INSTITUTE OF CERTIFIED ACCOUNTANTS OF KENYA

PFM Training Budget Monitoring and Reporting- Missed steps

Learning objectives

1. Explain the role of the Controller of Budget in budget implementation
2. Link the PFM Issues with the Controller of Budget Reports
3. Provide recommendations on budget execution and monitoring

Budget Oversight

- Oversight is a constitutional mandate of the legislature-Parliament & the National Assembly , Commissions & Independent Offices and other statutory bodies

- Through oversight, public entities are accountable to the people

- Oversight ensures prudent utilization of public resources

Importance of Budget Oversight

1. Oversight helps to detect & prevent abuse, arbitrary behavior or illegal and unconstitutional conduct;
2. Helps to hold the government to account in the taxpayers' money is used.
3. Through oversight, government policies are delivered.
4. Helps improve the transparency of government operations and enhance public trust in the government.
5. Adhere to principles of Public Finance--- (Article 201) calls for openness, accountability and public participation in financial matters hence the need for strong oversight institutions.

Article 201 of the Constitution

- Openness
- Accountability
- Prudent and responsible use of public funds
- Public participation
- Responsible financial management and clear fiscal reporting

Oversight institutions within the PFM System

- Parliament
  - National Assembly
  - Senate
- County Assemblies
- Constitutional Commissions (Art 248)
- Office of the Controller of Budget (Art. 228)
- Auditor General (Art. 229)
- Public Sector Accounting Standards Board (PFMA 192)
- Professional Organizations e.g ICPAK, LSK ICPSK etc.
- Civil Society
- The Media
- The Public/citizenry

Office of the Controller of Budget

- The Office of Controller of Budget in one of the two independent offices established by the Constitution of Kenya under Article 228 to:
  - Oversee the implementation of budgets of both the national and county governments.
  - Authorize withdrawals from public funds and
  - Report on budget implementation every four months.

Controller of Budget of the Budget Act 2016

The CoB shall ensure prudent and efficient use of public funds by–Sec 5 of the Act

1. authorizing withdrawals from the Equalization Fund, Consolidated Fund, County Revenue Funds & any other public fund
2. Monitoring, evaluating, reporting and making recommendations to the national & county governments on measures to improve budget Implementation;
3. In Consultation with PSASB, review from time to time, the formats of requisitions and approvals of withdrawals of funds;
4. Enforcing budgetary ceilings by Parliament on national and county government expenditure

Public Sector Accounting Standards Board

a) The National Treasury
b) The Controller of Budget
c) The Intergovernmental Budget and Economic Council
d) The Auditor General
e) The Institute of Certified Public Accountants of Kenya;
f) The Association of Professional Societies of East Africa;
g) The Capital Markets Authority
h) The Institute of Internal Auditors; and
i) The Institute of Certified Public Secretaries of Kenya

Public Sector Accounting Standards Board (sec 192 of PFM Act)

1. Set generally accepted accounting & financial standards;
2. Prescribe the minimum stds of maintenance of proper books of account for all levels of government;
3. Prescribe internal audit procedures;
4. Prescribe formats for financial statements & reporting;
5. Publish & publicize the accounting and financial stds

CITIZEN ENGAGEMENT IN BUDGET MONITORING

Availability of budget documents to citizens in Kenya

- ❑ PFM Act, 2012 gives deadlines when Governments should produce and table key budget documents 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

