REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE

FOR THE YEAR ENDED 30 JUNE, 2025

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REPORT OF THE AUDITOR-GENERAL ON INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,

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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Intergovernmental Relations Technical Committee set out on pages 1 to 33 which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of changes in net assets, statement of cash flows 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 Intergovernmental Relations Technical Committee at 30 June, 2025 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 the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The statement of financial performance reflects an expenditure of Kshs.11,815,387 under repairs and maintenance which is at variance with the amount of Kshs.8,286,096 reflected in the statement of cash flows resulting to an unexplained variance of Kshs.3,529,291. Further, the statement of cash flows reflects net cash flows from operating activities negative balance of Kshs. 20,117,185 which, as disclosed in Note 19 to the financial statements, includes an amount of Kshs.4,225,146 in respect of non-cash grants received. However, the non-cash grants received amount of Kshs.4,225,146 was not supported or explained.

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

2. Unsupported Payment of Parking Charges

The statement of financial performance reflects an amount of Kshs.273,618,940 in respect of use of goods and services which, as disclosed in Note 7 to the financial statements, includes an amount of Kshs.49,366,938 in respect of rent expenses. Review of the lease agreement for the Committee's offices and analysis of payment records revealed that the Technical Committee has been making monthly payments of Kshs.7,500 per parking bay for 28 parking bays, totalling Kshs.2,520,000 annually. However, a duly executed lease agreement for the parking spaces was not provided for audit review.

In the circumstances, the accuracy, completeness, and rights and obligations of parking charges of Kshs.2,520,000 could not be confirmed.

3. Inaccuracies in Cash and Cash Equivalents Balance

The statement of financial position reflects a balance of Kshs.42,023,952 in respect of cash and cash equivalents as disclosed in Note 12 to the financial statements. As previously reported, the bank reconciliation for the month of June 2025 includes payments in bank not recorded in the cashbook amounting to Kshs.8,662,291 relating to the period July 2022 to January 2023. Management explained that the payments were irregularly made by an officer who has since retired and that the matter was reported to the Assets Recovery Authority and was being investigated by the Ethics and Anti-Corruption Commission. However, progress on the status of the investigations was not disclosed.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.42,023,952 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Intergovernmental Relations Technical Committee Management in accordance with ISSAI 130 on the 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 judgement, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section, there were no other key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Technical Committee in 2024/2025 revealed that the following six (6) issues remained unresolved:

No.	Financial Year	Audit Issue
1	2022/2023	Unsupported expenditure in the bank statement
2	2023/2024	Inaccuracies in cash and cash equivalents balance
3	2023/2024	Unsupported prior year adjustment
4	2023/2024	Inaccuracy of property, plant and equipment balance
5	2023/2024	Unsupported payment of parking charges
6	2023/2024	Irregular acquisition of furniture

Other Information

The Management is responsible for the Other Information set out on page iii to xlii which comprise of Key Entity Information and Management, The Technical Committee, Key Management Team, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Technical Committee, and Statement of Management Responsibilities**.** The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Intergovernmental Relations Technical Committee financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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

Non-Compliance with Capacity Building Levy Requirements

During the year under review, the Committee Management deducted capacity building levy amounting to Kshs.13,099 from various suppliers. However, Management did not remit the deducted amount to the Public Procurement Regulatory Authority as required. This was contrary to Paragraph 3(1) of the Public Procurement Capacity Building Levy Order, 2023 (The Levy Order, 2023) which requires all procuring entities to deduct and remit to the Authority a levy of 0.03% of the value of the signed contracts between the supplier and procuring entity exclusive of all applicable taxes.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Adequate Staffing in the Internal Audit Function

Review of personnel records revealed that the Internal Audit Department is staffed with one (1) officer, who is serving in an acting capacity without a substantive appointment of a Chief Internal Auditor. This level of staffing is insufficient to ensure effective and comprehensive internal audit coverage across the organization.

In the circumstances, the limited capacity of the Internal Audit Function constrains its ability to provide adequate assurance on the effectiveness of internal controls and risk management, thereby increasing the risk of undetected errors, irregularities, and non-compliance.

2. Lack of Segregation of Duties

Review of stores management revealed that there was no segregation of duties in the procurement and stores functions. This was contrary to Regulation 171(1) of the Public Procurement and Asset Disposal Regulations, 2020 and Chapter 2.11 of the IGRTC Organisation Policies and Procedures Operational Manual of 2018, which require procurement activities to be handled by different officers and subject to appropriate oversight. It was noted that key functions, including initiation of procurement, receipt of stores, recording and taking goods on charge, issuance to users, and preparation of stock take reports, were all being performed by one officer.

In the circumstances, the concentration of multiple critical responsibilities in a single officer increases the risk of errors, fraud, and manipulation of records, and undermines the effectiveness of internal controls over stores and procurement management.

3. Inadequate Records Management Practices

Physical inspection of the Technical Committee's storage facility revealed poor records management practices. This was contrary to the Public Archives and Documentation Service Act, Cap 19 and the Directorate of Personnel Management Circular No. DPM.12/6A Vol. I of 12 March, 2008, which require effective management, preservation, and controlled disposal of public records. Records were found stored haphazardly in unsorted and unlabelled boxes, without classification or indexing systems, and many were lying directly on the floor, exposing them to moisture, pests, and physical damage, with visible signs of deterioration such as discoloration noted. Further, the records storage area also lacked basic security controls, including restricted access, fire suppression systems, and environmental monitoring equipment.

In the circumstances, inadequate records management practices and lack of essential controls compromised the security, integrity, and preservation of the Technical Committee's records.

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 controls, 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 the Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Committee's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 December, 2025