

REPORT

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 08 MAR 2023	DAY:
TABLED BY:	Hon. Owen Baya, CBS, MP Deputy Majority Leader
CLERK-AT THE TABLE:	Christine Ndindyu

THE AUDITOR-GENERAL

ON

COUNCIL OF GOVERNORS

FOR THE YEAR ENDED
30 JUNE, 2021



COUNCIL OF GOVERNORS

COUNCIL OF GOVERNORS

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30 JUNE 2021

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

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Council of Governors was established under section 19 of the Intergovernmental Relations Act (2012) with the mandate to provide a mechanism for consultation amongst county governments, share information on performance of the counties in execution of their functions, facilitate capacity building for governors and consider reports from other intergovernmental forums on national and county interests amongst other functions. The Council of Governors has a governing body as provided for under Section 19 of the Intergovernmental Act consisting of the Chairman, Deputy Chairman, co-opted the position of whip and Eighteen Committees.

(b) Principal Activities

The Council provides a forum for;

- i) Consultation amongst County Governments;
- ii) Sharing of information on the performance of the counties in the execution of their functions with the objective of learning and promotion of best practices and where necessary, initiating preventive or corrective action;
- iii) Considering matters of common interest to County Governments;
- iv) Dispute resolution between counties within the framework provided under this Act;
- v) Facilitating capacity building for governors;
- vi) Receiving reports and monitoring the implementation of inter-county agreements on inter-county projects; 12. Council of Governors Strategic Plan 2017-2022 13. Council of Governors Strategic Plan 2017-2022
- vii) Consideration of matters referred to the Council by members of the public;
- viii) Consideration of reports from other intergovernmental forums on matters affecting National and County interests or relating to the performance of counties; and
- ix) Performing any other function as may be conferred on it by this Act or any other Legislation or that it may consider necessary or appropriate.

(c) Key Management

The entity's day-to-day management is under the Accounting Officer who is the Chief Executive Officer.

(d) Fiduciary Management

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

The key management personnel who held office during the financial year ended 30 June 2021 and who had direct fiduciary responsibility were:

No.	Name	Qualifications	Designation
1.	Mary Mwiti	Msc. Human Resource Management BA, HRM	Chief Executive Officer
2.	Irine Ogamba	Master of Laws, Bachelors of Law	Director Legal Services
3.	Kizito Wangalwa	Executive MBA MBA, Bachelor of Arts, Economics	Director Committees
4.	Rosemary Njaramba	Masters in International Relations, Bachelors of Law	Manager, Planning, Monitoring & Knowledge Management
5.	Caroline Odandi	MBA, Human Resource Management, BA – Sociology and Business Studies, CHRP	Principal Human Resource & Development Officer
6.	James Kamau	Msc. Procurement and Logistics, Bsc. Purchasing and Supplies Management	Principal Supply Chain management Officer
7.	Joyce Chepkoech	Master's in Business Administration, Bachelor of Commerce (Finance & Banking), CPA (K)	Principal Finance & Accounts Officer

(e) Fiduciary Oversight Arrangements

Audit committee

During the period under review, the Committee comprised of the following members;

- i. Ms. Catherine Omasete
- ii. Mr. Peter Saigilu
- iii. Ms. Tabitha Mwangi
- iv. Mr. Daniel Rucha
- v. Mr. Patrick Owiti

Their terms of reference include;

1) Financial Statements:

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Review the Council's interim and annual financial statements.

2) Variances:

Obtain explanations from management for significant variances between comparative reporting periods and question management regarding any significant financial reporting issues raised during the fiscal period and the method of resolution.

3) Internal Controls:

Inquire as to the adequacy of the organisation's system of internal controls and review periodic reports from management regarding internal controls, which should include an assessment of risk with respect to financial reporting.

4) Auditor:

Non-audit Services: Approve all audit and non-audit services to be provided to the Council by the independent auditor. The Chair of the Committee may pre-approve such services on behalf of the Committee provided that such approvals are presented at the Committee meeting following such pre-approval. In order to obtain pre-approval, management should detail the work to be performed by the independent auditor and obtain the assurance from the independent auditor that the proposed work will not impair their independence.

(f) Entity Headquarters

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

(g) Entity Contacts

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

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(h) Entity Bankers

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

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

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

Housing Finance Corporation
P.O. Box 73340-00200
Gill House Branch
Nairobi, Kenya.

(i) Independent Auditor




Auditor-General
Anniversary Towers, University Way
P.O. Box 30084-00100
Nairobi, Kenya

(j) Principal Legal Adviser




Director Legal Services
Council of Governors
West lands, Delta Corner
P.O. Box 40401-00100
Nairobi, Kenya

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EXECUTIVE COUNCIL OF GOVERNORS MEMBERS

 <p>H.E Hon. Martin Wambora, EGH</p>	<p>Chairman Council of Governors, Governor Embu County</p>
 <p>H.E James Ongwae, EGH, CBS, EBS</p>	<p>Vice Chairman Council of Governors, Governor, Kisii County.</p>
 <p>H.E Alex Tolgos, EGH</p>	<p>Whip Council of Governors, Governor, Elgeyo Marakwet County.</p>

MANAGEMENT TEAM

	<p>The Chief Executive Officer (CEO) is responsible for the day-to-day management of the Council of Governors affairs in accordance with the law, implementation of Council's resolutions and promotion of the public sector values.</p>
	<p>The Director, Legal Services provides leadership on legal matters concerning the Council. These include legal compliance, review of policy and legislation and representing the Council in court.</p>
	<p>The Director, Committees provides leadership in coordinating implementation of the CoG Committees and programmes as per the terms of reference of the Committees and the Annual Work Plans drawn from the CoG strategic plan.</p>

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 <p>Rosemary Njaramba Head of Planning & Strategy</p>	<p>The Head of planning and strategy provides guidance on the development of the corporate strategy and in the processes of its implementation, monitoring and learning. She also manages the Maarifa Centre.</p>
 <p>Joyce Chepkoech Head of Finance & Accounts</p>	<p>Prepare Annual financial statements, Quarterly and monthly Financial Positions and Management Accounts to the Management and the Council alongside with analysis, interpretations and suggestions for decision-making.</p>
 <p>Caroline Odandi Head of Human Resource</p>	<p>The Head of Human Resource oversees all aspects of human resource planning, organizing and management in line with industrial relations policies, practices and operations for the Council.</p>
 <p>James Kamau Head of Procurement</p>	<p>The Head of Procurement oversee procurement system and data strategy of the Council and ensure the institution achieve value for money</p>

CHAIRMAN STATEMENT



This report has been prepared in compliance with statutory obligations of the Intergovernmental Relations (IGRA) Act 2012, which establishes the Council of Governors. The mandate of the Council of Governors is anchored in section 20 of the Act. Having had eight years of Devolutions, I would like to congratulate my peers for their continuous efforts in driving the agenda of devolution forward and relentlessly fighting to ensure devolution to work. In the period under review, we have achieved a number of successes in the various devolved functions. However, we are cognizant of the fact that the COVID-19 pandemic has brought a lot of challenges that have hampered the implementation of County Governments' planned projects and programmes in the financial year 2020/2021.