Outcome of the Survey by IBP

- 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

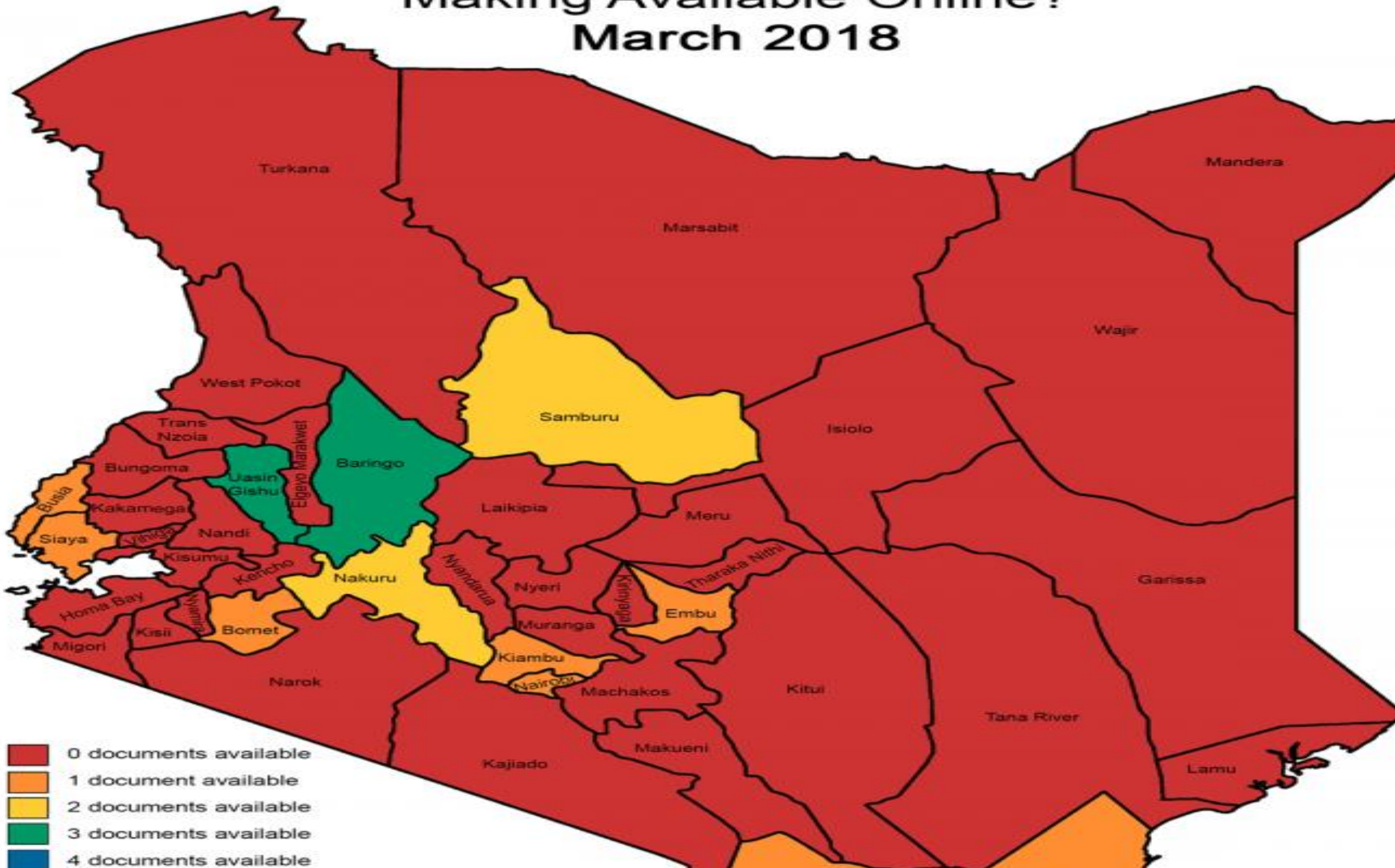
Only 2 Counties had published their first quarter implementation reports for 2017/18 online

- Second Quarter Budget Implementation Reports for 2017/18

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

How Much Budget Implementation Data Are Counties Making Available Online?

March 2018



Counties should produce and make available on their websites the following documents, covering the budget period between July and December 2017:

1. Approved Program Based Budget 2017/18
2. County Budget Review and Outlook Paper 2017
3. First Quarter Budget Implementation Report 2017/18
4. Second Quarter Budget Implementation Report 2017/18

Continuation

- 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.

