

PUBLIC FINANCE MANAGEMENT WORKSHOP

Budget Monitoring and Reporting – Missed Steps

**TAKE CARE OF THIS DURING YOUR
CAREER...AND BE CAREFUL NOT TO DROP
IT!**



LEARNING OBJECTIVES



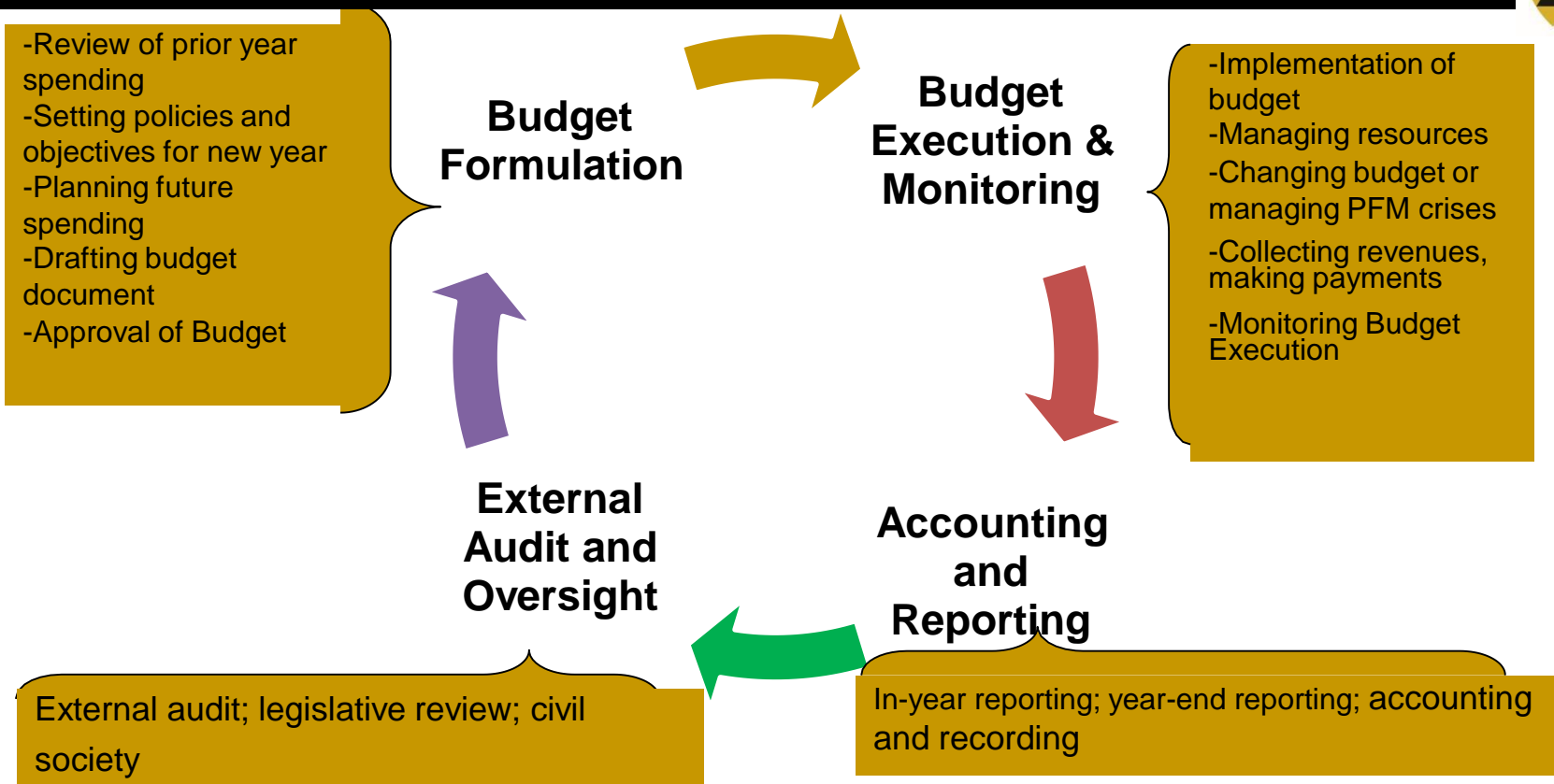
Explore the
Budget
Making
Process

Review Budget
Monitoring &
Reporting in Kenya

Discuss the Missed
Steps in Budget
Monitoring &
Reporting in Kenya

Recommend
Way Forwards in
Budget
Monitoring &
Reporting

BASIC BUDGET MAKING CYCLE



Article 201 of the Constitution

Openness

Accountability

Prudent and
responsible use of
public funds

Public participation

Responsible financial
management and
clear fiscal reporting

Budgetary Process



Budget Formulation

The executive formulates the draft budget

Budget Approval:

The Legislature reviews and amends the budget and then enacts it into law

Budget Execution:

The executive collects revenues and spends money as per the allocations made in the budget law

Budget Oversight:

The budget accounts are audited and audit findings are reviewed by the Legislature which requires action to be taken by the Executive to correct audit findings

Principles of Good Governance

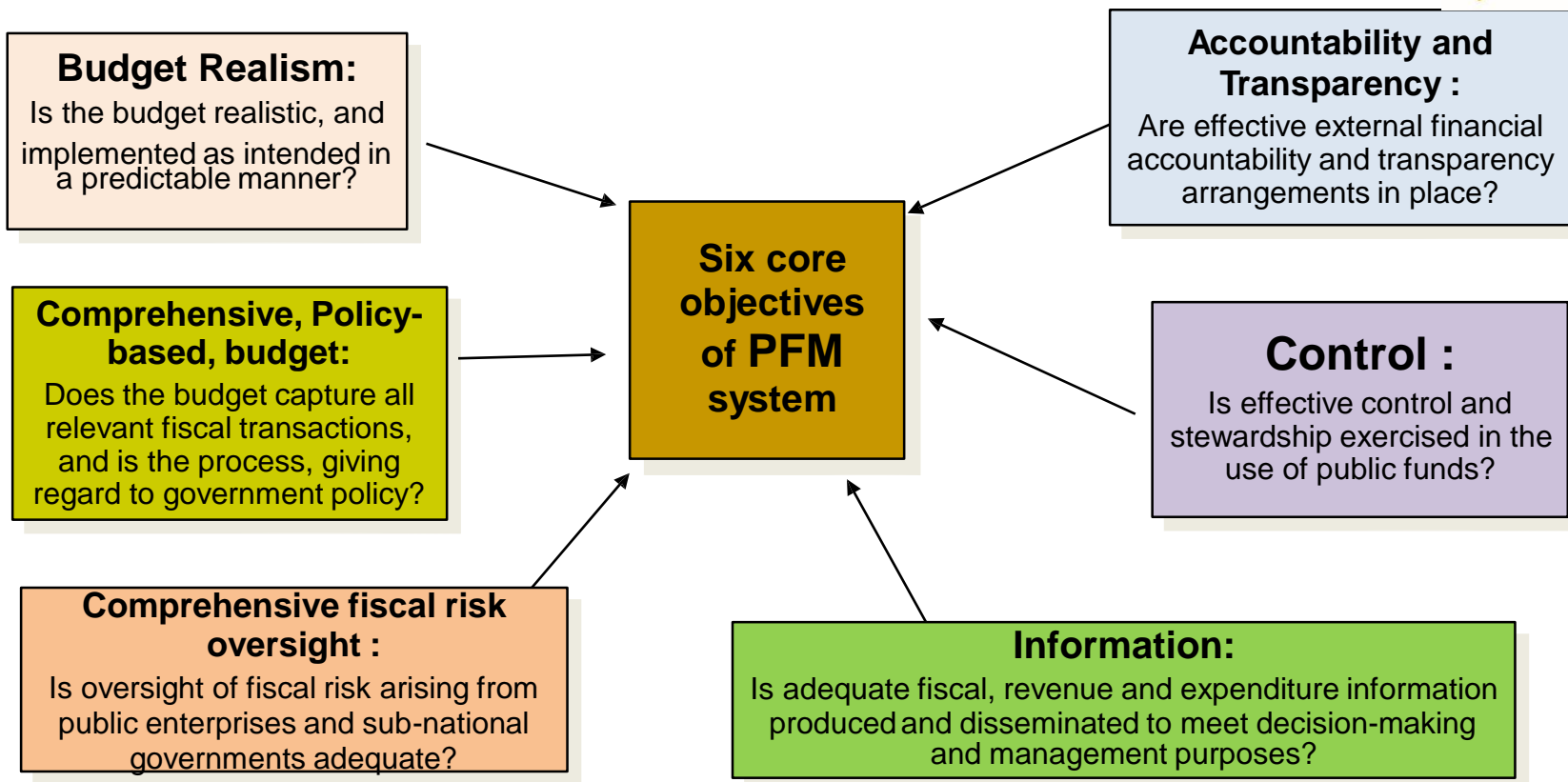


Objectives of PFM System

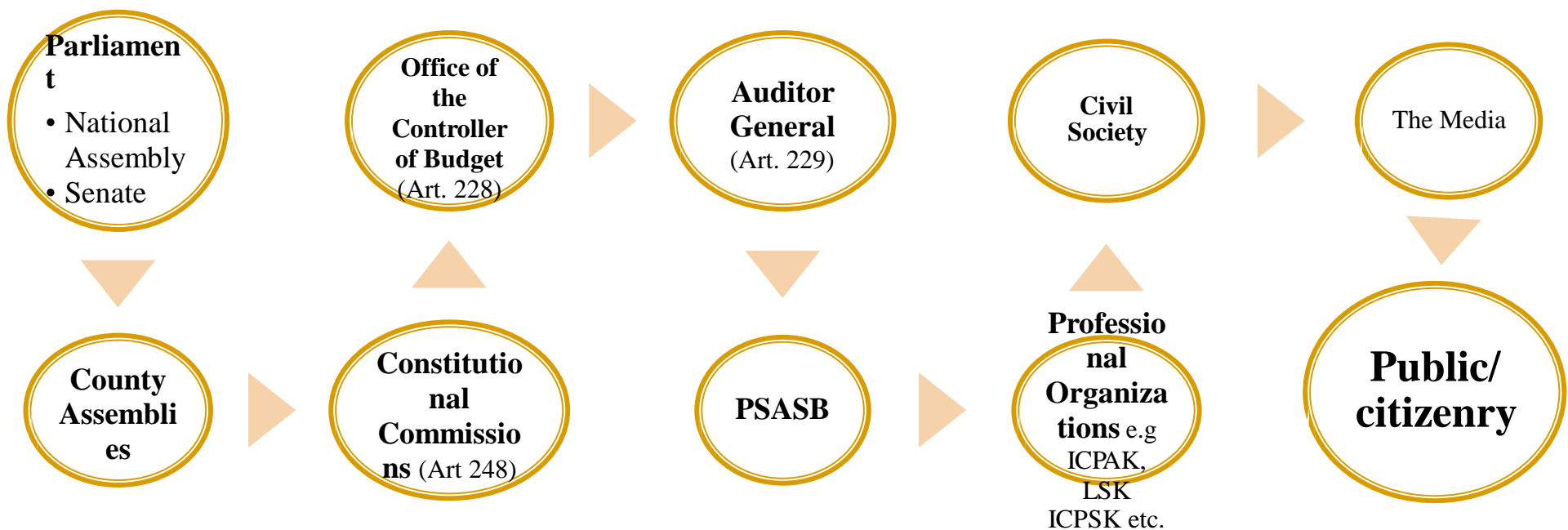


- **Comprehensive, Policy-based, budget:** Does the budget capture all relevant fiscal transactions, and is the process, giving regard to government policy?
- **Budget Realism:** is the budget realistic and implemented in a predictable manner?
- **Information:** Is adequate fiscal, revenue and expenditure information produced and disseminated to meet decision-making and management purposes?
- **Control:** Is effective control and stewardship exercised in the use of public funds?
- **Accountability and Transparency:** Are effective external financial accountability and transparency arrangements in place?
- **Comprehensive fiscal risk oversight :**
Is oversight of fiscal risk arising from public enterprises and sub-national governments adequate?