The Council has continued to achieve its mandate despite the challenges. Among the key achievements of the year 2020-2021 are;

- ❖ Institutionalization of Knowledge Management (KM) is pivotal for all County Departments and entities since it can contribute towards efficient use of resources, improved performance, and sustained productivity.
- ❖ County Governments have nominated Knowledge Management focal point persons who work collaboratively with the COG Maarifa Centre team to document County initiatives, experience, and transformative innovations.
- ❖ Sharing these knowledge assets through the Maarifa Centre has given Counties and other devolution stakeholders an online platform to learn from their peers and replicate some of the lessons.
- ❖ Further, the Council has developed a Handbook to assist County Governments in setting up structures, processes, and systems to capture and share consistent and organized County knowledge assets.
- ❖ The Handbook development was informed by a survey conducted to assess the Knowledge Management capability of County Governments.
- ❖ In collaboration with the County Governments, CoG Maarifa Centre, in the last year, has documented and uploaded 26 County Initiatives, experiences, and stories in response to and management of COVID-19 pandemic and other related issues, from the previous 11 stories shared in the last year.
- ❖ In this era of the pandemic, County Governments were the largest providers of public healthcare services in the country, and it was inevitable that they needed to remodel their projects and programmes to cope with the COVID-19 crisis, which called for a transformational and sustainable way of working.

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- ❖ The CoG Maarifa Centre also facilitated a webinar under the sub-theme, *"Enlivening and integrating indigenous knowledge in climate action at the subnational level in the wake of the COVID-19 pandemic"*.
- ❖ The webinar's objective was to brainstorm sustainable solutions drawn from indigenous knowledge to address climate change in the COVID-19 period as a build-up to the Devolution Conference to be held from 23rd to 26th August 2021.
- ❖ You can access the information through the Maarifa online platform (<https://maarifa.cog.go.ke/home/>).
- ❖ The Council further through engagements at the Summit level approved the Intergovernmental Alternative Dispute Resolution Regulations that will assist in resolution of intergovernmental disputes.
- ❖ The Council of Governors has developed a report on the status of localization of SDGs, highlighting the progress made in SDGs implementation and best practices in County Governments.

I would like to observe that the progress that Counties have registered in the year under review is attributed to; a stable political environment, increased engagement, consultation and collaboration between the two levels of government as envisaged under Article 6 of the Constitution.

On behalf of the 47 County Governments, I want to thank our International Development Partners, Local Non-Governmental Organizations, Civil Society Organizations, the media, and the citizens for their continued commitment to supporting County Government functions.

Your continuous engagement, expertise, and experience, and the fruitful, constructive, and open exchanges during the previous year have played a significant role in helping the County Governments achieve the successes.



Signed
Chairman, Council of Governors
H.E Hon. Martin Wambora, EGH

REPORT OF THE AG. CHIEF EXECUTIVE OFFICER



The Council of Governors (CoG) continues to grow in an effort to fulfil its constitutional mandate for over the last six (8) years with institutional structures and enhanced capacity to carry out its mandate. The period under review (July 2020-June 2021) has been both challenging as well as productive for the Council of Governors.

The Financial Report provides an overview of the Financial Year 2020/2021 and also sets out key activities undertaken by the Council during the year of implementation. The progress report here is therefore, a culmination of efforts of many individuals and stakeholders who provided their expertise and capacity and support to the work of the Council of Governors.

During the year of reporting 2019/2020, the Council successfully played a role in promoting intergovernmental relations by establishing beneficial and strategic linkages between County Governments and National Government, Ministries, departments and agencies, and the private sector including civil society. Further, the Council managed to regularly bring together Governors to discuss issues of mutual interest and find consensus on the same. Through the committees, the Council has been able to share best practises, promote cohesiveness amongst County Governments and address key service delivery concerns.

Some of the key achievements during the year include;

- a) County Governments signed performance contracts based on the performance contracting guidelines developed.
- b) Peer learning events held with County governments adopting good practices in various sectors including performance management, financial reporting, Geographical Information System and COVID 19 Management.
- c) Ordinary Council of Governors meetings held, consultative meetings with the County Executive Committee Members held for the following sectors, Finance and Economic Planning, Lands and Urban Development, Agriculture, Health, Environment and Natural Resource Management, Trade and Cooperatives, Tourism and Energy.

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- d) 5 Best practices documented and shared through the Maarifa Centre including Grievance Redress Mechanisms in Nandi, Climate Change Financing in Makueni, and COVID 19 Response in Kisumu among others Further details can be obtained from <https://maarifa.cog.go.ke/experiences-innovations/>

The Council of Governors is committed to ensuring that it continues to undertake its mandate. The Council appreciates the support from all counties in ensuring the Council is functional and able to provide the much needed support to fulfill its legal mandate as elaborated in Section 20 of the Intergovernmental Relations Act.



Mary Mwangi
Ag. Chief Executive Officer

1. STATEMENT OF COUNCIL OF GOVERNORS 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.

Council of Governors has 5 strategic Key Performance Areas within the current Strategic Plan for the FY 2017- FY 2022. These strategic Key Performance Areas are as follows:

1. Good governance
2. Adequate resourcing for devolved functions
3. Build a strong Council of Governors
4. Knowledge Driven Performance
5. Strengthen Intergovernmental relations and Devolution

The Council of Governors develops its annual work plans based on the above five Key Focus Areas. Assessment of the Council's performance against its annual work plan is done on a quarterly basis. The Council achieved its performance targets set for the FY 2020/2021 period for its Key Focus areas, as indicated in the diagram below:

Key Focus Area	Objective	Key Performance Indicators	Activities	Achievements
Good Governance	<ul style="list-style-type: none"> ✓ Facilitate Counties to implement performance management framework. ✓ Support Counties to adopt and domesticate national indicators related to devolved functions 	<ul style="list-style-type: none"> -No of Counties of performance contracting -Reviewed performance contracting guideline 	<ul style="list-style-type: none"> Sensitize County officers on Performance management -Review of performance contracting guidelines 	<ul style="list-style-type: none"> -97 County officers Implementations of reviewed performance contracting in Counties
Adequate resourcing for	<ul style="list-style-type: none"> ✓ Foster cooperation 	Increased County allocation of	Developed the position paper on	An increase of Ksh.53.5Billion

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devolved functions	between the National and County Governments on matters relating to budgeting, economic and financial management of both levels of government	equitable share from Kshs 316.5 billion in FY 2020/2021 to Kshs 370 billion in FY 2021/2022.	Budget Policy Statement and Division of Revenue 2021/2022	allocation to County governments
Build Strong Council of Governors	<ul style="list-style-type: none"> ✓ Strengthen COG Committees. ✓ Position COG in regional and international organizations for Sub-National governments 	Resource mobilization strategy	Strengthen the organizational structure and identity, resource mobilization for the CoG Technical Team, re-engineer systems, processes, and technology, and improve public relations and communication.	Increased resource support to the Council of Governors through donor support.
Knowledge Driven Performance	<ul style="list-style-type: none"> ✓ Facilitate Research & knowledge generation. ✓ Develop and operationalize CoG KM strategy. ✓ Facilitate peer learning on devolved functions 	<ul style="list-style-type: none"> -Knowledge capturing handbook -Maarifa Centre Platform 	<ul style="list-style-type: none"> -Develop a knowledge capturing handbook -Operationalize Maarifa Centre 	<ul style="list-style-type: none"> -Handbook on knowledge capturing developed and disseminated -Peer learning forums on climate change and spatial thinking in Counties, sustainable Land Management, and Physical and Land Use