Cont.

- 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)

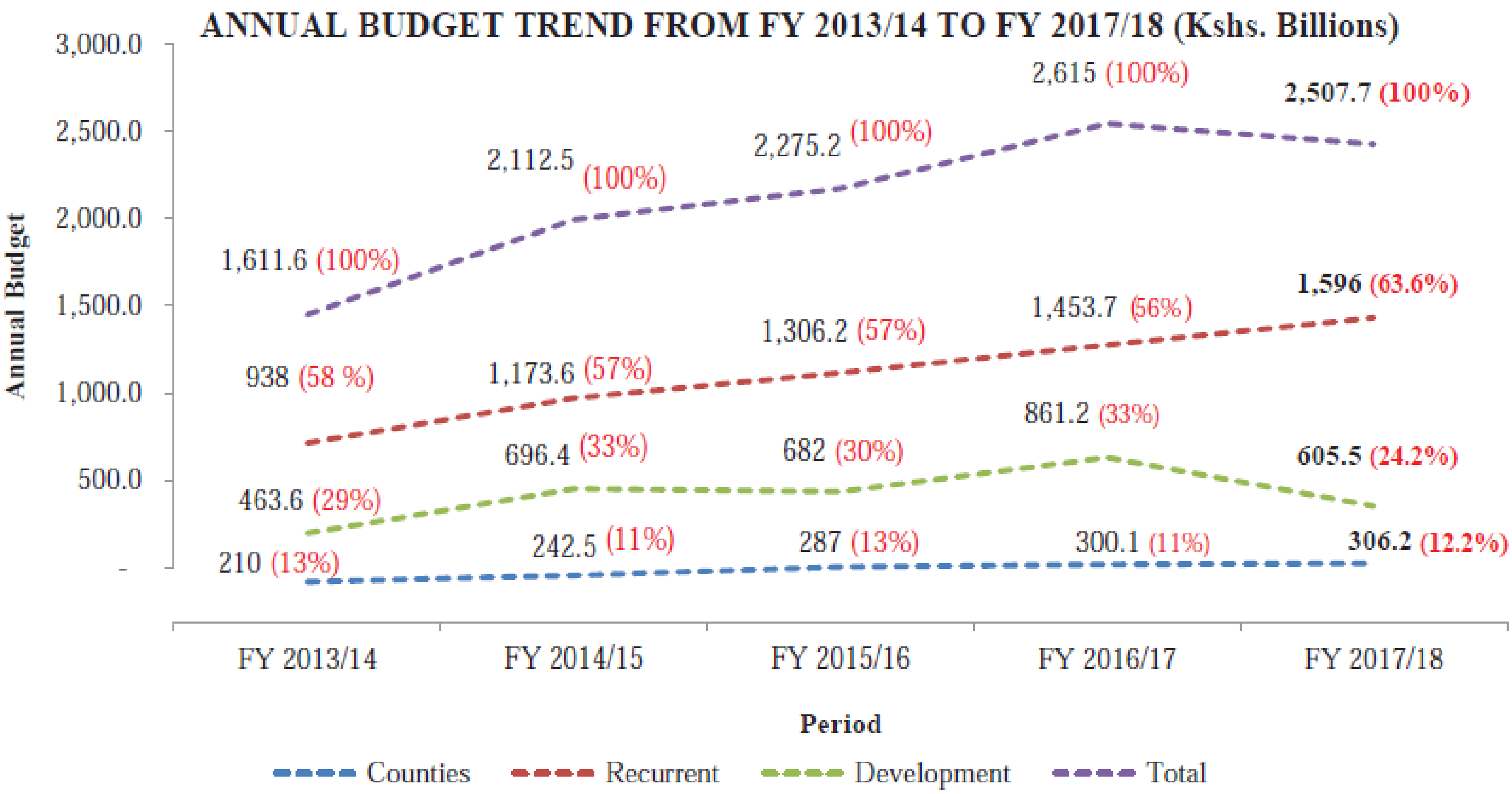
Citizen Budget Monitoring Tools

- Citizens can use various tools to monitor the implementation of the budget such as