PFM SYSTEM FOR EFFECTIVE BUDGETING



OVERSIGHT INSTITUTIONS WITHIN THE PFM SYSTEM



Uphold

Public

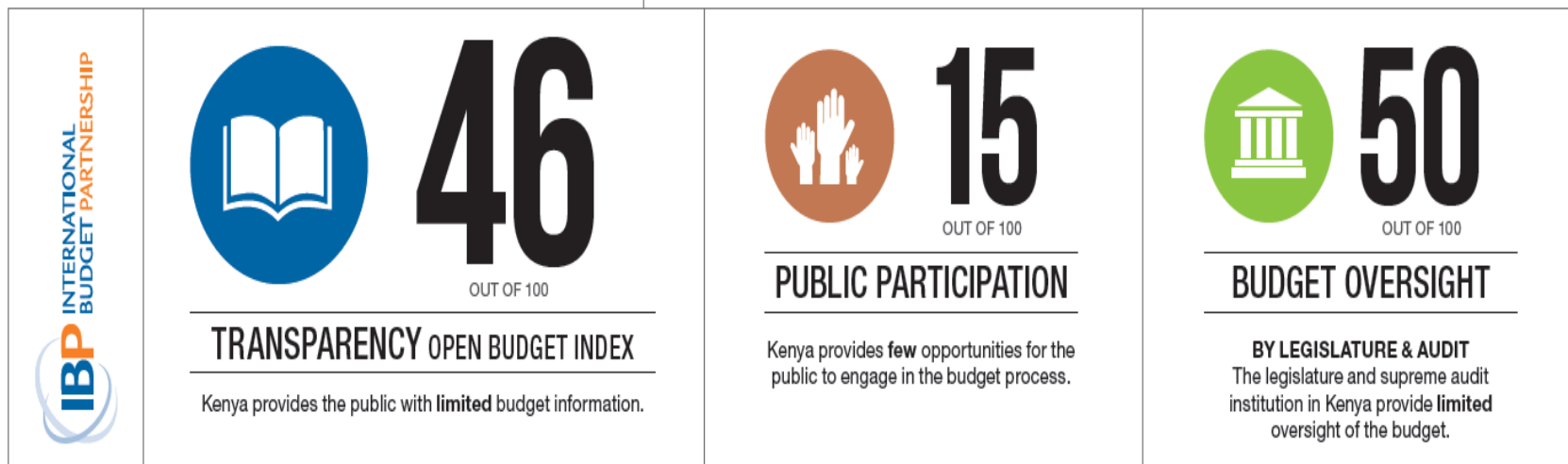
Interest

Open Budget Survey 2017 - Findings



OPEN BUDGET SURVEY 2017

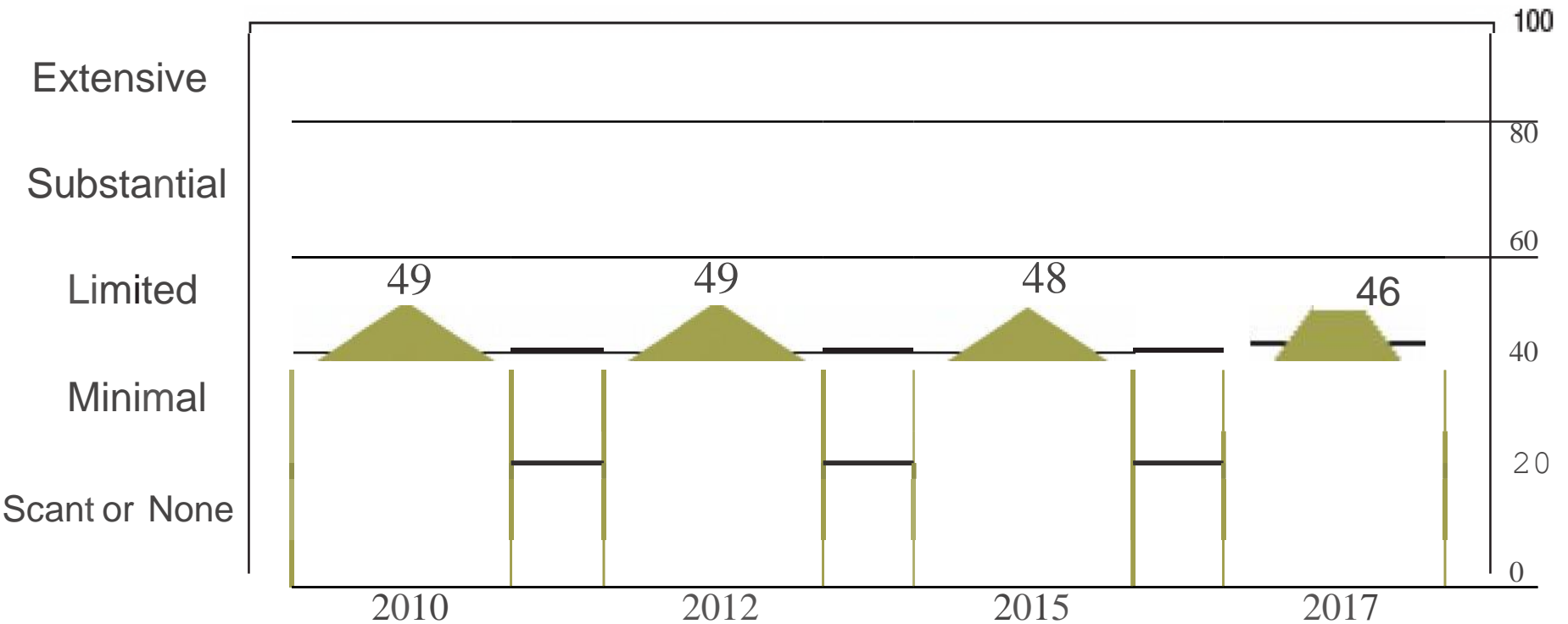
KENYA



Open Budget Survey – National Outlook



