



TRANSITION AUTHORITY

**THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA (ICPAK),
FINANCIAL MANAGEMENT AND REPORTING CONFERENCE FOR COUNTIES,
APRIL 24, 2013
SAFARI PARK HOTEL, NAIROBI, 9.00 AM**

THEME: ACCOUNTABILITY AND TRANSPARENCY IN COUNTY GOVERNMENTS

The Chairman ICPAK,

Members of the Council, ICPAK

The Chief Executive Officer, ICPAK, Mrs. Caroline Kigen

Members of the Institute,

Invited Guests

Ladies and Gentlemen,

Fellows and Members of the Institute, Ladies and gentlemen, I take this opportunity to thank you for inviting me to grace this occasion as the Chief Guest. I am especially grateful because you have once again found it fitting to invite me again so soon following the ICPAK Economic Symposium forum that I was privileged to address earlier this year.

ABOUT THE TRANSITION AUTHORITY

Ladies and gentlemen, the Transition Authority is established under section 4 of the Transition to Devolved Government Act, 2012, whose object is to provide a framework for the transition to devolved government pursuant to section 15 of the Sixth Schedule to the Constitution. In this regard, the Transition Authority is therefore a critical institution charged with the responsibility of overseeing the implementation of devolution under the

Constitution through policy and legal advisory, resource mobilization, oversight, capacity building and coordination.

In addition, under section 7 of the Transition to Devolved Government Act, 2012, the Transition Authority is mandated to facilitate the analysis and the phased transfer of the functions provided under the Fourth Schedule to the Constitution to the national and county governments and the analysis to inform policy and legal advisory on the transfer of functions.

For this purpose, the Act further mandates the Transition Authority to develop a framework for the comprehensive and effective transfer of functions as provided for under section 15 of the Sixth Schedule to the Constitution. The Transition Authority is also required to develop the criteria

as may be necessary to determine the transfer of functions from the national to county governments.

Section 15 of the Sixth Schedule to the constitution provides that 'Parliament shall, by legislation, make provision for the phased transfer, over a period of not more than three years from the date of the first election of county assemblies, from the national government to county governments of the functions assigned to them. **Section 23 (2)** of the Transition to Devolved Government Act, 2012 also provides that after the initial transfer of functions, every county government shall make a request in the prescribed manner to the Authority for transfer of other functions in accordance with section 15 of the Sixth Schedule to the Constitution.

In view of these provisions, the Transition Authority has published the functions to be transferred by 1st of July 2013 following the gazettment of functions already transferred in Phase 1 prior to the last election. Counties can now therefore initiate processes that will ensure there is capacity to undertake the functions as provided under the Fourth Schedule to the Constitution, keeping in mind the criteria established under Section 24 of the Transition to Devolved Government Act.

The transfer of functions to the new 47 governments is therefore on course on the road to full devolution within the stipulated three year period.

KEY ACHIEVEMENTS

Ladies and Gentlemen, Kenya's devolution programme, is in all probability one of the most ambitious in the world. This is because we are transferring a substantial amount of power and resources to an entirely new level of government. In one go, Kenya's eight provinces and over 280 districts were replaced by forty-seven brand new counties.

The new two-level system of government introduces a new threshold for investment through counties and is expected to enhance economic growth and service delivery to the citizen. Counties will be entitled to a minimum of 15 per cent of national revenue. This will ensure financial security and independence for counties, and ensures that every county has an equal chance to develop.

Ladies and gentlemen, in order to ensure the integrity of succession by devolved governments, and a smooth transition, the Transition Authority was mandated to oversee the Assumption of Office procedures of the Governors, and facilitation for other elected and appointed leaders in taking up their roles and responsibilities. Our role in this regard included ensuring provision of interim offices, housing, security, relevant legislation and necessary liaison with the Transition Authority Office.

Preceding the swearing-in ceremonies for all 47 counties across the country, the TA had already developed preliminary tools to prepare for county assemblies successful initialization by developing Interim Standing Orders, Speaker's Rules, Oath Books, the Mace, Speakers' Chairs, permanent County Coordinators and Interim County Transition Teams

(CTTs). The interim assembly clerks were seconded to ensure that the first assignment of the county assemblies went on smoothly.

Fellows, Members, Ladies and Gentlemen, as part of its facilitative and capacitating role, the TA has already embarked on induction workshops whose aim is to ensure that all elected leaders of the County Governments are informed and well briefed on the task at hand. For instance, recently, the Transition Authority, in collaboration with the Centre for Parliamentary Studies and Training, the Kenya School of Government and Kenya School of Monetary Studies completed a successful induction workshop for county elected leaders with the support of development partners.

Those participating included Governors, their deputies, speakers of county assemblies and their deputies. We have also conducted induction programmes for county representatives and just this week trained women representatives to the national assembly on gender-based budgeting.

THE FINANCIAL MANAGEMENT AND REPORTING CONFERENCE AND KEY ROLE OF ICPAK

Fellows, Members, Ladies and Gentlemen, I applaud the Institute for finding it fit to hold this extremely timely forum on financial management and reporting to disseminate knowledge and share ideas on the key governance structures that need to be in place in the County governments so as to enable them run smoothly, efficiently and with the highest degree of transparency and accountability.