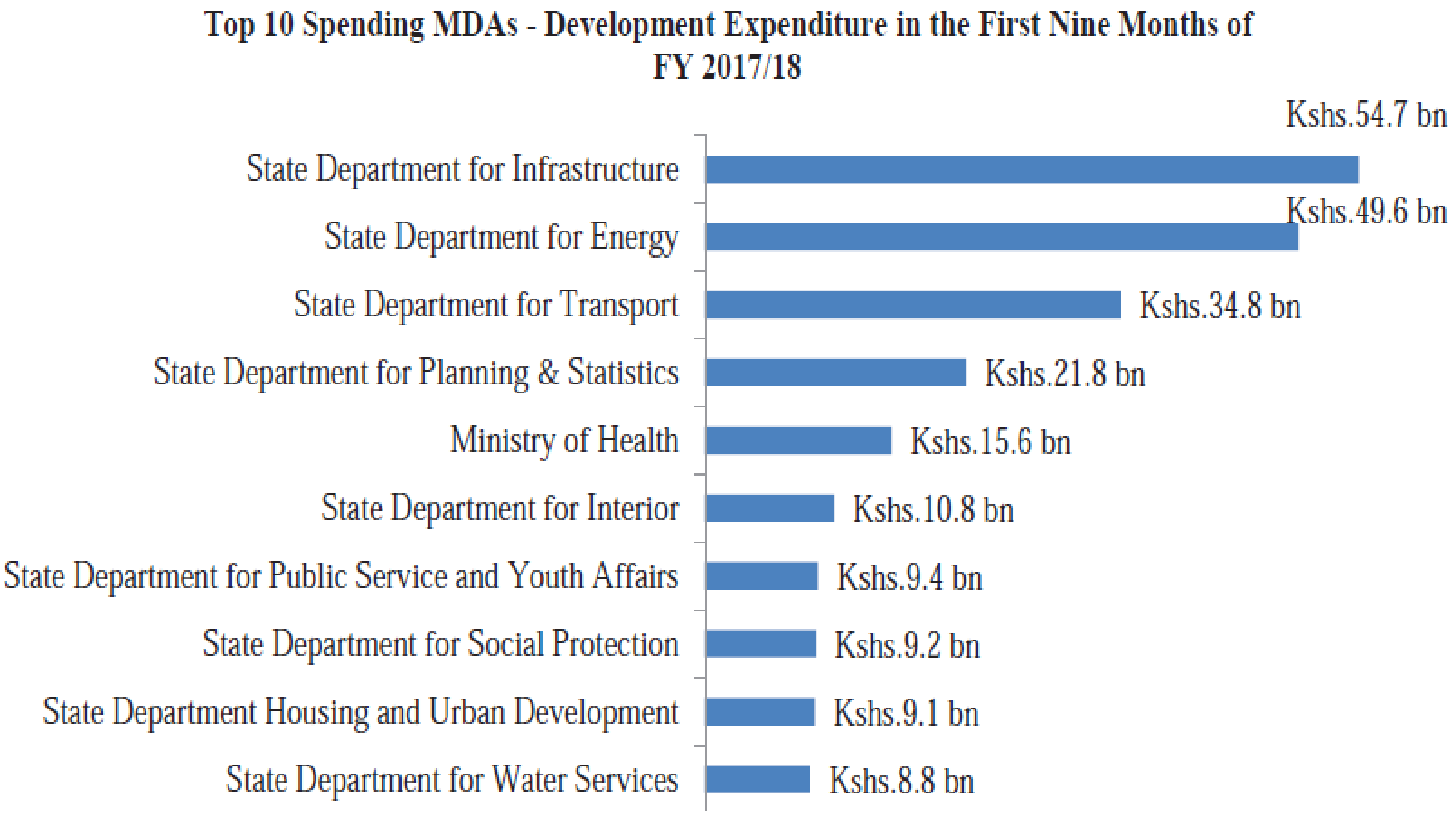
1) Social Audits
2) citizen score cards
3) Public Expenditure Tracking Surveys (PETS)
4) Public revenue monitoring

