



FINANCIAL REPORTING & MANAGEMENT CONFERENCE FOR COUNTIES

TOPIC

Performance Management in the Counties

Venue : Hilton Hotel, Nairobi

Date : Thursday, 8 May, 2014

Presenter

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(Horwath Erastus & Co.)**

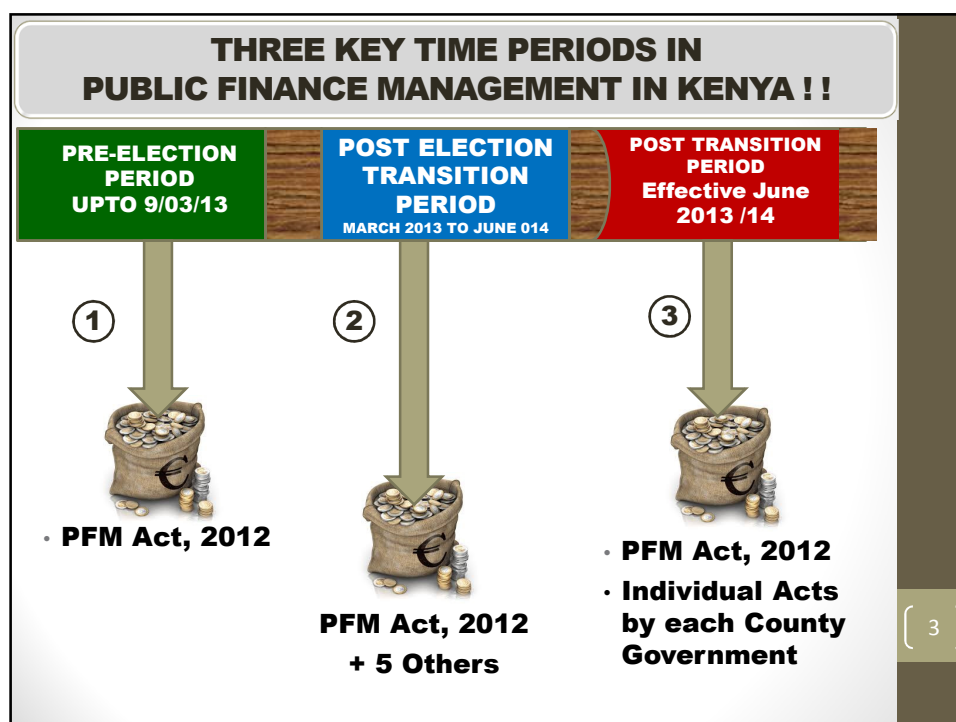
Session - Content

- 1. Overview – Three Key Time Periods in PFM**
- 2. Constitutional Benchmarks & The PFM Act 2012**
- 3. Leadership and Integrity & The Mirror**
- 4. County Treasury**
- 5. Other Key County Level Responsibilities + + +**

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**THREE KEY TIME PERIODS IN
PUBLIC FINANCE MANAGEMENT IN KENYA**

FIVE (5) POST ELECTION PERIOD ACTS

	<u>Act No.</u>
1. County Governments Act	17 of 2012
2. The Transition County Allocation of Revenue Act	6 of 2013
3. The Transition County Appropriation Act	7 of 2013
4. The County Governments Public Finance Management Transition Act	8 of 2013
5. The County Allocation of Revenue Act	34 of 2013

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TRANSITION ACTS

The County Government Act, 2012

1) Provisions - among other things : -

- ☐ To provide for matters necessary or convenient to give effect to Chapter Eleven of the Constitution (Devolved Government)
- ☐ Give effect to the objects and principles of devolution
- ☐ Provide for the removal from Office of the speaker of the County Assembly
- ☐ Provide for the promotion, evaluation and reporting on the compliance by County Public Officers with the values and principles in the Constitution

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Performance Management in the Counties Management of Public Finances

TRANSITION ACTS

2.	The Transition County Allocation of Revenue Act	6 of 2013	14 th January, 2013	25 th January, 2013	30 th June, 2013 EXPIRY
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Object and Purpose of the Act