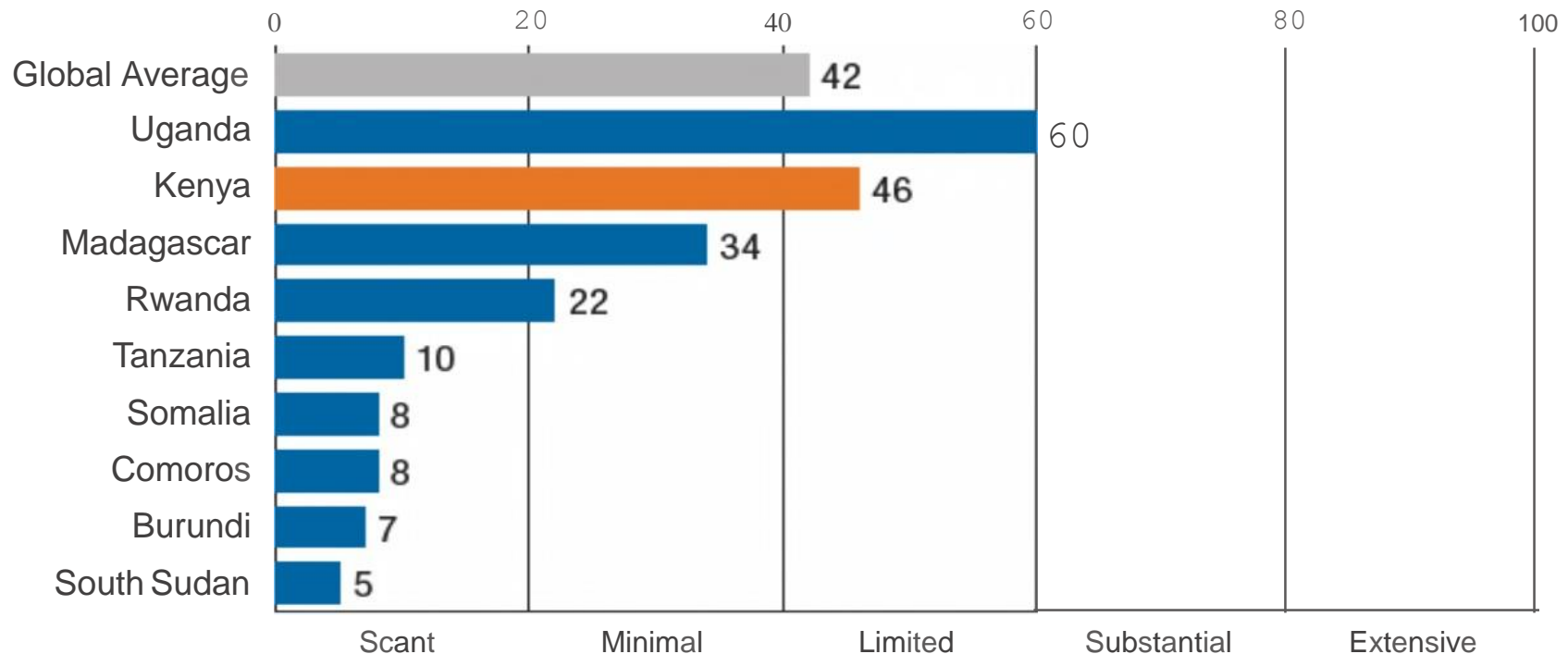
How has the OBI score for Kenya changed over time?



Open Budget Survey – National Outlook



How does budget transparency in Kenya compare to others?



Kenya's score of 46 out of 100 is near the global average score of 42.

