vehicle repair expenses. However, the work tickets were not provided for audit to confirm that the vehicle defects are recorded together with the drivers comments and summary of fuel used in the month.

In the circumstances, the accuracy and completeness of the motor vehicle repair amounts of Kshs.5,760,231 could not be confirmed.

### **3. Unsupported and Undisclosed Property, Plant and Equipment**

The statement of financial position and as disclosed in Note 14 to the financial statements reflect property, plant and equipment balance of Kshs.21,470,264. However, assets with a value of Kshs.1,001,400 were omitted from the financial statements. In addition, Management did not maintain assets register to indicate date of purchase, cost, supplier, location, unique identification number, accumulated depreciation, and net book values of the assets. The assets were also not tagged. Further, the Committee had twenty-two (22) vehicles without ownership documents or logbooks.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.21,470,264 could not be confirmed.

### **4. Unsupported Cash and Cash Equivalent**

The statement of financial position and as disclosed in Note 13 to the financial statement reflects cash and cash equivalents balance of Kshs.13,345,882. However, the bank reconciliation statement in support of the balance was not provided for audit

In the circumstances, the accuracy and fair statement of the cash and cash equivalent balance of Kshs.13,345,882 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.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Irregular Procurement on Repairs and Maintenance**

Review of expenditure records on repairs and maintenance revealed that suppliers were awarded contracts for maintenance services and supply of tyres at the cost of Kshs.2,795,152 and Kshs.1,670,000 respectively. However, the suppliers awarded were not under the prequalified list of suppliers. This is contrary to the provisions of Section 95(3) of the Public Procurement and Asset Disposal Act, 2015 which states that the procuring entity shall invite tenders from only the approved persons who have been pre-qualified.

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

### **2. Effectiveness in Assets Management**

Physical verifications of assets revealed that five (5) motor vehicles have been grounded for a long time due to various mechanical reasons and at different garages and yards. Management has not made any efforts to repair or to seek for approval for disposal of the vehicles. The assets continued to deteriorate and any salvage value that could have been realized may be lost. Further, the Committee had twenty-two (22) vehicles where Fourteen (14) were in use while five were grounded and three awaiting repairs.

In the circumstances there was no value for money on the use of the assets.

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

## **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the 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.

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

## **Auditor-General's Responsibilities for the Audit**

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal 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 controls components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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



CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

14 April, 2023

**Intergovernmental Relations Technical Committee  
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**9. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30  
JUNE 2022**

	Notes	2021-2022	2020-2021
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from State Department for Devolution	5	496,772,032	285,500,000
<b>Total transfers</b>		<b>496,772,032</b>	<b>285,500,000</b>
<b>Expenses</b>			
Use of goods and services	6	323,585,867	141,601,453
Employee costs	7	30,785,914	34,589,780
Remuneration of Members and Directors	8a	85,418,368	80,478,166
Depreciation and amortization expense	8b	4,437,429	5,216,922
Repairs and maintenance	9	10,863,943	7,981,881
Contracted services	10	13,578,068	9,742,706
Gratuity	11	10,695,381	-
General expenses	12	13,106,478	8,274,799
<b>Total expenses</b>		<b>492,471,388</b>	<b>287,885,707</b>
<b>Surplus before tax</b>		<b>4,300,644</b>	<b>(2,385,707)</b>
<b>Surplus/( deficit) for the period/year</b>		<b>4,300,644</b>	<b>(2,385,707)</b>
<b>Net Surplus for the year</b>		<b>4,300,644</b>	<b>(2,385,707)</b>
Attributable to:			
Surplus/Deficit		4,300,644	(2,385,707)
		<b>4,300,644</b>	<b>(2,385,707)</b>

The notes set out on pages 6 to 18 form an integral part of the Financial Statements.

