



# FINANCIAL REPORTING IN MDAs, SC & SAGAs

Presentation by:

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# SUMMARY OF PRESENTATIONS



- ☐ Introduction of Public Finance Act 2012
- ☐ Reporting Requirements
- ☐ Overview of Public Sector Structure
- ☐ Reporting Frameworks for public entities
- ☐ Number of Public Entities
- ☐ Progress Chart
- ☐ Prescribed Accounting Systems
- ☐ Where we were going wrong
- ☐ Challenges Overcome by the NT
- ☐ Success Chart For Financial Reporting in Public Sector
- ☐ Way forward & Strategy
- ☐ Parting Principles

# Introduction of Public Finance Act 2012



Introduction of Public Finance Act 2012:

The Public Finance Management Act (PFMA), 2012 is a product of the Constitution of Kenya 2010 that lays a lot of emphasis on the rule of law, integrity and efficient, effective, economical and transparent management of public resources.

# REPORTING REQUIREMENT



## National Government & Its Entities (Quarterly)

PFMA Sec 83 and Regulations Sec 220

An accounting officer for a national government entity shall prepare a report for each quarter of the financial year in respect of the entity.

### ***The accounting officer shall ensure that the report;***

- ✓ Contains information on the financial and non-financial performance of the entity; and is in a form that complies with the standards prescribed and published by the Accounting Standards Board from time to time.
- ✓ Not later than fifteen days after the end of each quarter, the accounting officer shall submit the quarterly report to the Cabinet Secretary responsible for the entity and the National Treasury.
- ✓ The Cabinet Secretary responsible for an entity shall forward a copy of the report to the Cabinet Secretary and Controller of Budget.
- ✓ Not later than forty five days after the end of each quarter, the National Treasury shall—  
*consolidate the quarterly reports and submit them to the National Assembly with copies to the CoB, Auditor-General and the CRA; and  
publish and publicize the reports.*



Cont`....



## County Government & its Entities (Quarterly)

- Section 166 (3) Not later than fifteen days after the end of each quarter, the accounting officer shall submit the quarterly report to the County Treasury.
- Section 166 4) Not later than one month after the end of each quarter, the County Treasury shall—
  - (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.
- Section 168 (3) Not later than fifteen days after the end of each quarter, the administrator shall submit the quarterly report to the County Treasury and a copy to the Controller of Budget