To provide for the sharing of revenue raised nationally among the county governments –

- a) For wages and administration costs and any other expenses
- b) To facilitate transfer of county allocations from the Consolidated Fund to the relevant County Revenue Fund, for the period March to June, 2013

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Management of Public Finances

TRANSITION ACTS

3.	The Transition County Appropriation Act	7 of 2013	From 25 th January, 2013 to 30 th June, 2013 EXPIRY
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Object and Purpose of the Act

To authorize the issue of a sum of money out of the relevant County Revenue Fund and its application towards the service of the year ending 30th June, 2013



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Management of Public Finances

TRANSITION ACTS

4.	The County Governments Public Finance Management Transition Act	8 of 2013	25 th January, 2013	30 th September, 2013 EXPIRY
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Object and Purpose of the Act

- a) The establishment and composition of Transition County Treasuries;**
- b) The responsibilities of Transition County Treasuries;**
- c) Designation and responsibilities of the Transition County Accounting Officers;**



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Management of Public Finances

TRANSITION ACTS.....Contd

- d) Designation of receivers and collectors of revenue and their responsibilities;**
- e) The transition budget process;**
- f) Budgeting for counties, urban areas and cities and the continuation of revenue raising measures; and**
- g) Deployment of officers before the first elections under the Constitution and the secondment of officers after the establishment of County Governments.**

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Management of Public Finances

TRANSITION ACTS

5.	The County Allocation of Revenue Act	34 of 2013	9 th August, 2013	26 th August, 2013	June, 2014 EXPIRY
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Object and Purpose of the Act

- a) to provide for the division, among the counties, of conditional allocations and equitable share of revenue allocated to the county level of government on the basis determined in accordance with the resolution in force under the Constitution year 2013/14;**
- b) to facilitate the transfer of allocations made to the respective counties from the Consolidated Fund to the respective County Revenue Funds.**

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Performance Management in the Counties Management of Public Finances

Constitutional Basis (Anchor 1)

Article 73 – Responsibilities of Leadership

Authority assigned to a State officer must be exercised in a manner that : -

- ☐ **Brings honour to the nation and dignity to the office;**
- ☐ **Promotes public confidence in the integrity of the office**

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Constitutional Basis (Anchor 2)

Article 75 – Conduct of State Officers - Extract

A State Officer shall behave, whether in public and official life, in private life, or in association with other persons, in a manner that avoids –

- a) any conflict between personal interests and public or official duties**
- b) compromising any public or official interest in favour of a personal interest; or**
- c) demeaning the office the officer holds**

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Constitutional Basis (Anchor 3)

The Public Service [Chapter 13 – 232 (1)]

Values and Principles - include : -

- (a) high standards of professional ethics
- (b) efficient, effective and economic use of resources
- (c) responsive, prompt, effective, impartial and equitable provision of services
- (d) involvement of the people in the process of policy making
- (e) accountability for administrative acts
- (f) transparency and provision to the public of timely accurate information

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Performance Management in the Counties Management of Public Finances

The PFM Act, 2012

Effective Management of public finances by - the national and county governments;

- ☞ ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively and provide for;
- ☞ the responsibilities of persons entrusted with financial management in those governments;
- ☞ matters connected therewith etc.

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Management of Public Finances

Principles and Framework of Public Finance (Cap. 12)

- ❑ **There shall be openness and accountability, including public participation in financial matters;**
- ❑ **The public finance system shall promote an equitable society,**
- ❑ **The burdens and benefits of the use of resources and public borrowing shall be shared equitably between present and future generations**
- ❑ **Public money shall be used in a prudent and responsible way;**
- ❑ **Financial management shall be responsible, and fiscal reporting shall be clear**

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Management of Public Finances