Through this conference, your members and other stakeholders including members of the public will gain the necessary information needed to enable them hold elected leaders accountable in the way they manage public resources. In this way, we will ensure that accountability is given due consideration and catered for in both the national and county governments. This is because failure to put in place and operationalize accountability and oversight mechanisms is a sure path to disaster insofar as devolution is concerned

This conference also comes at a crucial phase in Kenya's history as we usher in not only a new administration but also the newly devolved governments. It is therefore an excellent opportunity for interaction and networking between government and Kenya's professionals. Through this

engagement, dynamic synergies can accrue leading to convergence of efforts as we seek to accelerate the Kenya Vision 2030 aspirations.

PUBLIC FINANCE UNDER THE DEVOLVED SYSTEM

Ladies and Gentlemen, Article 6 (2) of the Constitution 2010 stipulates that the Governments at the national level and County level are distinct and interdependent. The County and National Governments are bound by the fiscal relationship as determined by the intergovernmental Relations Act, the Public Finance Management Act 2012, and the County Public Finance Management Transition Act.

Consideration must also be made on how resources will be shared as per the formulae developed by CRA and approved by Parliament. Public finance infrastructure changes are therefore a key aspect in county PFM

applications and there is a need for harmonization of the myriad of institutions dealing with public finances. Public participation must also remain a key consideration as stipulated in the Constitution of Kenya 2010.

Key challenges that need to be overcome include (1) misalignment of the medium-term expenditure framework (MTEF) process vis a vis the assigned functions; (2) Costing of functions (3) Harmonization and realignment of constitutional institutions roles; (4) Dealing with outstanding debts and Liabilities; (5) Lack of capacity in planning and budgeting under the devolved system; (6) Underdevelopment of county structures and ability to absorb devolved funds; (7) Competing roles between the two levels of government; (8) Full operationalization of county treasuries; and (9) Resistance to change.

For us to meet these challenges, the integrated financial management system must be properly rolled out at the county level so as to enhance accountability. A single treasury account will hold funds, monitor usage, and ensure that resources are full-proofed by checking on the movement of funds. Proper monitoring of public resources is therefore only possible if financial integration is operational at the county level.

Governors must also be capacitated to become well informed on matters pertaining to the management of county resources and procedures to be followed in implementing the PFM Act. In this regard, and so as to optimally implement financial management at the county level, several manuals and tools will need to be developed to guide county officers. One such tool is a Guidebook on answers to Frequently Asked Questions

for Governors that has already been developed by TA in conjunction with the World Bank. Capacity building of County Treasury staff and induction trainings on the PFM Act has also commenced and is envisioned as a continuous activity.

TA and ICPAK Professionals

Ladies and Gentlemen, I applaud the Institute for working closely with the Transition Authority in the realization of its mandate. The Transition Authority appreciates the role of professional institutes such as ICPAK as change agents, representatives of key industry sectors, advocates for public good, including good governance,³ oversight transparency and accountability. This is the reason that we, as Transitional Authority, are eager to engage effectively with ICPAK in promoting sustainable financial systems in the devolved governments and also participating in some of

the financial management activities I just have alluded to. A strong collaboration also offers numerous opportunities for ICPAK members to form reference groups that can liaise with operational TA committees.

Ladies and Gentlemen, I am glad to report that ICPAK has already been endorsed to be part of our FACT (Functional Analysis Competency Assignment Teams). The role of FACTs is to undertake functional analysis. They will also be part of FAST (Functional Analysis Steering team) team, a high level team, which reviews the work of FACTs. County governments will also be looking toward you for technical and strategic guidance, especially in the areas of planning, budgeting, review of budgets and oversight.

OVERSIGHT AND ASSETS

In terms of oversight, a moratorium on transfer of assets was issued and regulations for the management of transfer of management of assets has also been developed. Data on assets and liabilities of both national government and the former local authorities will be stored in an INTEGRATED NATIONAL and COUNTY ASSET REGISTER (INCAR) Centre to be initially domiciled at the Office of the Auditor General.

Members of ICPAK could contribute to this endeavour by providing technical professional services to augment the Auditor General's undertaking. The Transitional Authority also has an Assets Committee that can greatly benefit from your institute.

CONCLUSION

In conclusion, **Ladies and Gentlemen**, I wish to sincerely thank ICPAK for having worked with the Transition Authority in the recently held Induction Programme for Governors, Speakers, their deputies and County coordination officers. It is indeed gratifying to note that the Institute is staying true to its mandate of promoting accountability and transparency especially at this critical time when we are transiting to the new devolved system. Your valuable input will certainly go a long way in ensuring that we do not end up devolving corruption as a derivative of this process.

Honourable Fellows, Members of the Institute, Ladies and Gentlemen, I now wish to thank all of you for your kind attention, and look forward to our continued collaboration!

KINUTHIA WAMWANGI

Transition Authority
April 24th, 2013