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				Planning Guidelines held.
Strengthen Intergovernmental Relations and Devolution	<p>✓ Support the implementation Article 189 of the Constitution and operationalization of all intergovernmental forums under all Acts.</p> <p>✓ Strengthen intergovernmental alternative dispute resolution mechanism.</p>	-No of intergovernmental forums held	-Participating in intergovernmental forums.	-The CoG took lead in the creation of 5 Technical Working Groups (TWGs) for the Counties to participate in thematic areas in health

CORPORATE GOVERNANCE STATEMENT

The Council of Governors is committed to implementing good corporate governance principles and adheres to integrity, high ethical values and professionalism in all of its activities. The Council is made of the forty-seven (47) County Governors out of which the Chair person, Vice Chair Person and Whip are elected amongst the members on a yearly basis. During the period under review, the Council of Governors (CoG) conducted elections for the new executive. The elections were conducted in January 2021, where H.E Hon Martin Wambora was elected as Chairperson. H. E. James Ongwae, EGH, CBS, EBS was elected as the Vice-Chairperson and H.E. Eng. Alex Tanui Tolgos, EGH as the Whip. The CoG also restructured the Committees from the previous 12 to 18 in a bid to enhance efficiency and effective coordination of the CoG's mandate. The mandate of the council includes;

- a) consultation amongst county governments;
- b) sharing of information on the performance of the counties in the execution of their functions with the objective of learning and promotion of best practice and where necessary, initiating preventive or corrective action;
- c) considering matters of common interest to county governments;
- d) dispute resolution between counties within the framework provided under this Act;
- e) facilitating capacity building for governors;
- f) receiving reports and monitoring the implementation of intercountry agreements on inter-county projects;
- g) consideration of matters referred to the Council by a member of the public;
- h) consideration of reports from other intergovernmental forums on matters affecting national and county interests or relating to the performance of counties; and
- i) performing any other function as may be conferred on it by this Act or any other legislation or that it may consider necessary or appropriate.

The Council for better implementation of its functions established sector committees and each committee is chaired by a governor. As at 30th June 2021, the Council had nineteen (18) Committees; Liaison, Management and Business Committee, Health Committee, Agriculture Livestock and Cooperatives Committee, Water, Forestry and Natural Resource Management Committee, Finance, Planning and Economic Affairs Committee, Resource Mobilization and Partnerships Committee, Legal, Constitutional Affairs and Intergovernmental Relations Committee, Education Committee, Human Resources and Labour Committee, Energy, Roads, Transport and Infrastructure Committee, Trade, Industry, Manufacturing and Enterprise Development Committee, Land, Housing and Urban Development Committee, Environment and Climate Change Committee, Gender, Youth, Culture, Sports and Social Services Committee, Tourism and Wildlife Committee, Arid and Semi-Arid Lands (ASAL) and Disaster Management Committee, Blue Economy Committee and Information, Communication and Technology Committee.

The Council of Governors is required to at least meet twice in a year and are provided with the necessary resources to undertake their duties. Appropriate training is available to all members

on election to the office and on an ongoing basis as required. The terms of reference for each of the Committees are available.

The Council Committee papers are supplied to members on time, in appropriate form and quality to facilitate effective deliberations. The Council executive have access to relevant information through the office of the Chief Executive.

The separation of the functions of the chairman Council of Governors and the CEO supports and ensures the independence of the Council and management. The management of the Council implements the resolution of the Council. The balance of power, increased accountability, clear definition of responsibilities and improved decision-making are attained through a clear distinction between the Council and the management roles. The chairman's responsibilities include the operation, leadership and governance of the council. The chief executive officer's roles and responsibilities remains the day-to-day management of the Council's business and overseeing the implementation of strategy and policies approved by the Council.

Council meetings are held in line with requirements in law except when critical matters necessitate extra-Ordinary meetings. During the year under review, the Legal Committee prepared for and coordinated sixteen (16) Council meetings in the FY 2020/2021. Out of the 16 meetings held in the year, eight (8) were held in 2020 i.e 7th July 2020, 9th July 2020, 24th July 2020, 21st August 2020, 3rd September 2020, 8th September 2020, 24th September 2020 and 3rd November 2020, while the other 8 meetings were held in 2021 i.e 4th January 2021, 29th January 2021, 22nd March 2021, 19th March 2021, 10th March 2021, 21st May 2021, 27th May 2021 and 30th June 2021. The meetings focused on key issues that affect the 47 County Governments including the issue of disbursement of funds, Division of Revenue and COVID 19 pandemic amongst others. Minutes from the meetings well documented for reference.

To the best of our knowledge, no situations of conflict of interest arose at the Council during the year.

The Council has one standing committees: Audit Committee. The committee has formal and approved terms of reference. The board periodically reviews the terms of reference for the committee to ensure they are in line with current legislation and best practice. The committee is provided with all necessary resources to enable it to undertake its duties effectively

Functions of the Audit Committee;

To fulfil its oversight responsibility, the Audit Committee receives reports from management, the internal auditors and external auditors, as appropriate. The responsibilities and role of the Audit Committee fall under four categories:

- 1. Risk management and internal controls;**
 - Review and assess the organization risk management process and the adequacy of the overall control environment;
 - Review reports on internal audits conducted from the Internal Audit and ensure appropriate action is taken to address any weaknesses identified;

- Receive reports from the Internal Audit, Risk Management on any fraud, material or not, that involves management or other employees who have a significant role in the organization internal controls;
2. **Financial reporting and disclosure matters**
 - Review the published financial statements and recommend their approval to the Council;
 - Review and discuss with management and the external auditor any significant events or transactions affecting the Council's financial reporting;
 - Consider findings from the external and internal auditors on material weaknesses in accounting and financial control systems.
 3. **External auditor oversight responsibilities**
 - Review the independence, objectivity and effectiveness of the external auditor including their quality control procedure and steps taken to respond to changes in regulatory and other requirements;
 - Review the scope and extent of both audit and non-audit services provided to the company by the external auditors and any associated fees and terms of engagement, including the assessment of the non-impairment of the auditor's judgement and independence;
 - Review and discuss with management and auditors the preliminary results, interim information and annual financial statements.
 4. **Internal audit oversight responsibilities**
 - Oversee the activity and credentials of the Council's internal audit division, including a review of the internal audit charter, code of ethics, plans, resource requirements, staffing and organizational structure;
 - Consider the appointment, replacement or dismissal of the director of internal audit and make recommendations to the Council;
 - Approve the annual audit plan ensuring its consistency with the Council's strategic plan;
 - Receive reports on the status of significant findings, recommendations and management's responses.

MANAGEMENT DISCUSSION AND ANALYSIS

The Council of Governors is implementing the strategic plan for 2017-2022. The plan has enabled the Council to effectively enabled the Council to execute its mandated within a dynamic political environment, while at the same time safeguarding the gains accrued in the years of devolution. The plan has five (5) Kenya Performance Areas (KPAs), consistent with the vision and mandate of the Council of Governors are:

- KPA 1: Good governance
- KPA 2: Adequate resourcing for devolved functions
- KPA 3: Building a strong Council of Governors
- KPA 4: Knowledge driven performance and
- KPA 5: Sustainable intergovernmental relations

In the implementation of the plan, this has supported the Council to refine its model of facilitating devolution to serve as an example to other countries. Similarly, the plan has provided adequate guidance to the second generation of Excellency Governors after the general elections of 2017, in furthering the mandate of the Council, securing the gains of devolution and in rewriting the story of devolution.

