

# **THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA** **(ICPAK)**

## **PUBLIC FINANCE MANAGEMENT FOR AFRICA**

**TOPIC: OVERSIGHT INSTITUTIONS; THE ROLE OF AFRICAN LEGISLATURES IN  
ASSURING SOUND PUBLIC FINANCIAL MANAGEMENT**

**A PRESENTATION BY:**

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## I): INTRODUCTION

- ❖ **History of Parliament:** In 1215, the tenants-in-chief secured Magna Carta from King John, which established that the King may not levy or collect any taxes (except the feudal taxes to which they were hitherto accustomed), save with the consent of his Royal Council, which gradually developed into a Parliament
- ❖ **Magna Carta**, although largely a peace treaty, is generally regarded as the foundation of modern constitutions and constitutionalism.
- ❖ The phrase, “Taxation Without Representation is Tyranny” is attributed to James Otis (1761) and reflected the resentment of American Colonists at being taxed by a British Parliament to which they elected no representatives and became a popular anti-British Slogan before the American Revolution.
- ❖ This phrase, whose other popular version include “No Taxation Without Representation”, cements the place of Parliament in making laws governing taxation through the elected representatives.
- ❖ The Constitution of Kenya, 2010, empowers Parliament to impose tax under article 210(1) where it expressly provides that “*No tax or licensing fee may be imposed, waived or varied except as provided by legislation*”

❖ **The Principles of Public Finance are set out under Article 201 of the Constitution and include:-**

- **Openness; accountability; and public participation**
- **Promotion of an equitable society which shall include:-**
  - **Fair sharing of the burden of taxation**
  - **Equitable sharing of revenue raised nationally between national and county governments**
  - **Expenditure to promote equitable development of the country, and must make provisions for marginalized groups and areas**
- **The burdens and benefits of the use of resources and public borrowing to be shared equitably between present/future generations**
- **Prudent and responsible use of public money**
- **Responsible financial management and clarity in fiscal reporting**

- ❖ **Articles 202 and 203 provide for Equitable Sharing of National Revenue and Equitable Share and other financial laws, respectively**
- ❖ **Article 206 provides for Consolidated and Other Public Funds**
- ❖ **Articles 210 and 211 provide for Imposition of Tax and Borrowing by National Government, Respectively**
- ❖ **Article 214 provides for Public debt**
- ❖ **Articles 220, 221, 222 and 223 provide for budgeting and spending and include:-**
  - **Form, Content and Timing of Budgets**
  - **Budget Estimates and Annual Appropriation Bill**
  - **Expenditure before Annual Budget is passed**
  - **Supplementary Appropriation**

❖ **Articles 225 and 226 provide for**

- **Financial Control**
- **Accounts and Audit of Public Funds**

❖ **Article 227 provides for Procurement of Public Goods and Services, while Articles 228 and 229 provide for the offices of the Controller of Budget, and Auditor-General respectively**

❖ **Article 231 provides for the establishment of The Central Bank of Kenya**

**In broad terms, AFROPAC seeks to get African countries to work together to ensure that public funds are properly administered by governments for the benefit of the citizenry through its motto “With Accountability, Transparency and value for money, we can build our Continent” by fulfilling the following aims and objectives:-**

- i. Promote Good Governance, Accountability and Transparency in the continent**
- ii. Encourage and strengthen the relations among the Parliamentary Oversight Committees in the continent**
- iii. Promote free flow of information particularly amongst Parliamentary Oversight Committees in the continent in order to enhance public sector accountability.**

During its launch in Arusha, Tanzania, Kenya was elected to serve as the secretariat to the AFROPAC.

This paper will cover the above topic under the following sub-headings:-

- ❖ Overall role of legislatures in ensuring equitable allocation of resources (budgeting).
- ❖ Look at ex-ante oversight function and ex-post function of parliaments in budgeting.
- ❖ Parliament's role under the Public Finance Management Act 2012 (section 7 and 8 of the PFM Act) - a case for Kenya.
- ❖ Parliament's role in taxation related matters - approval of tax laws, tax targets and forecasts.
- ❖ Role of the legislature in holding the executive to account for any expenditures.
- ❖ Public Accounts Committee/Public Investment Committee's role in reviewing Auditor General/Controller of Budget reports and recommending action.
- ❖ Recommendations.
- ❖ Conclusion.

