



Enhancing Accountability

THE NATIONAL ASSEMBLY

DATE: 10 NOV 2022 *Thursday* **REPORT**

TABLED

BY:

COORDINATOR

PREPARE

*Hon Kimani Ichungwa, MP
leader of majority*

Samuel Akalanda **OF**

THE AUDITOR-GENERAL

ON

**INTERGOVERNMENTAL RELATIONS
TECHNICAL COMMITTEE**

**FOR THE YEAR ENDED
30 JUNE, 2021**



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, 2021**

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, 2021**

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1. 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 30th June 2021 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.

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2. FULL-TIME COMMITTEE MEMBERS



Mrs. Saadia Kontoma -
Member



Mr. John Burugu, Ag.
Chairman



Mrs. Linet Mavu -
Member



Mrs Angeline Hongo -
Member



Mrs Aice Mayaka -
Member



Mrs. Wilson Pere -
Member



Mr. Peter Leley
Chief Executive Officer



Hon. Alfred Khangati -
Member



Dr. Perminus Ndimitu
- 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, 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

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3. THE BOARD OF DIRECTORS

No	Name	2020/2021
1.	Mr. John Burugu	Ag. Chairperson
2.	Ms. Saadia Kontoma	Member
3.	Hon. Alfred Khangati	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. Patrick Karanja (PS Alt)	Member
1.	Mr. Peter Leley	CEO/Secretary
Management		
2.	Mr. Peter Leley	CEO/Secretary
3.	Ms. Agnes Ndwiga	Director
4.	Ms. Caroline Lentupuru	Director

4. 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.

5. STATEMENT OF IGRTC's PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

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 *X* strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2020- FY 2021. 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 2020/2021 period for its *xx* strategic pillars, as indicated in the diagram below:

Program	Strategic Objective	Outcome	Indicator	Performance
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	Intergovernmental/Intra Governmental Disputes Resolved	No. of disputes resolved	9

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	Resolutions Mechanisms			
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

6. 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;

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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.

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 2020/2021

No	Name	19.8.20	30.9.20	24.11.20	23.2.21	15.6.21
1.	Mr. John Burugu- Ag. Chairperson	✓	✓	✓	✓	✓
2.	Ms. Saadia Kontoma-Member	✓	x	✓	✓	✓
3.	Hon. Alfred Khangati- 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. Patrick Karanja- Member (PS Al	x	x	✓	x	X
10.	Mr, Peter Leley- 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.

7. 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

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.

8. 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.

9. THE CHIEF EXECUTIVE OFFICER

It gives me great pleasure to present the 2020/2021, 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 2020/2021 Financial Year, IGRTC approved recurrent budget was Kshs.300,861,104. Under the same period, total expenditure amounted to Kshs 300,163,717 leaving a balance of Kshs 697,296. This expenditure represents an absorption rate of 99%

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

- 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

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 (2020/2021) ended on June 30, 2021.

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, 2021, 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 2021.

**CHIEF EXECUTIVE OFFICER/SECRETARY
NAME: NAME:**



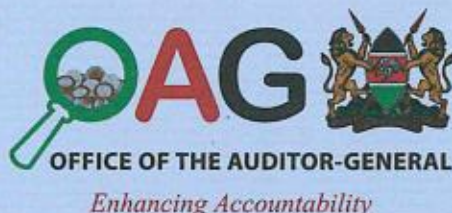
PRINCIPAL ACCOUNTANT

ICPAK No.

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23007


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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE FOR THE YEAR ENDED 30 JUNE, 2021

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 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 18, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance,

Report of the Auditor-General on Intergovernmental Relations Technical Committee for the year ended 30 June, 2021

statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual amounts, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I 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 the Intergovernmental Relations Technical Committee as at 30 June, 2021, 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 Intergovernmental Relations Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Overpayment of Rent

The statement of financial performance and as disclosed in Note 7 to the financial statements reflects an amount of Kshs.141,601 453 relating to use of goods and services which further includes an amount of Kshs.48,941,360 for rent and rates. However, examination of invoices raised by the Landlord revealed that the rent was exclusive of Value Added Tax (VAT) contrary to the lease agreement. This resulted to Management overpaying the Landlord by an amount of Kshs.6,383,655 in the financial year 2020/2021 and Kshs.34,046,164 for the period the lease has been in force. No explanation was provided for the additional cost over and above the amount in the lease agreement. In addition, examination of payment vouchers for rent revealed that the Management made payments of Kshs.2,520,000 to the Landlord relating to parking fees for the financial year 2020/2021 and a total amount of Kshs.12,600,000 for the period the lease has been in force. However, the lease agreement has no provision for parking fees and the rates to be applied thereof. The Management did not provide any explanation for this discrepancy.