Open Budget Survey - 2017



Public availability of budget documents from 2010 to 2017

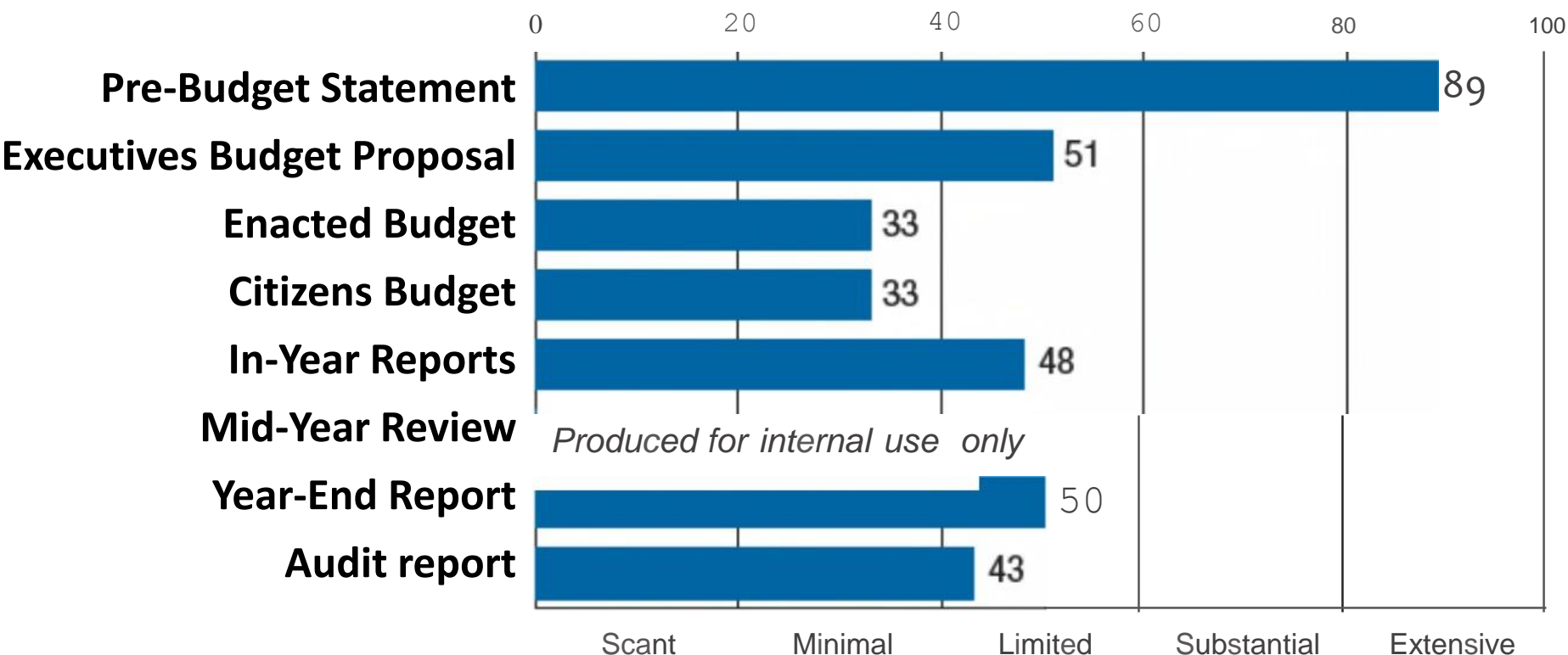
Document	2010	2012	2015	2017
Pre-Budget Statement	●	●	●	●
Executive's Budget Proposal	●	●	●	●
Enacted Budget	●	●	●	●
Citizens Budget	●	●	●	●
In-Year Reports	●	●	●	●
Mid-Year Review	●	●	●	●
Year-End Report	●	●	●	●
Audit Report	●	●	●	●

● Available to the Public
 ● Not Produced
 ● Published Late, or Not Published, or Produced for internal Use Only

Open Budget Survey



How comprehensive and useful is the information provided in the key budget documents that Kenya publishes?



Outcome of the Survey by IBP – County Level



☐ Approved County Program-Based Budgets for FY 2017/18

Only 6 Counties had published their enacted budgets

☐ County Budget Review and Outlook Papers 2017 (CBROP)

Only 8 counties had published their BROPs 2017 by March 2018

☐ First Quarter Budget Implementation Reports for 2017/18

Only 2 Counties had published their first quarter implementation reports for 2017/18 online

☐ Second Quarter Budget Implementation Reports for 2017/18

Only 2 Counties; Baringo and Uasin-Gishu had published their second quarter implementation reports.