Accountability – PFM Act Requirement :-

The accounting officer shall include in the financial statements –

(a) Appropriation accounts, showing –

- (i) **the services for which the appropriated money spent was voted;**
- (ii) **the amounts actually spent on each service; and**
- (iii) **the status of each Vote compared with the appropriation for the Vote; and**
- (iv) **a statement explaining any variations between the actual expenditure and the sums Voted; and**
- (v) **any other information specified by the County Treasury;**

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Leadership and Integrity

Authority assigned to a state office –

Is a **Public Trust** to be exercised in a manner that –

- Is consistent with the purposes and objects of the constitution of Kenya
- Demonstrates respect for people
- Brings honour to the nation and dignity to the office; and
- Promotes public confidence in the integrity of the office; and

☛ **Vests in the state officer the responsibility to SERVE THE PEOPLE, RATHER THAN THE POWER TO RULE THEM.**

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Performance Management in the Counties

Leadership and Integrity

The guiding principles of leadership and integrity include—

- a) selection on the basis of personal integrity, competence and suitability, or election in free and fair elections;
- b) objectivity and impartiality in decision making, and in ensuring that decisions are not influenced by nepotism, favoritism, other improper motives or corrupt practices;

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Leadership and Integrity

The guiding principles of leadership and integrity include—

- c) selfless service based solely on the public interest, demonstrated by—**
 - (i) honesty in the execution of public duties; and**
 - (ii) the declaration of any personal interest that may conflict with public duties;**
- d) accountability to the public for decisions and actions; and**
- e) discipline and commitment in service to the people.**

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Performance Management in the Counties

County Governments Level

☐ **The Mirror - Conduct of Public Officers**

County Treasury enforce the following fiscal responsibility principles : -

- a) The county Government's recurrent expenditure shall not exceed the county government's total revenue**
- b) Over the medium term a minimum of 30% of the county government's budget shall be allocated to the development expenditure**
- c) The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;**

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Performance Management in the Counties

❑ The Mirror - Conduct of Public Officers

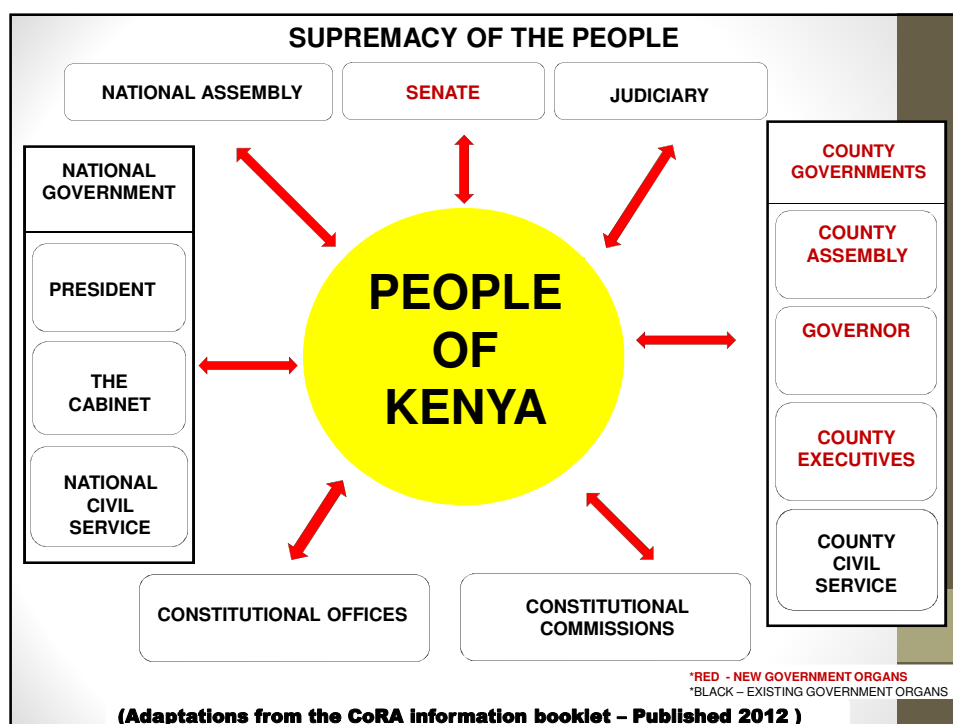
County Treasury enforce the following fiscal responsibility principle : -

- d) Over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure
- e) The county debt shall be maintained at a sustainable level as approved by county assembly;
- f) The fiscal risks shall be managed prudently; and
- g) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained taking into account any tax reforms that may be made in the future

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Performance Management in the Counties (Did You Consider Poverty Levels ?)