NATIONAL GOVERNMENT FINDINGS- CONTROLLER OF BUDGET FIRST NINE MONTHS FY 2017-18

National Government Findings



National Government Findings

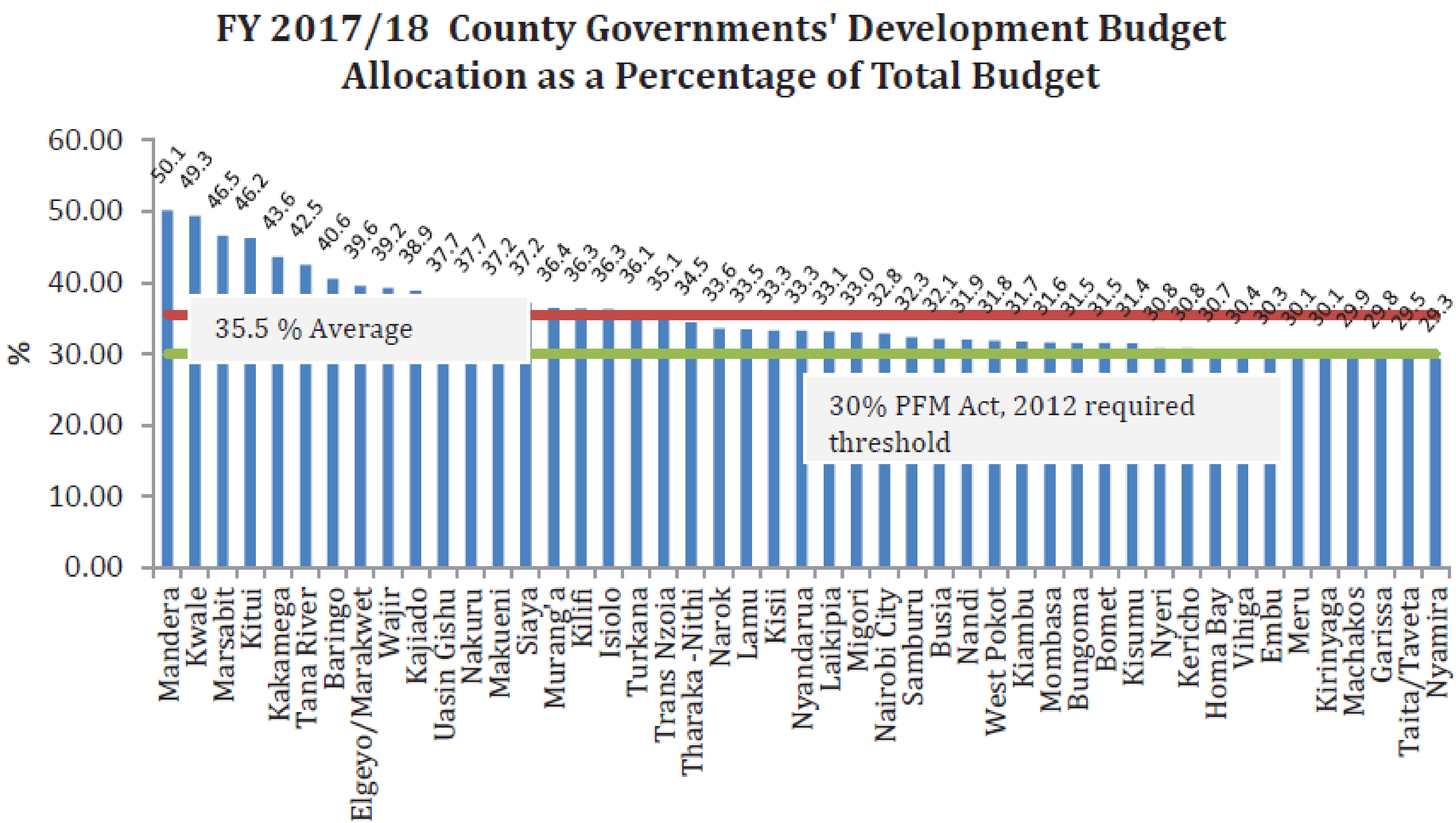


Other key issues/recommendations –National Government

- 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
- Failure to report on programme/project achievements by MDAs