In the circumstances, the accuracy and propriety of the expenditure of Kshs.8,903,655 comprising of Kshs.6,383,655 for VAT and Kshs.2,520,000 for parking fees could not be confirmed.

2. Lack of Fixed Assets Register

The statement of financial position and as disclosed in Note 15 to the financial statements reflects net book value of Kshs.24,154,593 in respect to property, plant and equipment. However, the Management did not maintain an assets register contrary to Regulation 143 of the Public Finance Management (National Government) Regulations, 2015 which provides that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. Further, the assets were not tagged as required which makes it difficult to trace the assets of the Committee and it was not possible to confirm the existence of those assets.

In the circumstances, it could not be confirmed that the assets of the Committee had been properly safeguarded and that the reported property, plant and equipment balance was fairly stated.

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

Prior Year Audit Matters

In the audit report of the previous year, a number of issues were raised under the Report on Financial Statements. However, Management has not resolved the issues or disclosed all the prior year matters as provided by the Public Sector Accounting Standards Board financial reporting template.

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 Purchase of ICT Equipment

The statement of financial position and as disclosed in Note 15 to the financial statements, reflects property, plant and equipment balance of Kshs.24,154,593 which further includes Kshs.5,405,280 in respect of purchase of computers. However, Management did not provide documentary evidence on why the supply was not authorized by ICT Ministry contrary to Circular Ref. No. OP/CAB.39/1A of 1 March, 2018, which directed that all ICT equipment be centralized under the Ministry of ICT to ensure economies of scale in procurement and optimization of the use of shared services strategy.

In the circumstances, Management was in breach of the Presidential Procurement Directives on ICT equipment.

2. Medical Insurance

The statement of financial performance and Note 11 to the financial statements reflects contracted services amount of Kshs.9,742,706 which further includes an amount of Kshs.8,141,543 relating to medical insurance. The audit revealed that the Committee extended the contract for the insurer on 18 December, 2020. Professional opinion for extension of medical cover stipulates that the medical service provider will be required to furnish the Committee with bank guarantee, insurance guarantee approved by the Authority, letter of credit, within twenty-one days of extension of contract which is equivalent to 10% of the awarded contract sum of Kshs.11,327,226. However, no evidence was provided to show that the service provider complied with the performance security guarantee in line with the contract terms. This is contrary to Section 142(1) of the Public Procurement and Asset Disposal Act, 2015 which provides that subject to the regulations, a successful tenderer shall submit a performance security equivalent to not more than ten per cent of the contract amount before signing of the contract.

In the circumstances, the propriety of Kshs.8,141,543 incurred on medical insurance could not be confirmed.

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 the Board of Directors

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 governance.

In preparing the financial statements, Management is responsible for assessing the Committee's ability to sustain 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.

The Board of Directors is 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 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.
- 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 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 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

22 July, 2022

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
Annual Reports and Financial Statements
For the year ended June 30, 2021

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2021

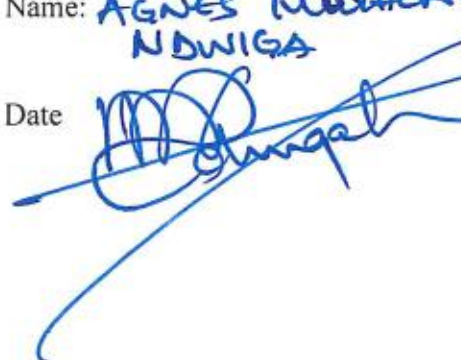
	Notes	2020-2021	2019-2020
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from State Department for Devolution	6	285,500,000	287,600,000
Total transfers		285,500,000	287,600,000
Expenses			
Use of goods and services	7	141,601,453	222,367,972
Employee costs	8	34,589,780	24,173,924
Remuneration of Members and Directors	8b	80,478,166	86,646,652
Depreciation and amortization expense	9	5,216,922	5,252,400
Repairs and maintenance	10	7,981,881	14,997,460
Contracted services	11	9,742,706	8,883,076
Gratuity	12	-	5,908,373
General expenses	13	8,274,799	16,976,179
Total expenses		287,885,707	385,206,036
Surplus before tax		(2,385,707)	(97,606,036)
Surplus/(deficit) for the period/year		(2,385,707)	(97,606,036)
Net Surplus for the year		(2,385,707)	(97,606,036)
Attributable to:			
Deficit		(2,385,707)	(97,606,036)
		(2,385,707)	(97,606,036)