HOW DID YOU PERFORM ?

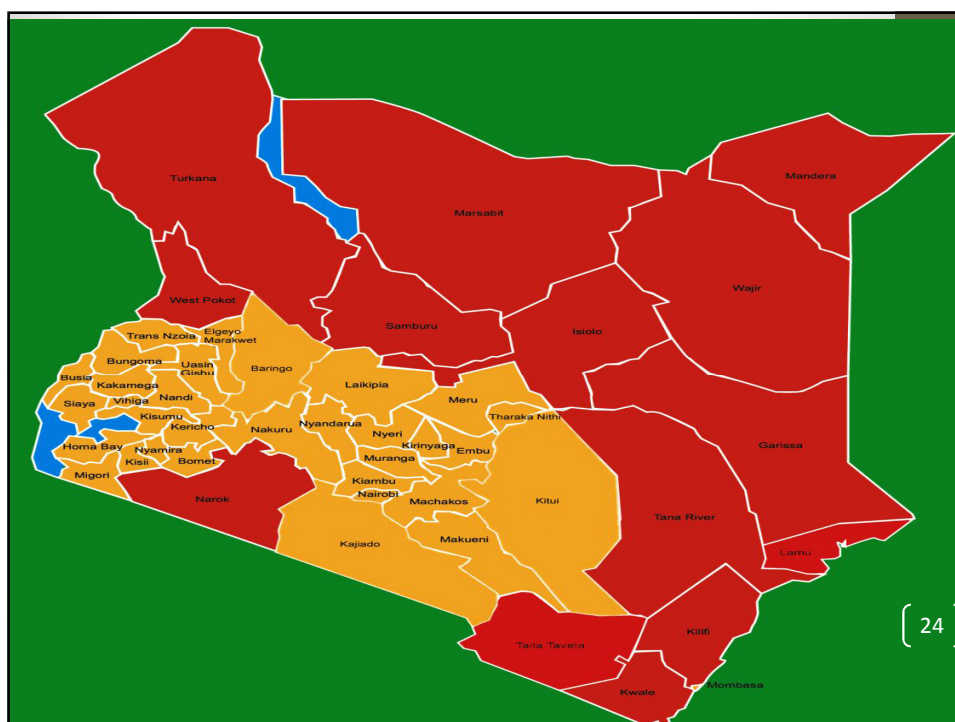
County Map Of Kenya Identifying Marginalized Counties (In Red)

Source : Commission on Revenue Allocation (CoRA)

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Performance Management in the Counties (What Parameters Did You Use ?)

**RECOMMENDED PARAMETERS, WEIGHTS AND AMOUNTS
YEAR 2013 / 2014 – KSHS. 231 BILLION BY CoRA**

PARAMETER	%	KSHS
POPULATION	45%	103,999,950,000
EQUAL SHARE	25%	57,777,750,000
LEVELS OF POVERTY	20%	46,222,200,000
LAND AREA	8%	18,488,880,000
FISCAL RESPONSIBILITY	2%	4,622,220,000
TOTAL	100%	231,111,000,000

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Performance Management in the Counties County Treasury Responsibilities

1. Prepare County Fiscal Strategy Paper (CFSP):-

- **Align the CFSP with the national objectives in the Budget Policy Statement**
- **In preparing the CFSP shall seek and take into account views of the Commission on Revenue Allocation, the public any interested persons or groups and any forum established by legislation**
- **Submit the CFSP to the County Executive Committee for approval then submit the approved CFSP to the **county assembly** by the 28th February each year.**
- **Publish and publicise the CFSP within seven (7) days after it has been submitted to the county assembly**