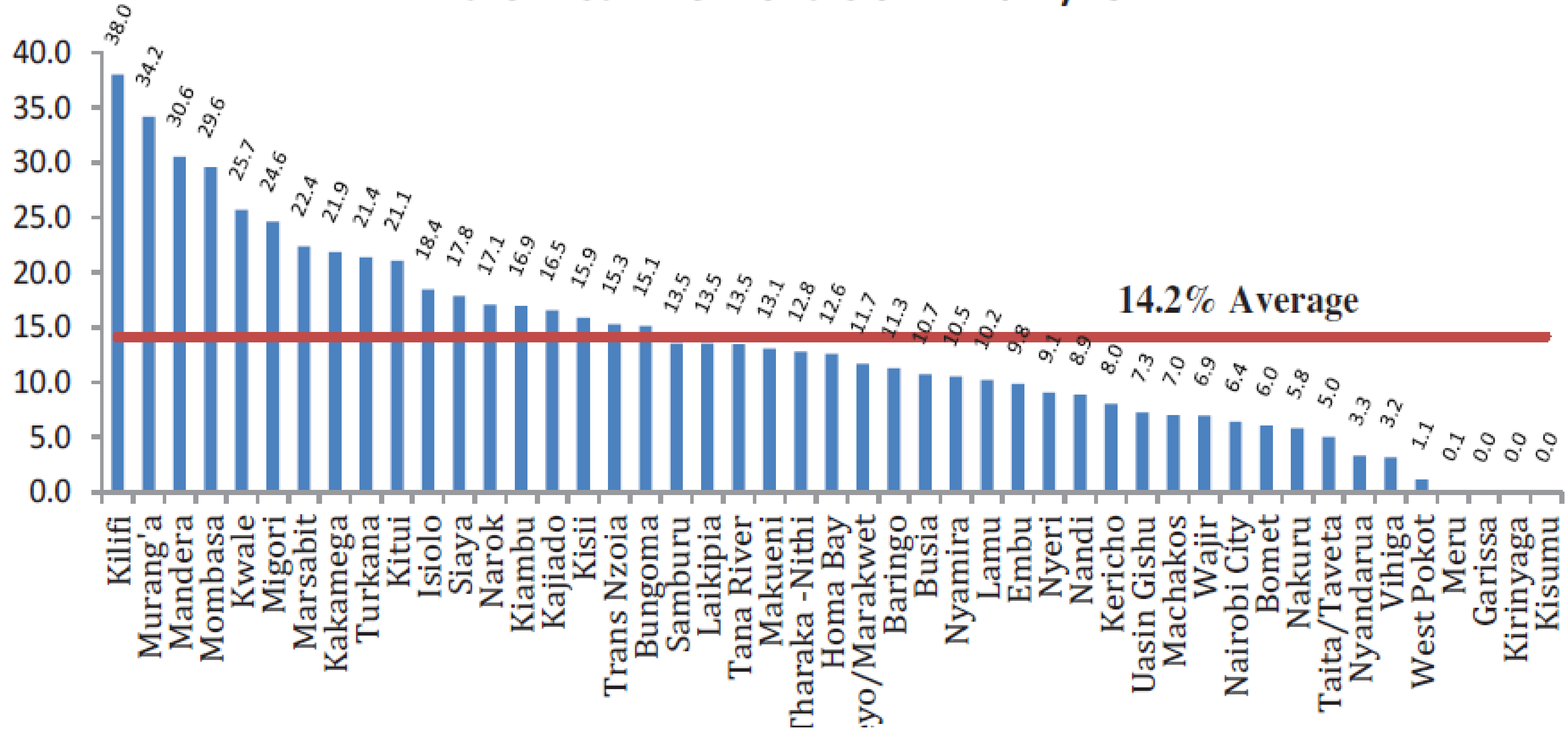
COUNTY GOVERNMENT FINDINGS- CONTROLLER OF BUDGET FIRST NINE MONTHS FY 2017-18

Findings – County Governments



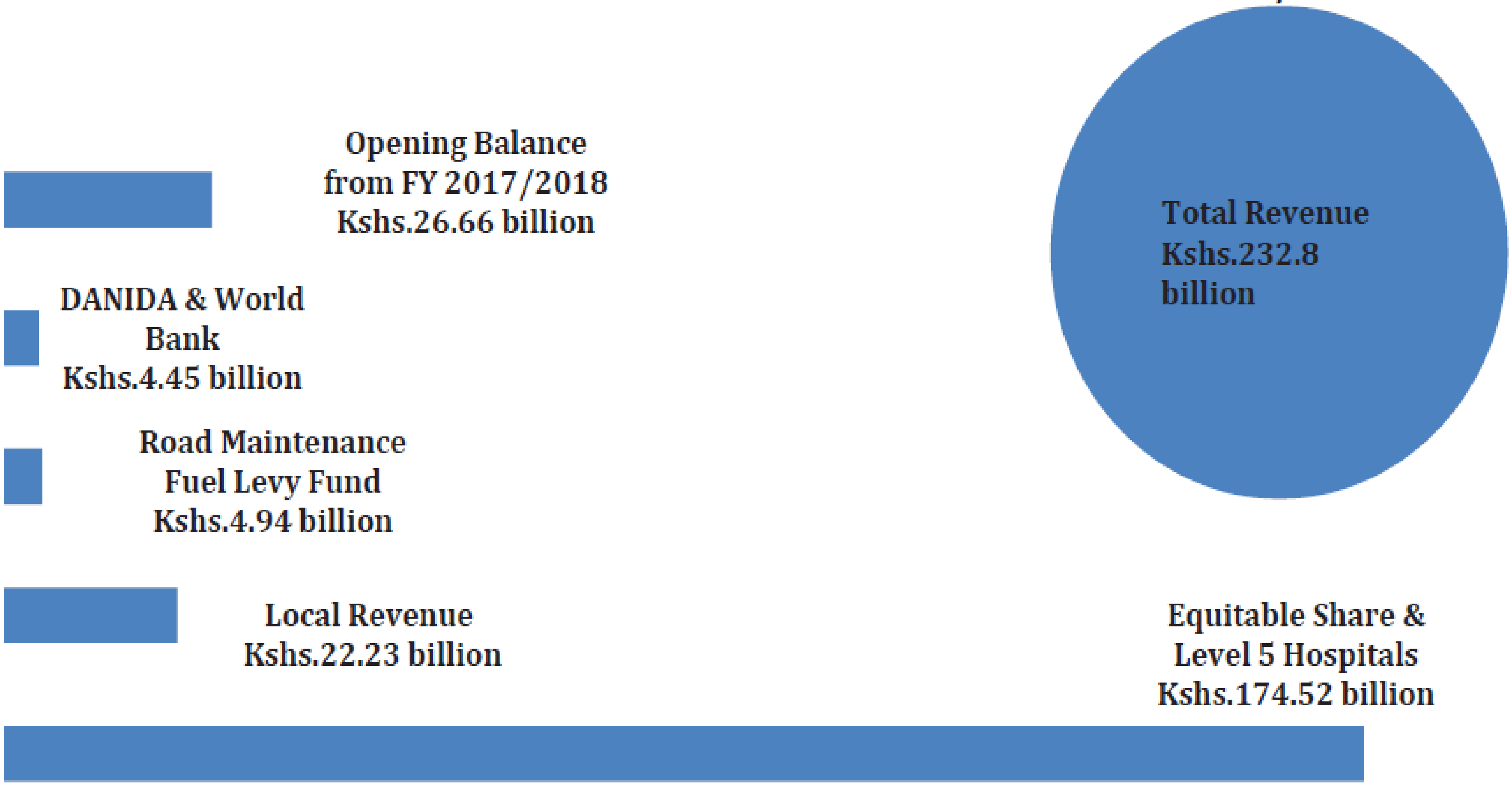
Findings – County Governments

Development Expenditure as a Percentage of Total Expenditure in the First Nine Months of FY 2017/18



Findings – County Governments

Total Revenue Available in the First Nine Months of FY 2017/18



Own Source Revenue – County Governments

- First 9-months (FY 2017/18), aggregate revenue raised by County Governments from OSR amounted to Kshs.**22.23 billion, a decline of** 11.2% compared to Kshs.24.71 billion raised in a similar period FY 2016/17

- This amount accounted for **42.3%** of the annual local revenue target of Kshs.52.52 billion.

- Counties that generated the highest amount of local revenue were; Nairobi City, Mombasa and Narok at Kshs.7.64 billion, Kshs.1.68 billion and Kshs.1.63 billion

- Counties with the lowest amount generated were Mandera, Lamu and Tana River Counties at Kshs.46.97 million, Kshs.41.49 million, and Kshs.16.19 million respectively.