## **II): OVERALL ROLE OF LEGISLATURES IN ENSURING EQUITABLE ALLOCATION OF RESOURCES (BUDGETING)**

Woodrow Wilson The 28th President of the United States of America underscored the significance of legislative oversight as a tool in monitoring Government activities in 1885 when he stated: *"There is some scandal and discomfort, but infinite advantage, in having every affair of administration subjected to the test of constant examination on the part of the assembly which represents the nation ... Quite as important as legislation is the vigilant of administration."*

Article 94(5) of the Constitution of Kenya, 2010, provides that:

No person or body, other than Parliament, has the power to make provision having the force of law in Kenya except under authority conferred by this Constitution or legislation.

Article 95 of the Constitution Defines the Role of The National Assembly as follows:-

1. The National Assembly deliberates on and resolves issues of concern to the people.
2. The National Assembly:-
  - a) Determines the allocation of national revenue between the levels of government, as provided in Part 4 of Chapter Twelve;
  - b) Appropriates funds for expenditure by the national government and other national State organs; and
  - c) Exercises oversight over national revenue and its expenditure.

**Article 96 defines the role of Senate which includes:-**

- ❖ **Representation of counties**
- ❖ **Law making**
- ❖ **Determination of allocation of revenues among counties.**

**Part II (Section 7) of the Public Finance Act, 2012, provides for Parliamentary Oversight of National Finances by assigning following responsibilities to the Committees of Parliament:-**

- a) Discuss and review the Budget Policy Statement and budget estimates and make recommendations to the National Assembly;**
- b) Provide general direction on budgetary matters;**
- c) Monitor all budgetary matters falling within competence of the National Assembly under this Act and report on those matters to the National Assembly;**

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- d. Monitor adherence by Parliament, the Judiciary and the national government and its entities to the principles of public finance and others set out in the Constitution, and to the fiscal responsibility principles of this Act;**
- e. Review the Division of Revenue Bill presented to Parliament and ensure that it reflects the principles under Articles 187(2)(a), 201 and 203 of the Constitution;**
- f. Examine financial statements and other documents submitted to the National Assembly under Part III of this Act and make recommendations to the National Assembly for improving the management of Kenya's public finances;**
- g. In accordance with Articles 114, 218 and 221 of the Constitution –**
  - i. make recommendations to the National Assembly on “money bills”, after taking into account the views of the Cabinet Secretary;**
  - ii. table in the National Assembly a report containing the views of the Cabinet Secretary in sub-paragraph (i); and**
- h. Introduce the Appropriations Bill in the National Assembly.**

**Further, Section 9 of the Above Act establishes the Parliamentary Budget Office which, among others, discharges a wide range of functions as will be seen later in this presentation.**

**Section 25 of the PFM Act requires The National Treasury to prepare and submit to Cabinet The Budget Policy Statement (BPS) for approval. In turn, the BPS must be presented to, and approved by, Parliament by the 15th February in each year.**

**In addition Section 26 of the Act requires the National Treasury to prepare Budget Review and Outlook Paper (BROP) which must be submitted to Cabinet by 30th September of each Financial year. In turn the BROP must be presented to the budget committee of the National Assembly to be laid before each House of Parliament not later than 7 days after being approved by the Cabinet.**

**The budget making process for the National Government in any Financial Year therefore comprises the following stages:-**

- a) integrated development planning process which shall include both long term and medium term planning;**
- b) planning and determining financial and economic policies and priorities at the national level over the medium term;**
- c) preparing overall estimates in the form of the Budget Policy Statement of national government revenues and expenditures;**

- d) adoption of Budget Policy Statement by Parliament as a basis for future deliberations;**
  - e) preparing budget estimates for the national government;**
  - f) submitting those estimates to the National Assembly for approval;**
  - g) enacting the appropriation Bill and any other Bills required to implement the National government's budgetary proposals;**
  - h) implementing the approved budget;**
  - i) evaluating and accounting for, the national government's budgeted revenues and expenditures; and**
  - j) reviewing and reporting on those budgeted revenues and expenditures every three months.**
- 1. The Cabinet Secretary shall, within a period allowing time to meet the deadlines specified in this section, submit to the Cabinet for its approval:-**
- a) the budget estimates and other documents supporting the budget; and**