The notes set out on pages 6 to 18

Accounting Officer

Name: **AGNES MATHONI NDWIGA**

Date



Head of Finance

Name: **John K. Kimani**
 ICPAK Member Number: **23401**

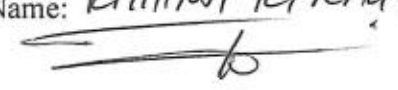
Date



Chairman of the Committee

Name: **KITHIWI KIRAGY**

Date



INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	2020-2021	2019-2020
		kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	14	697,296.10	15,361,104
Receivables – Medical Insurance	14	5,663,613.00	
Total Current Assets		6,360,909.10	15,361,104
Non-current assets			
Property, plant and equipment	15	24,154,593.00	23,811,236
Total assets		30,515,502.00	39,172,340
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	16	-	6,271,039
Net assets		30,515,502.00	32,901,301
Accumulated surplus		5,564,995	7,960,794
Capital Fund		24,950,507	24,940,507
Total net assets and liabilities		30,515,502.00	32,901,301

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

Accounting Officer

Name: **AGNES MUTHONI
NBWIGA**

Date



Head of Finance

Name: **John K. Kinethi**
ICPAK Member Number:

Date

23/06/21


Chairman of the Committee

Name: **KITHANI KIRAGU**

Date



INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE

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For the year ended June 30, 2021

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2021**

	Retained earnings	Development Grants/Fund	Capital/ Grants/Fund	Total
At July 1, 2020	7,960,794	24,950,507	32,911,301	
Revaluation gain	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-
Prior year adjustment	(10,092)		(10,092)	
Deferred tax on excess depreciation	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-
Total comprehensive income	-	-	-	-
Capital/Development grants received during the year	-	-	5,560,280	
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-
Dividends paid – 2017	-	-	-	-
Interim dividends paid – 2018	-	-	-	-
Surplus/deficit	(2,385,707)		(2,385,707)	
Proposed final dividends	-	-	-	-
At June 30, 2021				
At July 1, 2021	5,564,995	24,950,507	30,515,502	

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

		2020-2021	2019-2020
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government grants State Department for Devolution	6	285,500,000	287,600,000
Total Receipts		285,500,000	287,600,000
Payments			
Compensation of employees	8a,8b	115,067,946	110,820,576
Goods and services	7	141,601,453	222,367,972
Other payments	10,11,13	25,999,386	40,856,715
Gratuity		-	5,908,373
Receivables (medical insurance)	14	5,663,613	-
Total Payments		288,332,398	379,953,636
Net cash flows from operating activities		(2,832,398)	(92,353,636)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets ¹⁵		(5,560,280)	(5,252,400)
Net cash flows used in investing activities	9	(8,392,678)	(97,606,036)
Cash flows from financing activities			
Proceeds from borrowings	16	(6,271,039)	(10,168,997)
Net cash flows used in financing activities		(14,663,808)	(10,168,997)
Net increase/(decrease) in cash and cash equivalents			
		(14,663,808)	(107,775,033)
Cash and cash equivalents at 1 JULY 2019	14	15,361,104	123,136,137
Cash and cash equivalents at 30 JUNE 2020		697,296.10	15,361,104

Accounting Officer

Head of Finance

Chairman of the Committee

Name: **AGNES MUTHOMBI**

Name: **JOHN K. KIMANI**

Name: **KITHANI KIRAGU**

Date

Date

Date

ICPAK Member Number: **23001**

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE

Annual Reports and Financial Statements

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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2021**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Government grants and subsidies	285,500,000	-	285,500,000	285,500,000	100%
Total income	285,500,000		285,500,000	285,500,000	
Other sources of funds					
Balance from previous year			15,361,104	15,361,104	
Total funds available			300,861,104	300,861,104	
Expenses					
Compensation of employees	-	115,451,460	115,451,460	115,430,612	99.9%
Goods and services	-	92,988,644	84,978,644	84,625,291	
Rent paid	-	48,950,000	48,950,000	48,941,361	
Other payments	-	45,571,000	45,571,000	45,258,080	
Gratuity-Civil servants	-	5,910,000	5,910,000	5,908,373	
Total	-	-	300,861,104	300,163,717	
Total expenditure				300,163,717	
Surplus for the period	-	-		697,387	

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 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2022 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 2019

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: 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"> • 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; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • 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 <p>There were no financial affected by the application of this standard in the financial year</p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022 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"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <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 2020-2021 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 of Ksh 13,100,00 on the 2020-2021 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

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, 2021.