THE MISSED STEPS



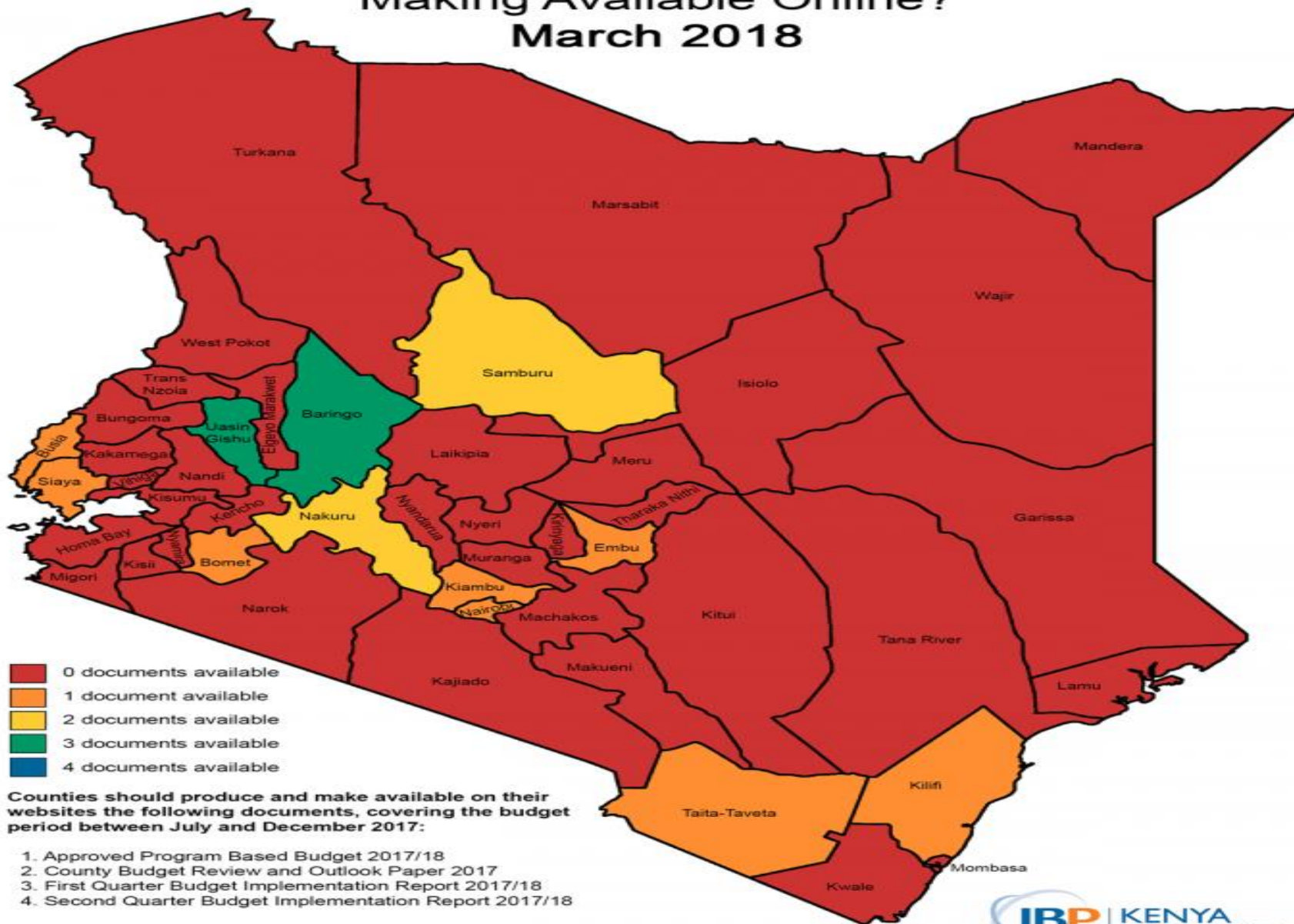
Availability of Budget documents to citizens in Kenya – County Level



- PFM Act, 2012 gives deadlines when Governments should produce and table key budget documents in the County Assemblies throughout the budget cycle
- Counties should publish these documents within seven days after they have been tabled in the Assemblies
- International Budget Partnership (IBP) looked at the various key documents below;
 - ❑ Approved County Program-Based Budgets for FY 2017/18
 - ❑ County Budget Review and Outlook Papers 2017 (CBROP)
 - ❑ First Quarter Budget Implementation Reports for 2017/18
 - ❑ Second Quarter Budget Implementation Reports for 2017/18

How Much Budget Implementation Data Are Counties Making Available Online?

March 2018



- The above statistics demonstrates that Counties are still doing poorly in terms of making available key documents for public scrutiny.
- Access to Information Act, 2016 stipulates that county budget information should be made available within 21 days
- Citizens can only meaningfully participate in the budget making processes if these key budget documents are availed in a timely manner.

- ❑ The Constitution has offered great opportunities for citizens to monitor and track the application of public finances.
- ❑ Civil societies and the general public can participate in the three stages of budget process to track and monitor government budgets;
 - ✦ The pre-budget period
 - ✦ Formulation and approval (February- June)
 - ✦ Post-budget phase (June-December)

Monitoring Tools



- ❑ The citizens can use various tools to monitor the implementation of the budget and can play an oversight role by analyzing quarterly reports that are published as per Section 166 of PFM Act, 2012
- ❑ Social Audits and citizen score cards can be used as monitoring and evaluation intervention of the National and County budget implementation.
- ❑ Public Expenditure Tracking Surveys (PETS)

Cont.