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Performance Management in the Counties

County Treasury Responsibilities

2. Prepare a County Budget Review and Outlook Paper (CBROP):-

- In respect of the **County** for each **Financial year** specifying:-
 - actual fiscal performance in the previous year compared to the budget appropriation for that year
 - Any changes in the forecasts compared with the County Fiscal Strategy Paper
 - Reasons for any deviations from the financial objectives in the CFSP proposals to address the deviation and time estimated for doing so.
- Submit it to the County Executive Committee (CEC) by **30th September** of the year for approval **within 14 days** after its submission.

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County Treasury Responsibilities

3. Not later than four months after the end of each financial year:-

- (a) submit the financial statements and summaries to the Auditor- General; and
- (b) deliver a copy to the National Treasury, Controller of Budget and the Commission on Revenue Allocation.

4. Not later than one month after the end of each quarter:-

- (a) consolidate the quarterly reports and submit them to the county assembly;
- (b) deliver copies to the Controller of Budget, National Treasury and the Commission on Revenue Allocation; and
- (c) publish and publicise them.

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County Treasury Responsibilities

5. No later than the 30th August of every year, issue budget instructions to the urban areas or cities.
6. A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility and shall not exceed the limits stated in the regulations
7. In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles:-

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County Treasury Responsibilities

- a) the county government's recurrent expenditure shall not exceed the county government's total revenue;
- b) over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
- c) over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
- d) a reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.



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Procurement for County Government Entities

All procurement of goods and services and disposal of assets, required for the purposes of the county government or a county government entity are to be carried out in accordance with

- ☐ **The Constitution**
- ☐ **Public Procurement and Disposals Act.**

➤ **How well have you performed ? Any prisoners ?**

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Performance Management in the Counties

County Executive Committee – Member for Finance

- 1. Approve the County Fiscal Strategy Paper**
- 2. Approve the County Budget Review and Outlook Paper within fourteen (14) days after its submission**
- 3. Prepare the Development Plan in accordance with the format prescribed by regulations and not later than 1st September in each year, submit the Development Plan to the County Assembly for its approval, and send a copy to the Commission on Revenue Allocation and the National Treasury**

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Performance Management in the Counties

County Executive Committee – Member for Finance

- 4. Publish and publicise the Annual Development Plan within seven(7) days after its submission to the County Assembly**
- 5. Manage the budget process for the County**
- 6. Not later than the 30th August in each year, issue a circular setting out guidelines to be followed by all the County Government's entities in the budget process**

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County Executive Committee – Member for Finance

- 7. Submit to the County Executive Committee for its approval:-**
 - **The budget estimates and other documents supporting the budget of the County Government, excluding the County Assembly**
 - **The draft bills at County level required to implement the County Government budget in sufficient time to meet the deadlines**
- 8. Submit to the County Assembly the budget estimates, supporting documents, and any other Bills required to implement the budget, except the Finance Bill, by the 30th April in that year; and ensure that estimates submitted are in accordance with the resolutions adopted by County Assembly on the County Fiscal Strategy Paper**

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Performance Management in the Counties

County Executive Committee – Member for Finance

- 9. Ensure that the budget process is conducted in a manner and within a timeframe sufficient to permit the participants in the process to meet the requirements of the Constitution and PFMA Act**
- 10. Publish and publicise the budget estimates and other documents after they have been submitted to the County Assembly**
- 11. Upon approval of the budget estimates by the County Assembly, prepare and submit a County Appropriation Bill to the County Assembly of the approved estimates**

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Performance Management in the Counties

County Executive Committee – Member for Finance

- 12. Take all reasonably practicable steps to ensure that the approved budget estimates are prepared and published in a form that is clear and easily understood by, and readily accessible to, members of the public**
- 13. Make a pronouncement of the revenue raising measures for the County Government and on the same date submit to the County Assembly the County Finance Bill, setting out the revenue raising measures for the County Government, together with a policy statement expounding on those measures**
- 14. Has authority to execute loan documents for borrowing by the County government**