**b) the draft Bills required to implement the national budget.**

**2. The Cabinet Secretary shall submit to the National Assembly, by the 30th April in that year, the following documents:-**

**a) the budget estimates excluding those for Parliament and the Judiciary;**

**b) documents supporting the submitted estimates; and**

**c) any other Bills required to implement the national government budget**

**3. The accounting officers for the Parliamentary Services Commission shall, not later than the 30th April in each financial year:-**

**a) submit to the National Assembly the budget estimates for Parliament, including proposed appropriations; and**

**b) provide the National Treasury with a copy of those documents.**

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- 4. The Chief Registrar of the Judiciary shall, not later than the 30th April in each financial year:-**
  - a) submit to the National Assembly the budget estimates for the Judiciary, including proposed appropriations; and**
  - b) provide the National Treasury with a copy of those documents.**
- 5. The Cabinet Secretary shall submit to the National Assembly not later than the 15th May any comments of the National Treasury on the budgets proposed by the Parliamentary Service Commission and the Chief Registrar for the Judiciary.**
- 6. The Cabinet Secretary shall ensure that the budget process is conducted in a manner and within a time frame sufficient to permit the various participants in the process to comply with the requirements of the Constitution and this Act.**

**Submission of other budget documents to the National Assembly:**

- 1. The Cabinet Secretary shall submit to the National Assembly the following other budget documents for each financial year:-**
  - a) a budget summary**

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- a) a budget summary**
  - b) the format of the budget estimates**
- 2. The nature of information that is to be presented in the budget estimates and the form of its presentation shall be prescribed in regulations and the regulations shall be tabled in Parliament for approval.**
- 3. The Cabinet Secretary shall ensure that the expenditure appropriations and the budget estimates in an appropriation Bill are presented in a way that:-**
  - a) is accurate, precise, informative and pertinent to budget issues; and**
  - b) clearly identifies the appropriations by vote and programme.**

**National Assembly to consider budget estimates**

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- 1) The National Assembly shall consider the budget estimates of the national government, including those of Parliament and the Judiciary**
- 2) Before the National Assembly considers the estimates of revenue and expenditure, the relevant committee of the National Assembly shall discuss and review the estimates**
- 3) The National Assembly may amend the budget estimates of the national government only in accordance with the Division of Revenue Act and the resolutions adopted with regard to the Budget Policy Statement ensuring that:-**
  - a) an increase in expenditure in a proposed appropriation is balanced by a reduction in expenditure in another proposed appropriation; or**
  - b) a proposed reduction in expenditure is used to reduce the deficit.**
- 4) Following approval of the budget estimates under this section, and before the Appropriation Act is assented to, the National Assembly may authorise withdrawals in accordance with Article 222 of the Constitution, and such authority shall be communicated to the Cabinet Secretary responsible for finance by the Speaker of the National Assembly within seven days of that authority being granted by the National Assembly.**

**Submission and consideration of budget policy highlights and the Finance Bill in the National Assembly:**

- 1) Each financial year, the Cabinet Secretary shall, with the approval of Cabinet, make a public pronouncement of the budget policy highlights and revenue raising measures for the national government.**
- 2) In making the pronouncement under subsection (1), the Cabinet Secretary shall take into account any regional or international agreements that Kenya has ratified**
- 3) On the same date that the budget policy highlights and revenue raising measures are pronounced, the Cabinet Secretary shall submit to Parliament a legislative proposal**
- 4) Following the submission of the legislative proposal of the Cabinet Secretary, the relevant committee of the National Assembly shall introduce a Finance bill in the National Assembly.**
- 5) Any of the recommendations made by the relevant committee of the National Assembly or adopted by the National Assembly on revenue matters shall:-**
  - a) ensure that the total amount of revenue raised is consistent with the approved fiscal framework and the Division of Revenue Act;**

- a) ensure that the total amount of revenue raised is consistent with the approved fiscal framework and the Division of Revenue Act;**
- b) take into account the principles of equity, certainty and ease of collection;**
- c) consider the impact of the proposed changes on the composition of the tax revenue with reference to the direct and indirect taxes;**
- d) consider domestic, regional and international tax trends;**
- e) consider the impact on development, investment, employment and economic growth;**
- f) take into account the recommendations of the Cabinet Secretary as provided under Article 114 of the Constitution; and**
- g) take into account the taxation and other tariff agreements and obligations that Kenya has ratified, including taxation and tariff agreements under the East African Community Treaty.**