The 2020/2021 Financial Year (FY) began when the country was dealing with the impacts of the COVID-19 pandemic. That notwithstanding, the County Governments have continued to achieve remarkable success in the various devolved functions in the period under. In responding to the adverse effects of the pandemic, the CoG worked with the Kenya Institute for Public Policy Research and Analysis (KIPPRA) to develop the Kshs 132 billion County COVID-19 Socio-Economic Re-engineering and Recovery Strategy (CCSRRS) 2020/21-2022/23. The Strategy was launched by H.E. The President of the Republic of Kenya, Uhuru Kenyatta in December 2020. The CCSRRS which will be mainstreamed in the next cycle of CIDPs aims to: boosts the private sector activities; strengthen ICT capacity; contribute to human capital development, policy, legislative and institutional reforms; it also strengthens the County Government's preparedness and response to pandemics and disasters. This indeed was a significant step by the County Governments.

The Counties have had tangible milestones in: - performance contracting; prudent financial practices; mainstreaming of SDGs; monitoring and evaluating projects; physical planning; and urban development, among others. I urge the National Government departments and Agencies, development partners, private sector, academia, and civil society organizations to continue working collaboratively with CoG to build individual, institutional, and systemic capacities to ensure human capital development at the County level. I cannot overemphasize the importance of strategic collaborations to create a platform for exchanging knowledge and experience to make the right policy and legislative environment for the devolved system to thrive. We need to be alive to the fact that laws clawback on devolution continue to be the chief impediment for devolution to thrive.

Despite the great achievements, the County Governments faced a couple of challenges that slowed down the development at the County level. Delayed disbursement of equitable share to

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the County Governments by the National Treasury and the several pieces of legislation that claw back on devolution were among the CoG's issues during the reporting period.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Council of Governors exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

Sustainability strategy and profile

The Council through the Symbiocity programme undertook a deep stakeholder mapping and profiling to determine their level of influence and role in sustaining the interventions to be rolled out. There after the stakeholders were classified into three: Broader stakeholder group, working groups and the steering committees. The structures created within the pilot towns guide decisions making and prioritization of urban investments during public participation forums. Further the Kenya SymbioCity programme is anchored within the line urban development departments in Counties and has been integrated in the development frameworks of the counties and urban areas guaranteeing future financing post the programme period.

Environmental performance

Through the Symbiocity programme implemented by the Council in the seven pilot Counties: Kisumu, Kakamega, Trans Nzoia, Meru, Kitui, Homabay and Nakuru, one of the pillars of the SymbioCity approach is environmental sustainability. This principle was incorporated throughout the implementation period of the programme. All the urban sustainability reviews developed by the pilot towns incorporated environmental sustainability in their town visions. To implement this vision all, the infrastructure investments in the pilot towns underwent environmental screening and those found to have environmental impacts were taken through Environmental Impact Assessments. This way the programme investments enhanced environmental performance

Employee welfare

Council of governors has human resource policies which are gender sensitive and guides all the human resource activities. Throughout the period, the Council's staff underwent annual and semi-annual appraisals. Further to enhance staff capacity the staff underwent training including project management, financial management and procurement management.

Market place practices-

The organisation should outline its efforts to:

- a) **Responsible competition practice.**

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Council of governor's procurements uses country systems including the public procurement and asset disposal act 2015. One of the principles of procurement in the act is fair competition which the programme implemented throughout.

b) Responsible Supply chain and supplier relations-

The Council of Governors has entered into contractual obligation with its suppliers, who are drawn from the local community and observe the 30% allocation to women and youth

c) Responsible marketing and advertisement-

The programme implementation is in line with the pricing indexing provided by PPRA.

d) Corporate Social Responsibility /Community Engagements

The Council due to budget constraint did not have and CSR activities carried out in the year.

REPORT OF THE COUNCIL

The Council is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the entity as at the end of the financial year and of the operating results of the entity for the year. The Council also ensures that the entity keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the entity. The Council is also responsible for safeguarding the assets of the entity.

The Council is responsible for the preparation and fair presentation of these financial statements and accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards. The Council further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Council to indicate that the entity will not remain a going concern for at least the next twelve months from the date of this statement.

The Council submitted their report together with the audited financial statements for the year ended 30 June 2021, which show the status of the entity's affairs.

Principal activities

The principal activities of the Council are;

1. To implement the decisions of the Council and the Committees;
2. To constantly share information with the Counties;
3. To process requests from Counties and offer policy advise where necessary;
4. To convene, in every quarter, County Executive Committee Members so that they develop positions on legislative and policy issues that affect County Governments;
5. To convene other officers such as Chief Officers, County Attorneys and Directors also for deliberation of matters affecting County Governments;
6. To coordinate capacity building initiatives for Governors, County Executive Committee Members, Chief Officers, County Attorneys, Chiefs of Staff, County Secretaries and other County officials;
7. To rigorously protect the interests of Counties at policy level by for instance participating in inter-agency meetings, committees and taskforces;
8. To ensure that County resources are safeguarded in all negotiations on upcoming projects;
9. To coordinate sectoral intergovernmental forums between the Counties and the National Government;

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10. To receive and document best practice to promote learning between the Counties; and
11. To support and link with the office of the Deputy Governors.
12. Facilitate dispute resolutions between counties

Results

The results of the entity for the year ended 30 June 2021 are set out on page 1 and 2

The Executive Council

The members of the Executive Council who served during the year are shown on page v.

Auditors

The Auditor General is responsible for the statutory audit of the Council of Governors in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By order of the management

Name: **Mary Mwit** Signature:
Secretary to the Council of Governors



Date: 29th September 2021

STATEMENT OF COUNCIL RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 require the Accounting Officer to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period.

The Accounting Officer is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on 30 June 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that this 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 the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer accept responsibility for the entity's financial statements, which have been prepared on Accrual Basis of accounting using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Accounting Officer further confirms the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Accounting Officer to indicate that the entity will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The entity's financial statements were approved by the Council of Governors **Executive** on **29 September 2021** and signed on its behalf by:



H.E Hon. Martin Wambora, EGH
Name: Chairman Council of Governor



Ag. Chief Executive Officer
Name: Mary Mwiti

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Principal Finance & Accounts Officer
Name: CPA Joyce Chepkoech
ICPAK Member Number:29569

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON COUNCIL OF GOVERNORS 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 Council of Governors set out on pages 1 to 30, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets and statement of comparison of budget and actual amounts for the year then ended, and a

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

In my opinion, except for the 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 Council of Governors 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 Public Finance Management Act, 2012 and the Intergovernmental Relations Act, 2012.

Basis for Qualified opinion

1. Lack of Ownership Documents

The statement of financial position and Note 21 to the financial statements reflects property, plant and equipment balance of Kshs.15,392,834. Review of the asset register revealed that three (3) motor vehicles were received by the Council of Governors through the Transforming Health Systems (THS) project. The three motor vehicles were transferred to the Council using S11 forms but had no logbooks. Further, another motor vehicle was donated to the Council by International Livestock Research Institute and registered in May, 2009 but had not been included in the asset register and in the financial statements.

In the circumstances, the ownership, accuracy and completeness of the property, plant and equipment balance of Kshs.15,392,834 could not be confirmed.