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County Executive Committee – Member for Finance

15. Shall, in writing, designate Accounting Officers to be responsible for managing the finances of the County Government entities as is specified in the designation

16. Shall, in writing, designate persons to be responsible for collecting, receiving and accounting for such county government revenue as the County Executive Committee member for finance may specify in their letters of designation

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County Executive Committee – Member for Finance

17. May waive a county tax, fee or charge imposed by the county government and its entities in accordance with criteria prescribed in regulations

18. May authorize the Kenya Revenue Authority or appoint a collection agent to be a collector of county government revenue for the purposes of this Part on such terms and conditions as may be agreed in writing in accordance with regulations.

19. Approve a grant or donation from a development partner to an urban area or city

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Cash Flow Projections

- **Not later than 15th June of each financial year, every county Government shall prepare an Annual Cash Flow projection for the County for the next financial year, and submit the Cash Flow Projection to the Controller of Budget with copies to the Intergovernmental Budget and Economic Council and the National Treasury.**

➤ **How well has your County performed so far ?**

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Performance Management in the Counties

Approval of the Finance Bill

- **Not later than **ninety (90) days** after passing the Appropriation Bill, the County Assembly shall consider and approve the Finance Bill with or without amendments**
- **May, on behalf of the County Government, raise a loan for that Government's purposes, only if the loan and the terms and conditions of the loan are set out in writing and are in accordance with:-**
 - **The Constitution;**
 - **The fiscal responsibility principles and the financial objectives of the County Government set out in its most recent County Fiscal Strategy paper; and**
 - **The debt management strategy of the County Government over the medium term**

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Borrowing by County Government Entities

- The County Assembly may authorise short term borrowing by county government entities for cash management purposes only.
- Any such borrowing may not exceed five percent of the most recent Audited revenues of the entity.
- A County Government entity that has any such borrowing shall ensure that the money borrowed is repaid within a year from the date on which it was borrowed.

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Internal Auditing

- A county government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board
- ensure that the arrangements for conducting internal audits in respect of the entity are in accordance with international best practices for internal auditing.
- establish an internal auditing committee whose composition and functions are to be prescribed by the regulations

➤ DO YOU HAVE ONE ALREADY ?

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Urban Areas or City Accounting Officers Responsibilities

- **Immediately inform the County Executive Committee member for finance of any payments due to the urban area or city by a State organ in respect of city or urban area tax, or services, if such payments are regularly in arrears for periods of more than thirty days**
- **In allocating funds - objective criteria to be prescribed in County legislation, may include, among others, adjustments for:-**
 - a) **the proportional population, calculated as the population of the urban area or city divided by the total population of the county;**
 - b) **the relative area, calculated as the area of the urban area or city divided by the total county area;**
 - c) **the relative poverty levels based on objective measures of relative poverty;**

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Urban Areas or City Accounting Officers Responsibilities

- d) **the relative per capita revenue collection estimated as urban area or city per capita revenue collection divided by the County per capita revenue collection;**
- e) **an objective measure to account for price differentials in providing similar services in the urban area and city relative to the rural areas of the county;**
- f) **a minimum amount to ensure effective delivery of essential services and responsibilities assigned to the urban area or city; and**
- g) **incentives to encourage urban areas and cities to exercise prudent financial management as well as transparency and accountability in public financial management.**

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➤ **DO YOU HAVE THOSE STATISTICS ?**

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Responsibilities of Accounting Officers for a County Government Entity

An accounting officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is—

- (a) lawful and authorized; and**
- (b) effective, efficient, economical and transparent.**

An accounting officer shall, in respect of the entity concerned:—

- 1. ensure that the entity keeps financial and accounting records that comply with this Act;**
- 2. Prepare and submit the estimates of an entity, which is a county corporation, to the executive committee member responsible for the entity who, after approving it, shall forward it to the County Executive Committee member for finance;**