Other issues/recommendations –County Governments

- 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

LOW ABSORPTION OF DEVELOPMENT FUNDS- CROSSCUTTING

Low Absorption of Development- National Government MDAs

	2013/2014	%	2014/15	%	2015/16	%
Consolidated Fund Service	310.8 Bn	27%	431.7 Bn	26.8%	475.5 Bn	29.1%
Recurrent	587.1 Bn	52%	623.2 Bn	38.9%	706.5 Bn	43.2%
Development	241.1 Bn	21%	318.7 Bn	19.9%	451.8 Bn	27.7

Low Absorption of Development- County Governments

Absorption Rate	2013/2014	2014/2015	2015/2016
Overall (%)	64.9%	79.1%	80.4%
Recurrent (%)	78.4%	63.5%	64.5%
Development (%)	21.6%	36.5%	35.5%

Possible causes of low absorption rates

- Lengthy procurement processes
- Delays in release of funds to spending units
- Revenue shortfalls that in turn affect disbursements
- Delay in enactment of Revenue Bills(DORB/CARA)
- Delay in enactment of County Finance Bills
- Stringent donor conditions (national government)
- Poor monitoring and tracking systems for development funds and inadequate project supervision
- Failure by most counties to meet the conditions set for release of funds as stipulated in the PFM Act 2012
- Failure by counties to prepare expenditure plans in time

Recommendations to improve absorption levels

- Spending units should synchronize of strategic plans with their procurement plans, the budget & cash flow projections
- Establish effective monitoring units and ensure establishment of effective project management units
- Build capacity of project management of the spending agencies
- Revenue forecasting should be based on ambitious but attainable revenue projections
- Timely release of funds by the exchequer
- Link additional allocation to entities to the real fiscal responsibility issues such as absorption capacity
- Legislatures be capacity build/focus more on budget monitoring

Way Forward- Budget monitoring & reporting

- 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- Budget Monitoring and Reporting

- 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.

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