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors

Accounting Officer

Head of Finance

Chairman of the Committee

Name: **Agnes Ndwiga**

Name **John Kimathi**

Name: **CPA Kithinji Kiragu**

Date

Date

Date

**Intergovernmental Relations Technical Committee  
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**11. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

	Notes	2021-2022	2020-2021
		kshs	kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	13,345,882.20	697,296.10
Receivables – Medical Insurance		-	5,663,613.00
<b>Total Current Assets</b>			<b>6,360,909.10</b>
<b>Non-current assets</b>			
Property, plant and equipment	14	21,470,264.00	24,154,593.00
<b>Total assets</b>		<b>34,816,146.00</b>	<b>30,515,502.00</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions		-	-
<b>Net assets</b>		<b>34,816,146.00</b>	<b>30,515,502.00</b>
Accumulated surplus		9,865,639.00	5,564,995.00
Capital Fund		24,950,507.00	24,950,507.00
<b>Total net assets and liabilities</b>		<b>34,816,146.00</b>	<b>30,515,502.00</b>

:

Accounting Officer

Name: **Agnes Ndwiga**

Date

Head of Finance

Name: **John Kimathi**

ICPAK No: **23401**

Date

Chairman of the Committee

Name: **CPA Kithinji Kiragu**

Date

12. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Retained earnings	Development Grants/Fund	Capital/ Grants/Fund	Total
<b>At July 1, 2021</b>	<b>5,564,995</b>	<b>24,950,507</b>	<b>24,950,507</b>	<b>30,515,502</b>
Revaluation gain	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-
Prior year adjustment	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-
Total comprehensive income	-	-	-	-
Capital/Development grants received during the year	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-
Dividends paid – 2017	-	-	-	-
Interim dividends paid – 2018	-	-	-	-
Surplus/deficit	4,300,644	-	-	-
Proposed final dividends	-	-	-	-
<b>At June 30, 2021</b>	<b>9,865,639</b>	<b>24,950,507</b>	<b>24,950,507</b>	<b>34,816,146</b>
<b>At July 1, 2022</b>	<b>9,865,639</b>	<b>24,950,507</b>	<b>24,950,507</b>	<b>34,816,146</b>

Accounting Officer

Name: **Agnes Ndwiga**

Date



Head of Finance

Name: **John Kimathi**

ICPAK No: **23401**

Date



Chairman of the Committee

Name: **CPA Kithinji Kiragu**

Date



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**13. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022**

		2021-2022	2020-2021
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government grants State Department for Devolution	5	496,772,032	285,500,000
<b>Total Receipts</b>		<b>496,772,032</b>	<b>285,500,000</b>
<b>Payments</b>			
Compensation of employees	7,8,8a	116,193,024	115,067,946
Goods and services	6	323,585,867	141,601,453
Other payments		42,591,455	25,999,386
Gratuity		-	-
Receivables (medical insurance)		-	5,663,613
<b>Total Payments</b>		<b>482,370,346</b>	<b>288,332,398</b>
<b>Net cash flows from operating activities</b>		<b>14,401,686</b>	<b>(2,832,398)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		(1,753,100)	
<b>Net cash flows used in investing activities</b>		<b>(1,753,100)</b>	<b>(8,392,678)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings			(6,271,039)
<b>Net cash flows used in financing activities</b>			<b>(14,663,808)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at 1 JULY 2021		697,296.10	15,361,104
<b>Cash and cash equivalents at 30 JUNE 2022</b>		<b>13,345,882.20</b>	<b>697,296.10</b>