2. Unsupported Rent Receivable

The statement of financial performance reflects rent deposit amount of Kshs.3,568,975 reported as part of revenues and as disclosed in Note 20. The Note reflects an amount of Kshs.49,365,069 as the total deposit made for rent, service charges and parking fees. In the year under review, an amount of Kshs.52,859,743 was due for payment of rent to the landlord. However, only an amount of Kshs.7,063,646 was received during the year from the Counties for the rent. The difference of Kshs.45,796,097 was paid after the Management and the landlord agreed to offset the outstanding balance against rent deposit of Kshs.49,365,069 leaving a rent deposit balance of Kshs.3,568,975. However, this amount was recognized both as income and as rent deposit in the statements of financial performance and of financial position respectively. In addition, the statement of financial position reflects rent receivable balance of Kshs.45,796,095 but, the corresponding Note 15 reflects Nil balance.

In the circumstances, the accuracy and completeness of the rent deposit of Kshs.3,568,972 reflected in the statement of financial performance and rent receivable balance of Kshs.45,796,095 reflected in the statement of financial position as at 30 June, 2021 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Council of Governors 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 matter 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. Legality of Council of Governors Expenses

The Council of Governors is a creation of Section 19 of the Intergovernmental Relations Act, 2012. Section 37 of the Intergovernmental Relations Act, 2012 provides that operational expenses of the Council and other structures established under the Act shall be met from the budget of the National Government. However, review of the County Governments financial statements revealed that the County Governments have been making contributions to offsetting the Council's expenses. Over the last six years, the Council Management has procured goods and services and entered into several contracts totalling to Kshs.3,563,603,556 from 2015/20216 to 2020/2021.

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

2. Payment of Insurance Premium for GK Plated Vehicles

The statement of financial performance reflects expenditure of Kshs.144,585,783 in respect to use of goods and services which includes an amount of Kshs.11,895,760 being insurance expenses as disclosed under Note 10. The insurance expenses includes payment of Kshs.1,207,349 for comprehensive insurance cover for vehicles registered in the name of Government of Kenya, contrary to Section 4(3) of the Insurance Act that exempts government owned vehicles from insurance except for those displaying private plates. The Management resolution to insure Government owned vehicles is in violation of Section 4(3) of the insurance motor vehicles Third Party Risks Act, 2012.

In the circumstances, Management was in breach of the law

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 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 Council of Governors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 Council's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Council 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 Council of Governors is responsible for overseeing the Council's financial reporting process, reviewing the effectiveness of how the 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 overall 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 Council'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 Council to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Council 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

15 September, 2022

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STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfer from Government Entities	6	30,063,646	70,628,801
Proceeds from Domestic and Foreign Grants	7	31,612,182	50,259,287
Grants From Ministry of Devolution and ASAL	8a	195,340,000	103,000,000
Grants From Ministry of Devolution and ASAL (The Kenya Symbiocity Programme)	8b	-	58,200,000
Receipts in Kind	9	49,369,027	32,762,392
Rent Deposit	20	3,568,975	-
Bank Interest on Staff Loan Fund (Mortgage)	19	4,633,023	740,266
Bank Guarantee interest		-	11,500
Total revenue		314,586,852	315,602,246
Expenses			
Use of goods and services	10	144,585,783	179,522,972
Employee costs	11	131,646,800	120,776,269
Depreciation expense	12	11,249,181	16,328,788
Repairs and maintenance	13	10,957,367	4,793,486
Kenya Symbiocity Programme		59,225,182	13,026,496
Payments in Kind	9	49,369,027	32,762,392
Tax on interest of loan paid	18	805,993	-
Total expenses		407,839,334	367,210,403
Net Surplus for the year		(93,252,482)	(51,608,157)

The notes set out on pages 7 onwards form an integral part of these Financial Statements. The Financial Statements were signed on behalf of the Council of Governors by:



Ag. Chief Executive Officer
Name: Mary Mwititi
Date: 29th September 2021



Principal Finance & Accounts Officer
Name: CPA Joyce Chepkoech
ICPAK Member Number: 29569
Date: 29th September 2021

Council of Governors
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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	237,810,849	334,055,277
Rent Receivable	15	45,796,095	52,859,743
Loan Receivable	17	28,683,758	-
Rent Deposit	20	3,568,974	-
		315,859,675	386,915,019
Non-current assets			
Property, plant and equipment	21	15,392,834	25,075,215
		15,392,834	25,075,215
Total assets		331,252,510	411,990,234
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	16	15,367,000	68,226,742
Tax on interest	18	805,993	-
		16,172,993	68,226,742
Non-current liabilities			
Non-current employee benefit obligation		-	-
			-
Total liabilities		16,172,993	68,226,742
Net assets		315,079,516	343,763,492
Reserves		343,763,493	392,914,797
Adjustment:Prio year		15,203,436	2,456,853
Adjustment:Prior Yea:Rent deposit		49,365,069	-
Accumulated surplus		(93,252,482)	(51,608,157)
Total net assets and liabilities		315,079,516	343,763,493

The Financial Statements were signed on behalf of the Council of Governors by:



Ag. Chief Executive Officer
Name: Mary Mwititi
Date: 29th September 2021



Principal Finance & Accounts Officer
Name: CPA Joyce Chepkoech
ICPAK Member Number: 29569
Date: 29th September 2021

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

	Retained earnings	Capital/Develop ment/Fund	Total
At July 1, 2019	115,447,389	-	115,447,389
Total comprehensive income	63,839,232	-	63,839,232
At June 30 June 2020	(51,608,157)	-	(51,608,157)
		-	
At 1 July 2020	(51,608,157)	-	(51,608,157)
Total comprehensive income	(144,860,639)	-	(144,860,639)
At 30 June 2021	(93,252,482)	-	(93,252,482)

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfer from County Governments	6	30,063,646	70,628,801
Proceeds from Domestic Grants and Foreign Grants	7	31,612,182	50,259,287
Grants From Ministry of Devolution and ASAL	8a	195,340,000	103,000,000
Grants From Ministry of Devolution and ASAL (The Kenya Symbiocity Programme)	8b	-	58,200,000
Bank Interest on Staff loan Fund		4,633,023	740,266
Bank Gurantee Interest		-	11,500
Total Receipts		261,648,850	282,839,854
Payments			
Employee costs	11	131,646,800	120,776,269
Goods and services	10	144,585,783	179,522,972
Repairs and maintenance	13	10,957,367	4,793,486
The Kenya Symbiocity Programme		59,225,182	13,026,496
Tax paid on loan interest		805,993	-
Total Payments		347,221,126	318,119,223
Net cash flows from operating activities		(85,572,276)	(35,279,369)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(1,566,800)	(1,769,956)
Decrease in non-current receivables		-	-
Increase in investments		-	-
Net cash flows used in investing activities		(1,566,800)	(1,769,956)
Cash flows from financing activities			
Decrease in Payables		(52,859,742)	(8,241,607)
Adjustment: Rent Payable		-	2,456,853
Adjustment: Rent Deposit		45,796,095	-
Non current Employee Benefit Obligation		-	-
Decrease in Receivables		46,543,205	(21,402,514)
Loan Receivable		28,683,758	1,500,000
Net cash flows used in financing activities		68,163,316	(25,687,268)
Net increase/(decrease) in cash and cash equivalents		(18,975,760)	(62,736,593)
		(18,975,760)	(62,736,593)
Cash and cash equivalents at 1 JULY 2020		334,055,276	396,791,869
Cash and cash equivalents at 30 JUNE 2021		315,079,516	334,055,276