- 6) The recommendations of the Cabinet Secretary in subsection (5)(f) shall be included in the report and tabled in the National Assembly.**

### **Passing of the Finance Bill**

**Not later than ninety days after passing the Appropriation Bill, the National Assembly shall consider and approve the Finance Bill with or without amendments.**

### **Consideration by Parliament of Division of Revenue and County Allocation of Revenue Bills**

**Parliament shall consider the Division of Revenue and County Allocation of Revenue Bills not later than thirty days after the Bills have been introduced with a view to approving them, with or without amendments.**

**\* \* \* \***

**Without Parliament, therefore, it can not be possible to design the budget and pass the necessary legislations for equitable sharing, sectoral allocations and revenue raising for financing of the budget proposals.**

### **III) EX-ANTE AND EX-POST OVERSIGHT FUNCTIONS OF PARLIAMENT IN BUDGETING**

- 1. The budget making process in Kenya includes ex-ante and ex-post oversight by Parliament. Parliaments undertake its oversight function in two ways: they oversee the preparation of a budget (ex-ante budget oversight); and oversee the execution and the implementation of the budget (ex post budget oversight).**
  - i. Ex-Ante Factors in Budgeting Making Process:**
- 2. The budget making process (or Public Finance Cycle) entails four critical steps namely: (i) budget drafting/policy making or budget design; (ii) budgeting legislation; (iii) budget implementation or execution; and (iv) budget auditing and reporting.**
- 3. Some of the Ex-ante oversight tools available for MPs include:**
  - a) Public Hearings**
  - b) Budget Vote/Power of the Purse**

**c) Debates and Questions**

**d) Committee Investigations:** - The National Assembly discharge its functions through the Committees Systems including the watchdog Committees namely Public Accounts Committee (PAC), Public Investments Committee (PIC), and the recently established Special Funds Accounts Committee (SFAC).

**ii. Ex-Post Factors in Budgeting Making Process:**

**4.** The ex-post oversight refers to the backward-looking evaluation of budget to consider whether they have conformed to their stipulated objectives, and whether their costs and benefits have significantly deviated from their original outlays, and whether the public got value for money.

The main ex-post oversight tools available to MPs include: the Auditor-General, Parliamentary Budget Office (PBO), PAC, PIC and SFAC. Others include Committee hearings; Hearings in plenary; Commissions of inquiries, Questions and Answers.

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- 5. The powers and functions of PACs and other watchdog Committees include: Ex-post scrutiny/examination of audited public accounts by the Auditor-General; Special investigations/inquiries; Power to summon witnesses and cause production of evidence as provided for in Article 125 of the CoK, 2010; Unconditional access to all public expenditures information; Focus on Value for money criteria; Power to refer issues of concern to the Auditor General ; and Use of Auditor General's reports as their primary source of information.**
- 6. The following are some of the institutional success factors necessary for PACs and other oversight Committees:-**

  - a) The size and composition of a committee**
  - b) The Chairperson**
  - c) Mandate and Scope**

**iii. Challenges Encountered PAC and Other Oversight Committees:**

**7. Some of the challenges faced by PAC and other oversight Committees in the course of carrying out their mandate include:-**

- a) Reluctance and inordinate delays by some Accounting Officers and even Cabinet Secretaries to honour the Committee's invitations to meetings. PACs programs have been disrupted and frustrated by some Accounting Officers' constant abrupt requests to reschedule meetings.**
- b) Tracking of the implementation status of Parliamentary Committee Reports**
- c) Delay in appointment of Members of the Board of State Corporations and substantive Chief Executive Officers of State Corporations: This delay puts in jeopardy the running of the State Corporations and delayed crucial decisions especially on matters that require Board approvals. It has also resulted in management implementing decisions without Board approval, and hence unlawful.**
- d) Adherence of State Corporations to Treasury Circulars**
- e) Very little focus on Performance-Based Budgeting/Performance Auditing**

## **IV) PARLIAMENT'S ROLE UNDER SECTIONS 7 & 8 OF THE PUBLIC FINANCE MANAGEMENT (PFM) ACT, 2012**

The responsibilities of the Committees of Parliament are covered under Sections 7 & 8 of the PFM At 2012. The responsibilities take account of the fact that Kenya has two levels of Government, namely National and County Governments.