Accounting Officer

Name: **Agnes Ndwiga**

Date

Head of Finance

Name: **John Kimathi**

ICPAK No: **23401**

Date

Chairman of the Committee

Name: **CPA Kithinji Kiragu**

Date

**INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE**

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**14. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Government grants and subsidies	496,772,032	-	496,772,032	496,772,032	
<b>Total income</b>	<b>496,772,032</b>		<b>496,772,032</b>	<b>496,772,032</b>	-
Other sources of funds					
Balance from previous year			<b>697,296.10</b>	<b>697,296.10</b>	
<b>Total funds available</b>			<b>497,469,328</b>	<b>497,469,328</b>	
Expenses					
Compensation of employees	-	118,572,476	118,572,472	116,193,024	2,379,448
Goods and services	-	281,729,923	281,729,923	274,172,295	7,557,628
Rent paid	-	50,366,933	50,366,933	49,413,569	953,364
Other payments	-	36,100,000	36,100,000	33,649,177	2,450,823
Gratuity-Civil servants	-	10,700,000	10,700,000	10,695,381	4,619
<b>Total</b>	<b>-</b>	<b>-</b>	<b>497,469,328</b>	<b>484,123,446</b>	<b>13,345,882</b>
<b>Total expenditure</b>	<b>-</b>	<b>-</b>	<b>484,123,446</b>	<b>484,123,446</b>	<b>13,345,882</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE**  
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**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. ADOPTION OF NEW AND REVISED STANDARDS**

**i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2022**

<b>Standard</b>	<b>Impact</b>
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2022</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. There were no sector combinations during the financial year.

**3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)**

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022**

<b>Standard</b>	<b>Effective date and impact:</b>
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2022:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for</li> </ul> <p>There were no financial affected by the application of this standard in the financial year</p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b> The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ol> <p>IGRTC had no social benefit activity.</p>

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2019.

**4 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 2021-2022 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 respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations in the FY2021-2022 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) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

**e) Financial instruments**

*Financial assets*

*Initial recognition and measurement*

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

**f) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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**g) Inventories (Continued)**

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**h) 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.

**i) 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.

**j) Related parties**

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

**k) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**l) Comparative figures**

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

**m) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

**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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**5. 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	2021-2022
			KShs	KShs	KShs
Ministry/State Department for Devolution	496,772,032	0	0	496,772,032	496,772,032
<b>Total</b>	<b>496,772,032</b>	<b>0</b>	<b>0</b>	<b>496,772,032</b>	<b>496,772,032</b>

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**6. USE OF GOODS AND SERVICES**

Description	2021-2022	2020-2021	
	KShs	KShs	
Electricity	884,126	1,446,907.00	
Communication & postage	3,827,679	5,330,931.00	
Travel Costs Local	220,578,559	65,654,734.00	
Travel Costs Foreign	-	-	
Printing and Publicity	16,862,409	4,521,134.00	
Rent and Rates	49,413,569	48,941,360.00	
Hire of transport	2,118,113	191,000.00	
Training expenses	533,200	1,221,255.00	
Meetings and seminars	19,664,712	6,259,332.00	
Fuel and Oils	9,703,500	8,034,800.00	
<b>Total good and services</b>	<b>323,585,867</b>	<b>141,601,453.00</b>	

**7. EMPLOYEE COSTS**

	2021-2022	2020-2021	
	KShs	KShs	
Salaries and wages	30,785,914	34,589,780	

**8a. REMUNERATION OF DIRECTORS**

Description	2021/2022 Kshs	2020/2021 Kshs	
Full time members and Directors	85,407,110	80,478,166	

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**8b. DEPRECIATION EXPENSE**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
Property, plant and equipment	4,437,429.00	5,216,922.00
Intangible assets	0	0
Investment property carried at cost	0	0
<b>Total depreciation and amortization</b>	<b>4,437,429.00</b>	<b>5,216,922.00</b>

**9.REPAIRS AND MAINTENANCE**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
General Repairs & Maintenance- Buildings	5,103,712.00	7,981,881.00
Vehicles	5,760,231.00	0
<b>Total repairs and maintenance</b>	<b>10,863,943.00</b>	<b>5,216,922.00</b>

**10.CONTRACTED SERVICES**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
Medical Insurance	13,570,068.00	8,141,543.00
Contracted Professional Services	8,000.00	1,601,163.00
Property valuations	0	0
<b>Total contracted services</b>	<b>13,578,068.00</b>	<b>9,742,706.00</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**11. GRATUITY.**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>	
	<b>KShs</b>	<b>KShs</b>	
Gratuity – Civil servants	10,695,381	-	
<b>Total grants and subsidies</b>	-	-	