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The Financial Statements were signed on behalf of the Council of Governors by:



Ag. Chief Executive Officer
Name: Mary Mwiti
Date: 29th September 2021



Principal Finance & Accounts Officer
Name: CPA Joyce Chepkoech
ICPAK Member Number: 29569
Date: 29th September 2021

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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	% Variance
Revenue	A	B	C=(a+b)	D	E=(c-d)	F=d/c
	Kshs	Kshs	Kshs	Kshs	Kshs	
Transfer From County Governments	94,000,000	-	94,000,000	30,063,646	63,936,354	32%
Proceeds from Domestic and Foreign Grants	95,287,710	-	95,287,710	31,612,182	63,675,528	33%
Grants From Ministry of Devolution and ASAL	203,000,000	-	203,000,000	195,340,000	7,660,000	96%
Grants From Ministry of Devolution and ASAL (The Kenya Symbiocity Programme)	-	-	-	-	-	0%
Receipts in Kind	49,369,027	-	49,369,027	49,369,027	(0)	100%
Total income	441,656,737	-	441,656,737	306,384,855	135,271,882	
Expenses		-				
Compensation of employees	148,113,496	-	148,113,496	131,641,550	16,471,946	89%
Goods and services	228,745,910	-	228,745,910	171,029,336	57,716,574	75%
Repairs and maintenance	15,428,304	-	15,428,304	14,007,367	1,420,937	91%
Paymnets In Kind	49,369,027	-	49,369,027	49,369,027	(0)	100%
Total expenditure	441,656,737	-	441,656,737	366,047,280	75,609,457	
Surplus for the period	-	-	-	(59,662,425)	59,662,425	-

Explanation notes for the statement of comparative budget and actual amount is provided in APPENDIX V

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Council of Governors entity is established by and derives its authority and accountability from Intergovernmental Relations Act (IGRA 2012). The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is providing consultation amongst County governments, sharing of information on the performance of the Counties in the execution of their functions with the objective of learning and promotion of best practices as well as considering matters of common interest.

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 entity'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 Appendix

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity.

The financial statements have been prepared in accordance with the PFM Act 2012, 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

a) Early adoption of the standards

The entity did not early-adopt any new or amended standards in year 2020/2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 assets (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.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information

The Council of Governors approved the original budget for FY 2020-2021 on 29 July 2020. 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.

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 under page nine of 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) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

e) 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.

f) *Contingent liabilities*

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

g) *Contingent assets*

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

h) 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.

i) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

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) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the

arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

l) 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.

m) Comparative figures

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

n) 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, 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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. State all judgements, estimates and assumptions made: e.g

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 TRANSFERS FROM COUNTY GOVERNMENTS

Description	2020-2021	2019-2020
	Kshs	Kshs
County Governments	30,063,646	70,628,801
Total	30,063,646	70,628,801

7 PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2020-2021	2019-2021
	Kshs	Kshs
Bill and Melinda Gates Foundation Grants	18,398,864	21,124,994
Devolution Conference Registration	540,000	25,545,558
Devolution Conference Exhibition	1,150,000	647,235
The Standard Group	-	500,000
SBM Kenya	-	1,000,000
Humanitarian Support	-	1,300,000
Children Investment Fund	4,030,000	-
UNICEF	3,137,818	-
VIDAPHARMA LIMITED	742,400	-
Un Women	763,100	-
Laptrust Fund	300,000	-
Connect Places Catapult	2,550,000	-
Other Income	-	141,500
Total	31,612,182	50,259,287

8 TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2020-2021	2019-2020
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Ministry of Devolution and ASAL	195,340,000	-	-	195,340,000	195,340,000	195,340,000
a) Sub-Total						
Ministry of Devolution and ASAL- The Kenya Symbiocity Programme	-	-	-	-	-	-
b) Sub-Total	195,340,000	-	-	195,340,000	195,340,000	195,340,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 RECEIPTS IN KIND

ORGANIZATION	TYPE OF SUPPORT	2020-2021	2019-2020
UNDP	<p>The Integrated Programme to Support Devolution is designed to support the implementation of Devolution to achieve improved good governance and socio-economic development in Kenya.</p> <p>The programme focused on;</p> <ul style="list-style-type: none"> (i) Support Counties to establish PMS (ii) Improve capacity of County Attorneys to develop policies and bills (iii) Support Counties to develop public participation policies and legislations (iv) Performance Management (v) Sustainable Development Goals 	35,564,746.99	32,762,392.00
UN Women	<p>Effective Implementation of the Gender Functions at the County Level</p> <p>A Program to facilitate capacity building for Counties to advance the gender equality and women's empowerment work.</p> <p>The programme focused on;</p> <ul style="list-style-type: none"> (i) Advancement of devolution gender agenda by the Kenyan Young Parliamentarians including women and PWDs representatives, including sensation of 30% public procurement preservation and reservation. (ii) Increasing informed demand for women and leadership programme 	13,804,280.00	0.00

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	(i) Provision of Technical Support on matters relating to Early Child Education Policies and laws.	0.00	0.00
	(ii) Provision of support to the Children's Devolution conference,		
UNICEF	(iii) Provision of support towards Health Committee		
	TOTAL	49,369,026.00	32,762,392.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. USE OF GOODS AND SERVICES

Description	2020-2021	2019-2020
	Kshs	Kshs
Electricity	1,910,457	4,562,634
Security & Cleaning	2,081,488	5,074,308
Rent Proceeds	42,230,684	74,906,149
Communication supplies and Services	4,555,901	2,339,697
Domestic Travel, Subsistence & other transportation costs	15,630,634	9,286,419
Foreing Travel, Subsistence & other transportation costs	-	12,866,708
Printing & Advertising	6,288,655	5,366,279
Training, Conference and Workshops	9,348,082	4,521,484
Hospitality Supplies and services	1,842,451	5,054,035
Professional services/Consultancies	5,261,846	7,153,500
Subscription to professional bodies	3,463,970	155,600
Bank Charges	315,473	294,109
Fuel, oil and Lubricants	3,292,375	3,663,800
Insurance	11,895,760	11,750,107
Legal expenses	10,406,100	23,476,695
Other General Expenses	26,061,905	9,051,448
Total	144,585,783	179,522,972

11. EMPLOYEE COSTS

	2020-2021	2019-2020
	KShs	KShs
Salaries and wages	109,308,774	101,699,529
Employee related costs - contributions to pensions and medical aids	22,338,027	19,076,740
Employee costs	131,646,800	120,776,269

12. DEPRECIATION EXPENSE

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment	11,249,181	16,328,788
Total depreciation and amortization	11,249,181	16,328,788

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. REPAIR AND MAINTENANCE

Description	2020-2021	2019-2020
	Kshs	Kshs
Motor Vehicles	4,305,377	2,713,838
Furniture and fittings, Equipment and Computers	6,651,990	2,079,648
Total repairs and maintenance	10,957,367	4,793,486

14. CASH AND CASH EQUIVALENTS

Description	2020-2021	2019-2020
	KShs	KShs
Current account	146,841,551	233,145,867
Cash in hand	85,760	169,143
Staff mortgage	90,883,538	100,740,266
Guarantee	-	-
Total cash and cash equivalents	237,810,849	334,055,276