### **a) Responsibilities of the National Assembly Budget Committee**

The committee of the National Assembly established to deal with budgetary matters has responsibility for the following matters, in addition to the functions set out in the Standing Orders:-

- ❖ Discuss and review the Budget Policy Statement and budget estimates and make recommendations to the National Assembly;
- ❖ Provide general direction on budgetary matters;

- ❖ **Monitor all budgetary matters falling within competence of the National Assembly under this Act and report on those matters to the National Assembly;**
- ❖ **Monitor adherence by Parliament, the Judiciary and the national government and its entities to the principles of public finance and others set out in the Constitution, and to the fiscal responsibility principles of this Act;**
- ❖ **Review the Division of Revenue Bill presented to Parliament and ensure that it reflects the principles under Articles 187(2)(a), 201 and 203 of the Constitution;**
- ❖ **Examine financial statements and other documents submitted to the National Assembly under Part III of this Act and make recommendations to the National Assembly for improving the management of Kenya's public finances;**
- ❖ **In accordance with Articles 114, 218 and 221 of the Constitution –**
  - **make recommendations to the National Assembly on “money bills”, after taking into account the views of the Cabinet Secretary;**
  - **table in the National Assembly a report containing the views of the Cabinet Secretary in sub-paragraph (i); and**

- **Introduce the Appropriations Bill in the National Assembly.**

## **b) Responsibilities of Senate Budget Committee**

**The Committee of the Senate established to deal with budgetary and financial matters has responsibilities for the following matters, in addition to the functions set out in the Standing Orders:-**

- ❖ **present to the Senate, subject to the exceptions in the Constitution, the proposal for the basis of allocating revenue among the Counties and consider any bill dealing with county financial matters;**
- ❖ **review the County Allocation of Revenue Bill and the Division of Revenue Bill in accordance with Article 218(1)(b) of the Constitution at least two months before the end of the financial year;**
- ❖ **examine financial statements and other documents submitted to the Senate under Part IV of this Act, and make recommendations to the Senate for improving the management of government's public finances; and**
- ❖ **monitor adherence by the Senate to the principles of public finance set out in the Constitution, and to the fiscal responsibility principles of this Act.**

- In carrying out its functions under subsection (1)(a) and (b), the Committee shall consider recommendations from the Commission on Revenue Allocation, County Executive Committee member responsible for finance, the Intergovernmental Budget and Economic Council, the public and any other interested persons or groups.

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## **V) PARLIAMENT'S ROLE IN TAXATION RELATED MATTERS:**

Parliament, through the National Assembly approves the Finance Bill, which outlines measures the Government intend to take to raise revenue for Financing the Budget.

It's for this reason that Parliament, through the Parliamentary Budget Office (BPO) undertakes alternative forecasts based on the realities of the economy. The BPO relies on tax forecasting models, and usually their forecasts tend to be more conservative and realistic.

These forecasts are based on:-

- ❖ Providing professional services in respect of budget, finance, and economic information to the committees of Parliament;
- ❖ Preparing reports on budgetary projections and economic forecasts and making proposals to Committees of Parliament responsible for budgetary matters;
- ❖ Preparing detailed analyses of specific issues, including financial risks posed by Government policies and activities to guide Parliament;

- ❖ **Considering budget proposals and economic trends and making recommendations to the relevant committee of Parliament with respect to those proposals and trends;**
- ❖ **Establishing and fostering relationships with the National Treasury, county treasuries and other national and international organizations, with an interest in budgetary and socio-economic matters as it considers appropriate for the efficient and effective performance of its functions;**
- ❖ **Subject to Article 35 of the Constitution, ensuring that all reports and other documents produced by the Parliamentary Budget Office are prepared, published and publicized not later than fourteen days after production; and**
- ❖ **Reporting to the relevant committees of Parliament on any Bill that is submitted to Parliament that has an economic and financial impact, making reference to the fiscal responsibility principles and to the financial objectives set out in the relevant Budget Policy Statement; and**
- ❖ **Proposing, where necessary, alternative fiscal framework in respect of any financial year.**

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## **(VI) PARLIAMENTARY OVERSIGHT – The Role of PACs and PICs**

Parliaments have the responsibility to ensure that accountability and openness of government through oversight of activities of the executive and its auxiliary bodies, in order to curb misuse of public funds, corruption and effect good practices.