- ❑ Greater awareness of governance issues by the citizens ensures accountability and transparency in the budgetary system in the sense that;
 - ✦ Every action is transparent
 - ✦ Every participant is held accountable
 - ✦ Every action is properly documented and reported
 - ✦ Every action can be subject to independent, professional and unbiased audit and review.

Provision of budget implementation information to the public to effectively provide social accountability audit. (PFM Act 2012, sec. 39(8)).

Other legislations (Articles 232, 249, 252, 254) give the expanded scope for the office.

The Office is also required to prepare, publish and publicize statutory reports, conduct investigations and conduct alternative dispute resolution mechanisms to resolve disputes.

CONTROLLER OF BUDGET REPORT



9 MONTHS REPORT FY 2017/18

- ❑ Delay by MDAs to submit quarterly financial reports to OCOB(should be submitted 15 days before end of quarter)
- ❑ Failure to align budget reallocation to actual performance
- ❑ Low absorption of development expenditure budget
- ❑ Failure to report on programme/project achievements by MDAs
- ❑ Delays in disbursement of equitable revenue share by National Treasury
- ❑ High expenditure on personnel emoluments
- ❑ Underperformance in own source revenue allocation
- ❑ Delays in submission of financial reports to OCOB
- ❑ County Budget and Economic Forums not fully operational in most counties

Auditing Agencies



☐ Kenya National Audit Office

The Constitution requires the Controller and the Auditor General to report to the Parliament at least once every year on the public accounts of the government.

☐ Parliamentary Accounts Committee and Parliamentary Investment Committee. They debate and approve budgeted proposals on revenue expenditures and analyze the audit reports before making recommendations to the government.

☐ Departmental Committees.

Why are these Institutions not successful?



- ☐ Possible politicization and conflict of interest of the Budget if politicians get powers to allocate resources.
- ☐ Parliament lacks both research and information gathering capacity to effectively engage the executive on Budget proposals. Can only rely on reports by OAG
- ☐ Lack of adequate capacity and skilled manpower to effectively discharge the mandate.

Why Government expenditures can deviate from the Budget



Poor financial management systems

Ineffective cashflow planning throughout the year can cause wasteful spending. Citizens and Civil Societies monitoring the budget can help the Government to plan its cashflows.

Corruption

Public officers can use creative accounting and irregular procurement procedures to siphon public coffers. Monitoring projects during and after the execution phase can avert corruption.

Fund diversions

The Government sometimes divert funds inappropriately into other programs. Virement clauses and supplementary budgets are routinely used to shift funds. Continuous monitoring ensures budgets are implemented for the right purposes.

Use of Reserves during unexpected events

Contingency reserves can only draw when unexpected event occurs. Citizens should monitor these events as they occur

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❑ Weak Oversight

Capacity limitations often prevent audit institutions and legislatures from providing effective oversight over budget. The citizens and Civil Society can augment the Government's oversight role

❑ Inadequate funding

Inadequate funding of programs can lead to poor service delivery.

CITIZENS' ROLE IN BUDGET MONITORING

- ❑ The Constitution has opportunities for citizens to monitor and track the application of public finances.
- ❑ Civil societies and the general public can participate in the three stages of budget process to track and monitor government budgets:
 1. The pre-budget period
 2. Formulation and approval (February-June)
 3. Post-budget phase (June-December)

- ❑ The citizens can use various tools to monitor the implementation of the budget such as
 - 1) Social Audits
 - 2) citizen score cards
 - 3) Public Expenditure Tracking Surveys (PETS)
 - 4) Public revenue monitoring

ACCESS TO INFORMATION & MONITORING TOOLS



- ❑ PFM Act, 2012 gives deadlines when Governments should produce and table key budget documents throughout the budget cycle
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Way Forward



- ❑ The Office of the Controller of Budget to provide regular reports on budget implementation to influence budget execution.
- ❑ The National Treasury should disburse funds in line with CARA, 2017 Disbursement Schedule.
- ❑ Counties should ensure that personnel emoluments are in line with regulation 25 (1) of the PFM Regulations, 2015
- ❑ County Treasuries should ensure timely preparation and submission of financial reports to the Controller of Budget

Way Forward



- ☐ Counties should ensure they establish County Budget Economic Forums
- ☐ Counties should formulate strategies to mobilize Own Source Revenue collection.
- ☐ All Counties should ensure they establish Internal Audit committees to oversee financial operations in the County
- ☐ The County Treasury should liaise with the Directorate of IFMIS for support in the application of IFMIS.
- ☐ These will help in tracking and reporting the use of public resources as outlined in the budget.

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