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14.(a) DETAIL ANALYSIS OF THE CASH AND CASH EQUIVALENTS

		2020-2021	2019-2020
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1164902318	29,226,717	24,564,232.00
Kenya Commercial bank	1212164717	1,123,692	525,357.00
Cooperative Bank of Kenya	01143201338000	11,042,823	33,978,753.00
Cooperative Bank of Kenya	01134201338000	10,960,079	20,369,399.00
National Bank of Kenya	01001113869200	94,488,241	153,708,127.00
Sub- total		146,841,551	233,145,868.00
b) Staff car mortgage			
Housing Finance Corporation Limited	9783685079	90,883,538	100,740,266.00
Sub- total		90,883,538	100,740,266.00
e) Others			
cash in hand		85,760	169,143.00
Sub- total		85,760	169,143.00
Grand total		237,810,849	334,055,277.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. RENT RECEIVABLE

NO	COUNTY NAME	2020-2021	2019-2020
		KSHS	KSHS
001	MOMBASA COUNTY GOVERNMENT	-	5,017,096
004	TANA RIVER COUNTY GOVERNMENT	-	-
005	LAMU COUNTY GOVERNMENT	-	1,464,029
006	TAITA-TAVETA COUNTY GOVERNMENT	-	6,078,657
008	WAJIR COUNTY GOVERNMENT	-	-
009	MANDERA COUNTY GOVERNMENT	-	-
010	MARSABIT COUNTY GOVERNMENT	-	5,725,623
011	ISIOLO COUNTY GOVERNMENT	-	4,030,642
012	MERU COUNTY GOVERNMENT	-	3,043,904
013	THARAKA NITHI COUNTY GOVERNMENT	-	627,441
015	KITUI COUNTY GOVERNMENT	-	6,207,816
019	NYERI COUNTY GOVERNMENT	-	-
020	KIRINYAGA COUNTY GOVERNMENT	-	-
023	TURKANA COUNTY GOVERNMENT	-	-
025	SAMBURU COUNTY GOVERNMENT	-	-
028	ELGEYO MARAKWET COUNTY GOVERNMENT	-	-
029	NANDI COUNTY GOVERNMENT	-	-
030	BARINGO COUNTY GOVERNMENT	-	923,049
032	NAKURU COUNTY GOVERNMENT	-	4,636,064
033	NAROK COUNTY GOVERNMENT	-	422,705
035	KERICHO COUNTY GOVERNMENT	-	3,109,232
036	BOMET COUNTY GOVERNMENT	-	627,441
038	VIHIGA COUNTY GOVERNMENT	-	1,123,404
039	BUNGOMA COUNTY GOVERNMENT	-	2,267,176
041	SIAYA COUNTY GOVERNMENT	-	2,432,057
042	MIGORI COUNTY GOVERNMENT	-	1,464,029
043	KISUMU COUNTY GOVERNMENT	-	-
045	KISII COUNTY GOVERNMENT	-	1,936,280
046	NYAMIRA COUNTY GOVERNMENT	-	1,723,098
	TOTALS	-	52,859,743

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	Supplier	Invoice number	2020-2021	2019-2020
			Kshs	Kshs
1	Price Water House Coopers (Technical Assistance)	NBO37102432	15,367,000	15,367,000
2	Rent Payable (Outstanding Rent for Count Liaison offices)	Lease Agreement	-	52,859,743
	TOTAL		15,367,000	68,226,743

17. LOAN RECIEVABLE

NAME	LNS_ACCOUNT_NO	DESCRIPTION	PRODUCT_DESC	2020-2021	2019-2020
CAROLYNE MAGE ALAKA	0020002617	EMPL. SCHEME COG	PURCHASE OWNER OCCUPIER	8,700,000.00	-
EVANS KIPKEMOI KIPRUTO	0100000449	EMPL. SCHEME COG	PLOT PURCHASE	1,413,033.00	-
JOYCE CHEPKOECH	0020002516	EMPL. SCHEME COG	PURCHASE OWNER OCCUPIER	5,112,438.00	-
EVA SAWE CHEBET	0010000436	EMPL. SCHEME COG	CONSTRUCTION OWNER OCCUPIER	4,580,289.00	-
CAROLINE ODHIAMBO AWUOR	0020002527	EMPL. SCHEME COG	PURCHASE OWNER OCCUPIER	5,043,954.95	-
ZIPPORAH MUTHAMA	0020002565	EMPL. SCHEME COG	PURCHASE OWNER OCCUPIER	3,834,042.69	-
				28,683,757.64	-

18. TAX ON INTERST

Date of Debit	Details	2020-2021
10/8/2020	Tax on Interest	235,655.74
29/09/2020	Tax on Interest	104,979.85
31/12/2020	Tax on Interest	151,992.82
31/03/2021	Tax on Interest	157,567.69
30/06/2021	Tax on Interest	155,797.17
		805,993.27

19. INTERST ON STAFF LOAN FUND (MORTGAGE)

Date of credit	Details	2020-2021
10/8/2020	Credit Interest	830,772
29/09/2020	Credit Interest	699,866
31/12/2020	Credit Interest	1,013,285
31/03/2021	Credit Interest	1,050,451
30/06/2021	Credit Interest	1,038,648
	Total	4,633,023

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20. RENT DEPOSIT

	County	FLOOR	Security Deposit made for Rent,service charge& parking fees
1	BARINGO	5	793,577
2	BOMET	7	1,253,831
3	BUNGOMA	5	793,577
4	ISIOLO	6	793,577
5	KISUMU	7	793,577
6	KWALE	8	1,253,831
7	MANDERA	5	1,253,831
8	MIGORI	6	793,577
9	NAKURU	8	793,577
10	NAROK	9	793,577
11	NYAMIRA	8	793,577
12	NYANDARUA	8	793,577
13	NYERI	5	1,253,831
14	SAMBURU	7	793,577
15	TAITA-TAVETA	9	793,577
16	TANA-RIVER	5	793,577
17	THARAKA-NITHI	6	793,577
18	TURKANA	6	1,253,831
19	LAMU	6	793,577
20	KISII	6	793,577
21	VIHIGA	5	793,577
22	KITUI	7	793,577
23	MAKUENI	7	793,577
24	MERU	8	1,253,831
25	SIAYA	8	793,577
26	KERICHO	9	793,577
27	WAJIR	9	793,577
28	MOMBASA COUNTY	6	1,253,831
29	E-MARAKWET	9	793,577
30	NANDI	11	793,577
31	MARSABIT	10	1,253,831
32	COUNCIL OF GOVERNORS (Including Board rooms in all the floor)	2 & 11	21,082,148
	Grand Total		49,365,069
	Rent paid in by Counties 20/21		7,063,646
	Deposit Utilized to offset outstanding rent for Counties		45,796,097
	Total		52,859,743
	Deposit Balance		3,568,973

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. PROPERTY, PLANT AND EQUIPMENT