Parliaments also have the power of the purse and the mandate to scrutinize the utilization of public finances and ensure financial accountability.

The Public Accounts Committees (PACs) and Public Investment Committees (PICs) are central to ensuring efficiency, transparency and accountability of executive institutions in the use of public funds. Essentially, the work of the committees is to systematically sustain scrutiny of the executive and other arms of government, ensuring government accountability and transparency. While PACs provide Parliamentary Oversight over Ministries, Departments and Agencies of Government (MDAs), PICs provide Oversight over Semi-Autonomous Government Agencies (or SAGAs).

In Kenyan parliament, Public Accounts Committee (PAC) mandate is derived from the National Assembly standing orders which states PAC shall among others:

- ❖ Be responsible for examination of the accounts showing the appropriations of the sum accounts voted by the House to meet the public expenditure and as such other accounts laid before the house as the Committee may think fit.
- ❖ Consist of a chairperson and vice-chairperson who shall be members of the Committee from amongst the members of the Committee nominated from the minority party or coalition of parties, and not more than fifteen other members.
- ❖ Have the majority party or coalition of the parties shall have a majority of one.
- ❖ Serve for the full term of Parliament, upon being constituted following the general elections

On the other hand, PIC shall, among others:-

Be responsible for the working of public investments.

- ❖ Consist of a chairperson and vice-chairperson who shall be members of the Committee from amongst the members of the Committee nominated from the minority party or coalition of parties, and not more than fifteen other members.
- ❖ Have the majority party or coalition of the parties shall have a majority of one.
- ❖ Serve for the full term of Parliament, upon being constituted following the general elections

## **VII) ROLES AND OBJECTIVES OF AUDITING IN GOVERNANCE, TRANSPARENCY AND ACCOUNTABILITY**

- ❖ Auditing is the Basis for allocating resources in the public sector.
- ❖ Measure of performance in government is done using the audit reports of the different ministries and departments.
- ❖ Audit reports can be used as Evidence in prosecution and addressing impropriety.
- ❖ Audit is crucial in Assessing impact of development in government institutions.
- ❖ Ensure that the interest of the public is protected by ensuring that public funds are prudently used and accounted for.
- ❖ Detecting and preventing abuse, arbitrary behavior, or illegal and unconstitutional conduct on the part of the government and public agencies.
- ❖ Facilitates holding of the government to account in respect of how the taxpayers' money is used.

- ❖ **Facilitates holding of the government to account in respect of how the taxpayers' money is used.**
- ❖ **It detects waste within the machinery of government and public agencies. Thus it can improve the efficiency, economy and effectiveness of government operations.**
- ❖ **Confirms if policies announced by the government and authorized by parliament are actually delivered.**



## **VIII) CHALLENGES OF AUDITING AND OVERSIGHT IN IMPROVING TRANSPARENCY AND ACCOUNTABILITY**

- ❖ Lack of legal framework to facilitate and compel access to information and give members capacity to demand documentation and conduct enquiries that reach the heart of Government.
- ❖ National Audit Institutions suffer from insufficient capacity to attract and retain qualified staff due to low budgetary allocation, hence comparatively low wages and salaries.
- ❖ Huge Audit backlogs that make it difficult to conduct regular, surprise checks on Government organizations. Hence pre-emptive auditing becomes difficult.
- ❖ Evidence of widespread and pervasive corruption reported year after year and misuse of public funds makes it difficult for the Committee to assure the public that public resources are effectively and efficiently utilized.
- ❖ Parliament usually lacks the requisite technical capacity among MPs to scrutinize and interrogate audit reports as presented by the Auditor General and Controller of Budget to inform further remedial action and mitigate on the audit findings.

- ❖ The audit reports are from the past years making it hard for the PACs and PICs to make objective decisions and recommendations due to dynamic operating environment.
- ❖ Recommendations made by parliament on Audit reports in most cases are not implemented.
- ❖ Complementary bodies, such as the office of the Director of Criminal Investigations, the Director of Public Prosecutions, The Ethics and Anti-Corruption Commission (and even The National Treasury itself) usually take too long to conclude matters.
- ❖ Most Accounting Officers (especially those who enjoy higher levels of patronage and protection within the Executive arm of Government) are not that ready to account for the use of public funds.
- ❖ Most PACs and PICs operate within a limited budget
- ❖ Often times MDA's hide under "Confidential"/"Security" undertakings to side-step responsibility for deeper scrutiny by Parliament and audit queries. It should be noted that whereas the government may need to undertake their Confidential/Security expenditure from time to time, all the funds for such purposes are public funds. An accountability framework for such funds is therefore important.

