REPUBLIC OF KENYA

CHIEF EXECUTIVE OFFICER
COUNCIL OF GOVERNORS
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NYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNCIL OF GOVERNORS SECRETARIAT

FOR THE YEAR ENDED 30 JUNE 2014

MINISTRY OF DEVOLUTION AND PLANNING

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNCIL OF GOVERNORS SECRETARIAT FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Council of Governors Secretariat set out on pages 1 to 12, which comprise the statement of financial assets as at 30 June 2014, the statement of receipts and payments, statement of cash flows for the year then ended, statement of comparative budget and actual amounts and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (cash basis) and for such 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.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 4, 5, 6 and 7 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with provisions of Section 15 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing (ISA). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In

making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Secretariat's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Secretariat as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with Public Finance Management Act, 2012.

Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

26 March 2015

COUNCIL OF GOVERNORS

COUNCIL OF GOVERNORS SECRETARIAT

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2014

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

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I. 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) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Chief Executive Officer	**Jacqueline Mogeni**
2.	Ag. Director Operations & Finance	**Festus Morara**
3.	Ag. Director of Programmes	-
4.	Ag. Director Corporate Communication	**Roselynn Omollo**

(c) Fiduciary Oversight Arrangements

The Council'sday-to-day management is under the following key committees:

i. Rules and Business Committee,
ii. Legal Affairs and Human Rights Committee,
iii. Energy, Roads and Transport Committee,
iv. Finance, Commerce and Economic Affairs Committee,
v. Education and ICT Committee,
vi. Labour and Social Welfare Committee,
vii. Health and Biotechnology Committee,
viii. Agriculture and Land Committee,
ix. Foreign Affairs Committee,
x. Security Committee,
xi. Arid and Semi-Arid Land Development Committee,
xii. Natural Resources & Water, Mining & Forestry Committee
xiii. Human Resource and Social Welfare
xiv. Resource mobilization Committee
xv. Political Caucus Committee

xvi. Media, Liaison and Communications
xvii. Trade and Investments
xviii. Urban Development Committee

(d) Entity Headquarters

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

(e) Entity Contacts

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

(f) Entity Bankers

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

(g) Independent Auditors

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

FOREWORD BY THE CHIEF EXECUTIVE OFFICER

The Council of Governors (CoG) continues to grow in an effort to fulfil its constitutional mandate. The period under review, (July 2013-June 2014) has been both challenging and productive for the Council of Governors. This report gives a picture of the efforts made and results achieved by the CoG against a backdrop of challenges evolving in the transition to a devolved system in Kenya.

The financial report provides a short historical overview of the financial year 2013/2014 and also sets out the key activities undertaken by the Council of Governors in the first year of devolved government. The progress reported here is, therefore, a culmination of the efforts of many individuals and stakeholders who provided their expertise and capacity in support of the work of the Council.

During the 2013/2014 Financial Year, the Council did not receive an allocation. Under the same period, total expenditure was KShs136,387,000

Some of the key achievements included;

a. Hosting of the 1st Devolution Conference in April 2014, which brought together stakeholders and partners to celebrate one year of devolution.
b. The Council further continued to promote Inter-County consultations, encouraging and initiating information sharing on the performance of County Governments with regard to the execution of various functions and providing collective consultations on matters of interest to all County Governments.
c. Matters of public policy and governance at the County and National Levels were also handled collectively.

As a secretariat, we are committed to ensuring that the CoG continues to undertake its mandate. We therefore intend to be even more engaged and visible to the citizens of Kenya and other key stakeholders in the coming years.

Signed:
Ag.Chief Executive Officer

II. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

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

The Accounting Officer in charge of the Council of Governors Secretariat is responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of the Council of Governors secretariat for and as at the end of the financial year (period) ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Council of Governors secretariat (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the Council of Governors Secretariat accepts responsibility for the financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Council of Governors secretariat's financial statements give a true and fair view of the state of secretariat's transactions during the financial year ended June 30, 2014, and of the financial position as at that date. The Accounting Officer in charge of the Council of Governors Secretariat further confirms the completeness of the accounting records maintained for the Council of Governors secretariat, which have been relied upon in the preparation of the Council of Governors secretariat financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Council of Governors secretariat financial statements were approved and signed by the Accounting Officer on 30/9 2014.