**12. GENERAL EXPENSES**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>	
	<b>KShs</b>	<b>KShs</b>	
Purchase of Uniforms and Clothing - Staff	0	0	
General office supplies (paper, Pencils forms)	13,106,478.00	2,494,800.00	
Supplies and accessories for computers and Printers	-	5,749,999.00	
Sanitary and cleaning materials, supplies	-	30,000.00	
<b>Total general expenses</b>	<b>13,106,478.00</b>	<b>8,274,799.00</b>	

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**13. CASH AND CASH EQUIVALENTS**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>	
	<b>KShs</b>	<b>KShs</b>	
Medical Insurance prepaid	-	5,663,613.00	
CBK-Current Account number 1000304863	13,345,882.20	697,296.10	
<b>Total cash and cash equivalents</b>	<b>13,345,882.20</b>	<b>6,360,909.10</b>	

*(The amount should agree with the closing and opening balances as included in the statement of cash flows)*

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**14. DEPRECIATION SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT 2021/2022**

Cost	Furniture and fittings		Computers		Other assets		Total	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2019	19,033,440.00	4,204,576.96					23,238,017	
Additions	5,252,400.00	0					5,252,400	
Total Assets for Depreciation 2019/2020	24,285,840.60	4,204,576.96					28,490,417	
Rates	0.125	0.330						
Charge for the year	3,035,730	1,387,510					4,423,240	
<b>Net Book Value as at 30<sup>th</sup> June 2020</b>	<b>21,677,570.25</b>	<b>2,133,665.00</b>					<b>23,811,236.57</b>	
Net Book Value as at 1 <sup>st</sup> July 2020	21,677,570.25	2,133,665.92					23,811,236.57	
Additions	155,000	5,405,280.00					5,560,280	
Total Assets for Depreciation 2020/2021	21,832,570.25	7,538,946.00					29,371,516	
Rate	0.125	0.330						
Charge for the year	2,729,071.00	2,487,852.00					5,216,923	
Net Book Value as at 30 <sup>th</sup> June 2021	19,103,499	5,051,094.00					24,154,593	
<b>Net Book Value as at 1<sup>st</sup> July 2021</b>	<b>19,103,499</b>	<b>5,051,094.00</b>					<b>24,154,593</b>	
Additions	-	466,000					2,288,500	
Total Asset for Depreciation	19,103,499	5,517,094.00					25,907,693	
Rate	0.125	0.330					0.10	
Charge for the Year	2,387,938	1,820,641.00					228,850	
<b>Net Book Value as at 30<sup>th</sup> June 2022</b>	<b>16,715,561</b>	<b>3,696,453.00</b>					<b>21,470,264</b>	
<b>Net Book Value as at 1<sup>st</sup> July 2022</b>	<b>16,715,561</b>	<b>3,696,453.00</b>					<b>21,470,264</b>	

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**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Planning and Devolution	2/8/2021	Recurrent	78,175,000	-	-	-	-	-	78,175,000
Ministry of Planning and Devolution	15/10/2021	Recurrent	45,000,000	-	-	-	-	-	45,000,000
Ministry of Planning and Devolution	15/10/2021	Recurrent	78,175,000						78,175,000
Ministry of Planning and Devolution	16/11/2021	Recurrent	135,000,000						135,000,000
Ministry of Planning and Devolution	01/03/2022	Recurrent	78,175,000	-	-	-	-	-	78,175,000
Ministry of Planning and Devolution	30/04/2021	Recurrent	61,413,000	-	-	-	-	-	61,413,000
Ministry of Planning and Devolution	24/06/2022	Recurrent	5,000,000						5,000,000
Ministry of Planning and Devolution	7/07/2022	Recurrent	15,834,032						15,834,032
<b>Total</b>			<b>496,772,032</b>	-	-	-	-	-	<b>496,772,032</b>

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