After all, as the late Baroness Margret Thatcher once said, “Let us never forget this fundamental truth: the State has no source of money other than money which people earn themselves. If the State wishes to spend more it can do so only by borrowing your savings or by taxing you more. It is no good thinking that someone else will pay. That “someone else” is you. There is no such thing as public money; there is only taxpayers’ money.

Prosperity will not come by more and more lavish public expenditure programmes. You do not grow richer by ordering another cheque-book from the Bank. No nation ever grew more prosperous by taxing its citizens beyond their capacity to pay. We have a duty to make sure that every penny piece we raise in taxation is spent wisely and well”.

❖ **Other Challenges, as seen earlier include:-**

- **Tracking of the Implementation Status of Parliamentary Committee Reports**
- **Delays in the appointment of Boards and substantive Chief Executive Officers of the State Corporations**
- **Failure by State Corporations to adhere to Treasury Circulars**
- **Failure to Focus on Performance-Based Budgeting/Auditing.**

## **IX) RECOMMENDATIONS**

**Based on the above, the following recommendations are suggested to make the Public Finance environment more effective and responsive to the needs of the citizenry:**

- **Strict adherence to professional Code of Ethics for auditors.**
- **Empower Parliament through continuous training and secondment of highly trained researchers with sufficient technical skills.**
- **Encourage the establishment of quality assurance units within Parliament and National Audit institutions such as the Kenya National Audit Office.**
- **Ensure access to Management Information systems to facilitate timely efficient sharing of information between Parliament and other stakeholders.**
- **Ensure true Independence of Audit and Financial Oversight Institutions by building sufficient capacity and providing the necessary legal framework.**

- ❖ **Ensure that Auditors have the power to authorize all revenues including expenditures by Ministries and programs and any executive decrees should be carefully circumscribed and require subsequent parliamentary review and approval.**
- ❖ **Establish, as required, procedures for the approval of budgets and reports on actual expenditures and results;**
- ❖ **Parliament should provide in its budget the services of professional staff with requisite qualifications and technical skills to assist it in its plenary and committee duties;**
- ❖ **Auditing of government entities to embrace participatory audit process where all stakeholders are involved to create ownership of findings and enhance adoption of recommendations thereof.**
- ❖ **PACs and PICs Members and support staff should continuously be capacitated on effective oversight.**
- ❖ **PACs and PICs need to be allocated with enough resources to enable the Committees to effectively execute their functions.**
- ❖ **Departments and public entities need to take the work of the PACs and PICs seriously. Documents submitted late by Accounting Officers should not be considered by the Committee. PAC and PIC reports should be used as materials for civil/criminal prosecution.**

- ❖ **The Auditor General's reports should be used as materials for civil/criminal prosecution.**
- ❖ **Audit reports should inform subsequent year's allocations for MDAs, particularly with regard to budget absorption capacities for MDAs. It has been observed in cases where MDAs receive more than their absorption capacities, serious wastages and misuse of funds do occur**



## **X) CONCLUSION**

**The principles of good governance, transparency and accountability, fairness and equity, efficiency and effectiveness, respect for the rule of law and high standards of ethical behaviour represent the basis upon which to build open and accountable government.**

**The ultimate responsibility for good governance and accountability lies with parliamentarians and elected officials at National and County/state levels. Parliamentary oversight of the state purse is very crucial especially at performance reporting and audit Systems.**

**The Vision 2030 for financial services is to have a vibrant and globally competitive financial sector driving high-levels of savings and financing Kenya's investments needs. It is therefore important that Parliamentary Oversight and Internal Audit functions be an integral part of Public Financial Management Reforms in Ministries, Departments, Agencies, SAGAs and counties to enable the country achieve her development goals. Corruption and misappropriation of government funds in ministries, departments, agencies, SAGAs and counties is a major hindrance to the achievement of vision 2030.**

# **THANK YOU**

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