AG. CHIEF EXECUTIVE OFFICER

AG. DIRECTOR FINANCE & OPERATIONS

STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2013-2014 Kshs
RECEIPTS		
Income from other Grants	1	13,195,100.40
Transfers from County Governments (Annex 2)	2	197,460,829
TOTAL RECEIPTS		**210,655,929**
PAYMENTS		
Compensation of Employees	3	8,782,579
Use of goods and services	4	148,626,724
TOTAL PAYMENTS		**157,409,303**
SURPLUS/DEFICIT		**53,246,626**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/9 2014 and signed by:

Ag. Chief Executive Officer

AG. Director Finance & Operations

III. STATEMENT OF ASSETS

	Note	2013-2014 Kshs
FINANCIAL ASSETS		
Cash and Cash Equivalents		
Bank Balances	5	52,739,894.85
Cash Balances	6	506,732
TOTAL FINANCIAL ASSETS		53,246,626.85

REPRESENTED BY	
Fund balance b/fwd.	Nil
Surplus/Deficit for the year	**53,246,626**
Prior year adjustments	-
NET FINANCIAL POSSITION	**53,246,626**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/9 2014 and signed by:

Ag. Chief Executive Officer

AG. Director Finance & Operations

IV. STATEMENT OF CASHFLOW

Receipts for operating income		
Income from other Grants	1	13,195,100.40
Exchequer Releases	-	
Transfers from Other Government Entities	2	197,460,829
Payments for operating expenses		
Compensation of Employees	3	(8,782,579)
Use of goods and services	4	(148,626,724)
Adjusted for:		
Adjustments during the year		
Net cash flow from operating activities		**53,246,626**
CASHFLOW FROM INVESTING ACTIVITIES		
Proceeds from Sale of Assets		
Acquisition of Assets		
Net cash flows from Investing Activities		
CASHFLOW FROM BORROWING ACTIVITIES		
Proceeds from Domestic Borrowings		
Domestic Currency and Domestic Deposits		
Net cash flow from financing activities		**53,246,626**
NET INCREASE IN CASH AND CASH EQUIVALENT		
Cash and cash equivalent at BEGINNING of the year		**53,246,626**
Cash and cash equivalent at END of the year		**53,246,626**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/9 2014 and signed by:

Ag. Chief Executive Officer

AG. Director Finance & Operations

1. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	
	a	b	c= a+ b	d	
Receipts					
Transfer from Government entities				197,460,829	
Proceeds from domestic and foreign grants				13,195,100	
Proceeds from borrowings					
Miscellaneous receipts					
Total Receipts				**210,655,929**	
Payments					
Compensation of employees	15,153,550			(8,782,579)	
Purchase of goods and services	285,646,450			(148,626,724)	
Social security benefits					
Acquisition of non-financial assets					
Transfers to other government entities					
Rnt Deposits					
Other payments					
Total Payments	**300,800,000**			**157,409,303**	

Ag. Chief Executive Officer

AG. Director Finance & Operation

V. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Council of Governors secretariat and all values are rounded to the nearest thousand (Kshs'000). The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the Council of Governors secretariat.

2. Recognition of revenue and expenses

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

3. In-kind contributions

In-kind contributions are donations that are made to the Council of Governors secretariat in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Council of Governors secretariat includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

4. 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.

5. Pending bills

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

6. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The Council of Governors secretariat budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the Council of Governors secretariat actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

7. Comparative figures

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

8. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

VI. NOTES TO THE FINANCIAL STATEMENTS

1 Other Incomes

Name of Donor	2013 - 2014
	Kshs
Grants Received from other Donors	
Co-operative Bank of Kenya	500,000
Equity Bank	1,000,000
Lap trust	2,160,000
Other Contributions from County Governments	8,835,100.40
Others -Expenses	700,000.00
Total	13,195,100.40

2 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2013 - 2014 Kshs
	-
Transfers from Counties (Annex 2)	- 197,460,829
TOTAL	**197,460,829**

3 COMPENSATION OF EMPLOYEES

	2013 - 2014 Kshs
Basic salaries of permanent employees	
Basic wages of temporary employees	
Personal allowances paid as part of salary	8,782,579
Personal allowances paid as reimbursements	
Total	**8,782,579**

4 USE OF GOODS AND SERVICES

	2013 - 2014
Utilities, supplies and services	42,341,835
Communication, supplies and services	809,305
Domestic travel and subsistence	746,117
Foreign travel and subsistence	732,215
Printing, advertising and information supplies & services	8,762,809
Rentals of produced assets	-
Training expenses	9,055,725
Hospitality supplies and services	1,771,048
Insurance costs	
Specialized materials and services	704,100
Office and general supplies and services	1,333,449
Routine maintenance – vehicles and other transport equipment	223,128
Routine maintenance – other assets	25,562,385
Cluster meeting expenses	2,850,470
Legal Fees	49,134,138
Donations	4,600,000
	148,626,724