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT SCHEDULE					
	Office Machines	Office furniture	Equipments	Motor vehicles	TOTAL
Rates for depreciation	30%	12.50%	30%	25%	
Book Value as at 1 July 2018	3,864,116	20,036,931	6,285,985	40,392,618	70,579,650
Additions for the year 2019	-	-	500,000	-	500,000
TOTAL ASSETS FOR DEPRECIATION 2019	3,864,116	20,036,931	6,785,985	40,392,618	71,079,650
Accumulated Depreciation	1,159,235	2,504,616	1,885,796	10,098,155	15,647,802
Charge for the year	1,159,235	2,504,616	2,035,796	10,098,155	15,797,801
NET BOOK VALUE AS AT 30 JUNE 2019	1,545,646	15,027,698	2,864,394	20,196,309	39,634,047
Book Value as at 1 July 2019	3,864,116	20,036,931	6,785,985	40,392,618	71,079,650
Additions for the year 2020	-	-	1,769,956	-	1,769,956
TOTAL ASSETS FOR DEPRECIATION 2020	3,864,116	20,036,931	8,555,941	40,392,618	72,849,606
Accumulated Depreciation brought down	2,318,470	5,009,233	3,921,592	20,196,309	31,445,603
Charge for the year 2020	1,159,235	2,504,616.38	2,566,782.30	10,098,154.50	16,328,788
NET BOOK VALUE AS AT 1 JULY 2019	1,545,646	15,027,698.24	2,864,393.50	20,196,309.00	39,634,047
NET BOOK VALUE AS AT 30 JUNE 2020	386,412	12,523,081.87	2,067,567.20	10,098,154.50	25,075,215
Book Value as at 1 July 2020	3,864,116	20,036,931	8,555,941	40,392,618	72,849,606
Additions for the Year	-	-	1,566,800	-	1,566,800
TOTAL ASSETS FOR DEPRECIATION 2021	3,864,116	20,036,931	10,122,741	40,392,618	74,416,406
Accumulated Depreciation brought down	3,477,704	7,513,849	6,488,374	30,294,464	47,774,390
Charge for the Year 2021	-	-	1,151,026.80	10,098,155	11,249,181
NET BOOK VALUE AS AT 1 JULY 2020	386,412	12,523,082	2,483,340	-	15,392,834
NET BOOK VALUE AS AT 30 JUNE 2021	386,412	12,523,082	2,483,340	-	15,392,834

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The entity's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of

allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the entity's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The entity considers relevant and observable market prices in its valuations where possible.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) The National Government;
- ii) The County Government

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Government of Kenya (Continued)

	2020-2021	2019-020
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Transfer from County Governments	30,063,646	70,628,801
Proceeds from Domestic and Foreign Grants	31,612,182	50,258,287
Grants From Ministry of Devolution	195,340,000	103,000,000
Grants from Ministry of Devolution (Kenya Symbiocity Programme)	-	58,200,000
Total	257,015,828	282,087,088

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

25. ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Devolution and ASAL. Its ultimate parent is the Government of Kenya.

26. Currency

The financial statements are presented in Kenya Shillings (Kshs).

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Unsupported Receivables Rent Balance	The lease agreement which were signed on behalf of the County Government expired in June 2020 for all the floors occupied by the County.		Not resolved	Depending on date of parliament appearance
2.0	Irregular Payment of Insurance	The Council of governors insures its motor vehicle due to financial risk implication. This is due to the fact that Council has limited budget allocation which It would therefore be a great risk, uneconomical and irresponsible for the Council not to insure its vehicles.		Not resolved	Depending on date of parliament appearance



Ag. Chief Executive officer,
Council of Governors
Date: 29th September 2021

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Kenya Symbiocity Programme	51110060	Sida	5 years		No	No

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1 Kenya Symbiocity Programme	292,866,969.50	184,165,097.00	62%	292,165,097.00	184,165,097.00	Sida

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
	Break down of Transfers from the Ministry of Devolution and ASAL			
	FY 2020/2021			
a.	Recurrent Grants			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		04/09/2020	48,835,000	2020/2021
		02/11/2020	48,835,000	2020/2021
		29/01/2021	48,835,000	2020/2021
		04/05/2021	48,835,000	2020/2021
		Total	195,340,000	
b.	Donor Receipts			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	Kenya Symbiocity Programme
		Total	-	

The above amounts have been communicated to and reconciled with the parent Ministry

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 Devolution and ASAL	04/09/2020	Recurrent	48,835,000	48,835,000	-	-	-	-
	02/11/2020	Recurrent	48,835,000	48,835,000	-	-	-	-
	29/01/2021	Recurrent	48,835,000	48,835,000	-	-	-	-
	04/05/2021	Recurrent	48,835,000	48,835,000	-	-	-	-
Total			195,340,000	195,340,000	-	-	-	-
								195,340,000

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APPENDIX V: VARIANCE EXPLANATION – COMPARATIVE BUDGET AND ACTUAL

	Final budget	Actual on comparable basis	Budget utilization variance	Comments on the variance
Revenue	2020-2021	2020-2021	2020-2021	
	Kshs	Kshs	Kshs	
Transfer From County Governments	94,000,000	30,063,646	63,936,354	This is the outstanding contribution from Counties
Proceeds from Domestic and Foreign Grants	95,287,710	31,612,182	63,675,528	This comprises resources received specifically under Bill and Melinda Gates Foundation project in support of Family planning and Reproductive health activities and support to underfunded activities within the committees of the Council.
Grants From Ministry of Devolution and ASAL	203,000,000	195,340,000	7,660,000	The National Government allocation did not match the Council of Governors proposed budget presented.
Grants From Ministry of Devolution and ASAL (The Kenya Symbiocity Programme)	-	-	-	The programme received all the disbursement in the Financial Year 2019/2020
Receipts in Kind	49,369,027	49,369,027	-	This is due to some of the activities in the approved plan with the development partners being implemented directly by the donor.
Total income	441,656,737	306,384,855	135,271,882	
Expenses				
Compensation of employees	148,113,496	131,641,550	16,471,946	This is due to the inability of the Council to get additional budget allocation and thus some of the contracts that came to an end were not renewed after the lapse of the contract.

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Goods and services	228,745,910	171,029,336	57,716,574	Due to liquidity, the Council of Governors was not able to carry out all the planned activities.
Repair and Maintenance	15,428,304	14,007,367	1,420,937	
Payments In Kind	49,369,027	49,369,027	-	The implementation of the activities as per the approved plan with support from the partner is through direct implementation.
Total expenditure	441,656,737	366,047,280	75,609,457	
Surplus for the period	-	(59,662,425)	59,662,425	

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APPENDIX VI: CONTRIBUTIONS FROM COUNTY GOVERNMENTS

County	Intergovernment Contribution	Devolution Conference Contribution	Liaison Office rent	Legal Contribution	Total
011 Isiolo County	-	-	573,560.60	-	573,560.60
013 Tharaka Nithi County	-	-	627,441	1,000,000	1,627,441.00
015 Kitui County	-	-	-	1,000,000	1,000,000.00
017 Makueni County	2,000,000	-	-	-	2,000,000.00
019 Nyeri County	-	2,000,000	-	-	2,000,000.00
020 Kirinyaga County	-	2,000,000	-	1,500,000	3,500,000.00
023 Turkana County	-	2,000,000	-	1,500,000	3,500,000.00
024 West Pokot County	-	2,000,000	-	-	2,000,000.00
027 Uasin Gishu County	-	-	-	1,000,000	1,000,000.00
030 Baringo County	-	-	1,226,908	-	1,226,908.00
032 Nakuru County	-	-	4,635,736	-	4,635,736.00
039 Bungoma County	2,000,000	2,000,000	-	-	4,000,000.00
043 Kisumu County	-	2,000,000	-	1,000,000	3,000,000.00
Total	4,000,000	12,000,000	7,063,646	7,000,000	30,063,646