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Performance Management in the Counties

Responsibilities of Accounting Officers for a County Government Entity

- 3. not later than three months after the end of each financial year, prepare annual financial statements for that financial year and submit them to the Auditor-General for audit, with a copy to the County Treasury;**
- 4. Not later than three months after the county assembly has adopted a report by a committee of the county assembly with respect to a report submitted by the Controller of Budget shall for each entity for which the officer is designated:—**
 - (a) prepare a report on actions taken by the entity to implement any recommendations made in the committee's report as adopted by the county assembly; and**
 - (b) submit the report to the county assembly with a copy to the County Treasury.**

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Performance Management in the Counties

Responsibilities of Accounting Officers for a County Government Entity

5. may, write off any loss not exceeding an amount, and in circumstances prescribed by regulations for the purposes of this section
6. may with the approval of the County Executive Committee member for finance, write off a loss exceeding the amount prescribed by regulations but not exceeding a further amount, and in circumstances prescribed by the regulations approved by Parliament
7. shall maintain a record of any losses that are written off during a financial year and shall include the record in the entity's financial statements for that year
8. may authorize payment of cash advances to public officers employed in the entity to be used to enable those officers to make payments for the entity or in the course of their duties.

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Performance Management in the Counties

Responsibilities of Accounting Officers for a County Government Entity

9. Within three months after the end of each financial year:-
 - (a) submit the entity's financial statements to the Auditor-General; and
 - (b) deliver a copy of the Statements to the relevant County Treasury, the Controller of Budget, and the Commission on Revenue Allocation
10. Not later than fifteen days after the end of each quarter, **SUBMIT** the quarterly report to the County Treasury.

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Performance Management in the Counties

Receivers of County Government Revenue.

- **Designated by the County Executive Committee member for finance responsible for collecting, receiving and accounting for such County Government revenue as the County Executive Committee member for finance may specify in their letters of designation**
- **Any other public officer, other than a receiver of revenue or collector of revenue for a County Government, who collects revenue for that Government shall, not later than three (3) days after receiving it, deliver the revenue to a receiver or collector of revenue for that county government**
- **A receiver of revenue' for a county government shall provide quarterly statements to the County Treasury with copies to the National Treasury and the Commission on Revenue Allocation**

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Performance Management in the Counties

Receivers of County Government Revenue.

- **At the end of each financial year, prepare an account in respect of the revenue collected, received and recovered by the receiver during that financial year**
- **Not later than three months after the end of the financial year:-**
 - (a) **submit the accounts to the Auditor-General; and**
 - (b) **deliver a copy to the National Treasury, the Controller of Budget, County Treasury, and the Commission on Revenue Allocation.**
- **Not later than two months after the end of each financial year, submit to a county assembly a report with respect to all waivers and variations of taxes, fees or charges granted by the receiver during that year**

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Performance Management in the Counties

Administrators of County Public Funds

- **prepare Financial Statements for the fund for each Financial Year**
- **Not later than three months after the end of each Financial Year, submit the Financial Statements to the Auditor General**
- **Prepare quarterly Financial Statements for the fund in a form prescribed by the Accounting Standards Board**
- **Not later than fifteen days after the end of each quarter, submit the quarterly report to the County Treasury and a copy to the Controller of Budget**

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Performance Management in the Counties

Emergency Fund

- **The purpose of an Emergency Fund is to enable payments to be made in respect of a county when an urgent and unforeseen need for expenditure for which there is no specific legislative authority arises.**
- **The County Executive Committee member for finance shall seek approval of the county assembly within two months after payment is made from the Emergency Fund.**

➤ **HAS THIS HAPPENED ?**

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Performance Management in the Counties County Government

- A county government may, with the approval of its County Assembly, deviate from the financial objectives in the relevant County Fiscal Strategy Paper , but only on a temporary basis and only if the deviation is required because of a major natural disaster or some other significant unforeseen event

How Well Have You Performed ? !

How Well ? !

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