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

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE
Annual Reports and Financial Statements
For the year ended June 30, 2021

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	2020-2021
			KShs	KShs	KShs
Ministry/State Department for Devolution	285,500,000	0	0	285,500,000	285,500,000
Total	285,500,000	0	0	285,500,000	285,500,000

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7. USE OF GOODS AND SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Electricity	1,446,907.00	953,941.00
Communication & postage	5,330,931.00	4,839,050.00
Travel Costs Local	65,654,734.00	124,782,968.00
Travel Costs Foreign	-	1,586,900.00
Printing and Publicity	4,521,134.00	8,651,282.00
Rent and Rates	48,941,360.00	49,293,145.00
Hire of transport	191,000.00	873,040.00
Training expenses	1,221,255.00	6,239,600.00
Meetings and seminars	6,259,332.00	14,998,046.00
Fuel and Oils	8,034,800.00	10,150,000.00
Total good and services	141,601,453.00	222,367,972.00

8. EMPLOYEE COSTS

	2020-2021	2019-2020
	KShs	KShs
Salaries and wages	34,589,780	24,173,924.00

8b. REMUNERATION OF DIRECTORS

Description	2020/2021	2019/2020
	Kshs	Kshs
Full time members and Directors	80,478,166	86,646,665

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9. DEPRECIATION EXPENSE

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment	5,216,922.00	5,252,400
Intangible assets	0	0
Investment property carried at cost	0	0
Total depreciation and amortization	5,216,922.00	5,252,400

10. REPAIRS AND MAINTENANCE

Description	2020-2021	2019-2020
	KShs	KShs
General Repairs & Maintenance- Buildings	4,699,529.00	12,394,832.00
Vehicles	3,282,352.00	2,602,628.00
Total repairs and maintenance	7,981,881.00	14,997,460.00

11. CONTRACTED SERVICES

Description	2020-2021	2019-2020
	KShs	KShs
Medical Insurance	8,141,543.00	8,883,075.80
Contracted Professional Services	1,601,163.00	0
Property valuations	0	0
Total contracted services	9,742,706.00	8,883,075.80

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12. GRATUITY.

Description	2020-2021	2019-2020
	KShs	KShs
Gratuity – Civil servants	-	5,908,372.80.
Total grants and subsidies	-	5,908,372.80

13. GENERAL EXPENSES

Description	2020-2021	2019-2020
	KShs	KShs
Purchase of Uniforms and Clothing - Staff	0	0
General office supplies (paper, Pencils forms)	2,494,800.00	3,625,073.20
Supplies and accessories for computers and Printers	5,749,999.00	12,761,106.00
Sanitary and cleaning materials, supplies	30,000.00	590,000.00
Total general expenses	8,274,799.00	16,976,179.20

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. CASH AND CASH EQUIVALENTS

Description	2020-2021	2019-2020
	KShs	KShs
Medical Insurance prepaid	5,663,613.00	-
CBK-Current Account number 1000304863	697,296.10	15,361,104
Total cash and cash equivalents	6,360,909.10	15,361,104

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. DEPRECIATION SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT 2020/2021

Cost	Furniture and fittings		Computers		Total	
	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	
Net Book Value as at 30 th June 2020	21,677,570.25		2,133,665.00		23,811,236.57	
Net Book Value as at 1 st 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 th June 2021	19,103,499		5,051,094.00		24,154,593	
Net Book Value as at 1 st July 2021	19,103,499		5,051,094.00		24,154,593	

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16. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2020-2021		2019-2020	
	KShs		KShs	
Trade payables				
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	

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	20/8/2020	Recurrent	66,925,000	-	-	-	-	-	66,925,000
Ministry of Planning and Devolution	30/10/2020	Recurrent	66,925,000	-	-	-	-	-	66,925,000
Ministry of Planning and Devolution	28/01/2021	Recurrent	66,925,000	-	-	-	-	-	66,925,000
Ministry of Planning and Devolution	30/04/2021	Recurrent	84,725,000	-	-	-	-	-	84,725,000
Total			285,500,000	-	-	-	-	-	285,500,000