5 Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Exchange rate	2013 - 2014
			Kshs
Co-operative Bank of Kenya, Ac No. 0114320133800 (Ksh)	-	-	52,739,894.85
Total			**52,739,894.85**

6 CASH IN HAND

	2013 - 2014 Kshs
Head office	506,732
Total	**506,732**

ANNEX 1 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs) 2013/14
Land	
Buildings and structures	
Transport equipment	
Office equipment, furniture and fittings	**427,023.00**
ICT Equipment, Software and Other ICT Assets	
Other Machinery and Equipment	

Asset class	Historical Cost (Kshs) 2013/14
Heritage and cultural assets	
Intangible assets	
Total	**427,023.00**

ANNEX 2 CONTRIBUTIONS FROM OTHER GOVERNMENT ENTITIES

COUNTIES						AMOUNT
BARINGO COUNTY GOVERNMENT						3,680,329.45
BOMET COUNTY GOVERNMENT						100,000.00
BOMET COUNTY GOVERNMENT						9,275,076.20
BUNGOMA COUNTY GOVERNMENT						7,507,858.00
BUSIA COUNTY GOVERNMENT						4,600,000.00
ELGEYO MARAKWET COUNTY GOVERNMENT						100,000.00
EMBU COUNTY GOVERNMENT						4,400,000.00
GARISSA COUNTY GOVERNMENT						1,400,000.00
HOMA-BAY COUNTY GOVERNMENT						4,400,000.00
ISIOLO COUNT GOVERNMENT						3,580,329.40
KAJIADO COUNTY GOVERNMENT						4,400,000.00
KAKAMEGA COUNTY GOVERNMENT						4,400,000.00
KERICHO COUNTY GOVERNMENT						400,000.00
KIAMBU COUNTY GOVERNMENT						4,300,000.00
KILIFI COUNTY GOVERNMENT						4,400,000.00

KIRINYAGA COUNTY GOVERNMENT						300,000.00
KISII COUNTY GOVERNMENT						3,380,329.40
KISUMU COUNTY GOVERNMENT						7,500,880.00
KITUI COUNTY GOVERNMENT						6,580,329.40
KWALE COUNTY GOVERNMENT						7,500,880.00
LAIKIPIA COUNTY GOVERNMENT						400,000.00
LAMU COUNTY GOVERNMENT						4,400,000.00
MACHAKOS COUNTY GOVERNMENT						300,000.00
MAKUENI COUNTY GOVERNMENT						400,000.00
MANDERA COUNTY GOVERNMENT						9,275,076.25
MARSABIT COUNTY GOVERNMENT						4,399,800.00
MERU COUNTY GOVERNMENT						7,820,623.40
MIGORI COUNTY GOVERNMENT						2,580,329.00
MOMBASA COUNTY GOVERNMENT						
MURANG'A COUNTY GOVERNMENT						4,400,000.00
NAIROBI						6,000,000.00
NAKURU COUNTY GOVERNMENT						4,960,275.00
NANDI COUNTY GOVERMENT						4,400,000.00
NAROK COUNTY GOVERNMENT						7,140,604.00
NYAMIRA COUNTY GOVERNMENT						3,180,329.00
NYANDARUA COUNTY GOVERNMENT						5,000,000.00
NYERI CIOUNTY GOVERNMENT						7,040,604.30
SAMBURU COUNTY GOVERNMENT						7,500,880.20

SIAYA COUNTY GOVERNMENT						7,500,890.00
TAITA-TAVETA COUNTY GOVERNMENT						400,000.00
TANA RIVER COUNTY GOVERNMENT						3,880,330.00
THARAKA NITHI COUNTY GOVERNMENT						2,900,000.00
TRANS-NZOIA COUNTY GOVERNMENT						400,000.00
TURKANA COUNTY GOVERNMENT						9,275,076.00
UASIN GISHU COUNTY GOVERNMENT						1,600,000.00
VIHIGA COUNTY GOVERNMENT						1,400,000.00
WAJIR COUNTY GOVERNMENT						4,300,000.00
WEST POKOT COUNTY GOVERNMENT						4,400,000.00
TOTAL						**197,460,829.00**