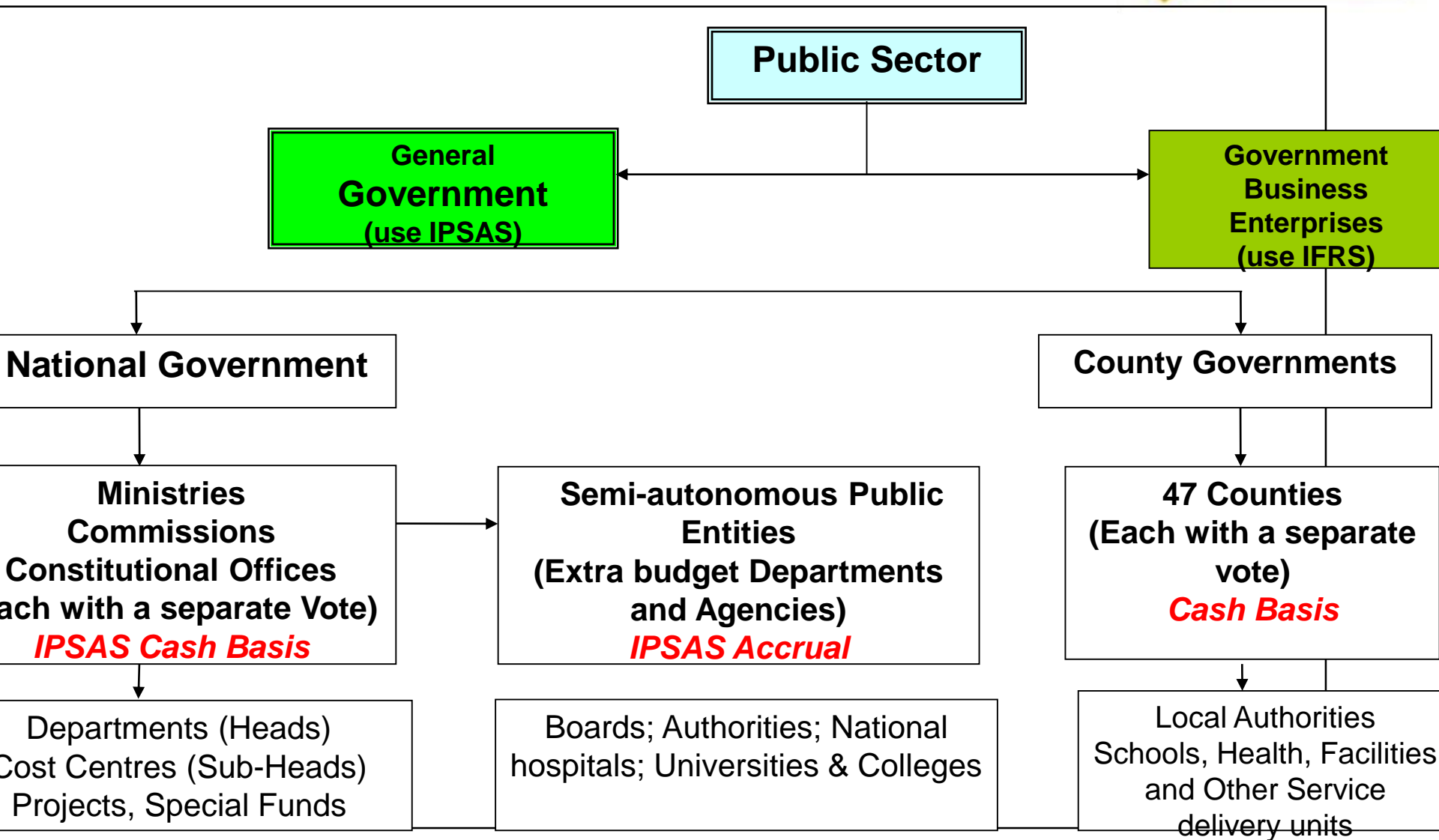
# ANNUAL REPORTING,.



- ✓ PFMA Sec 81 and Regulations Sec 221  
At the end of each financial year, the accounting officer for a national government entity shall prepare financial statements in respect of the entity.
- ✓ Section 164 (4) Within three months after the end of each financial year, the accounting officer for an entity
- ✓ Section 163(4) (*Consolidation*) Not later than four months after the end of each financial year, the County Treasury.



# Overview of Public Sector Structure,





# Number Of Public Entities & Reporting Frameworks



ENTITIES	No.	Applicable Standard
Consolidated Funds Services	14	IPSAS Cash
MDAs`,	69	IPSAS Cash
Development Projects	208	IPSAS Cash
County Government- Executive	47	IPSAS Cash
County Government- Assemblies	47	IPSAS Cash
County Corporations	126	IPSAS Accrual
Sate Corporations & SAGAs	410	IPSAS & IFRS
Water Companies	79	IFRS
<b>Total Reporting Entities</b>	<b>1000</b>	





# The Progress Chart



## 2012/13

- PFM Act of 2012;
- SCOA in place;
- IFMIS re-engineered

## 2013/14

- PSASB formed;
- Standards promulgated;
- Templates introduced
- 1st consolidated Financial Statements

## 2014/15

- Linkage with CBK for bank-recons
- Reports automated in IFMIS;
- Massive capacity building
- 1<sup>ST</sup> Review by IMF

## 2015/16

- 100% compliance to PSASB reporting formats
- Financial regulations in place
- First set of BCG consolidated FS
- Consolidated statements published

## 2016/17 to date

- Enhanced compliance IPSAS;
- Model financial statements prepared;
- Unqualified opinions increase
- Road Map to Accrual in place
- SCOA under revision

# Prescribed Accounting Systems



## PFMA 2012 Section 12(e)

- ✓ The National Treasury shall ensure, design and prescribe an efficient financial management system for the national and county governments to ensure transparent financial management and standard financial reporting as contemplated by Article 226 of the Constitution.
- ✓ Provided that the National Treasury shall prescribe regulations that ensure that operations of a system under this paragraph respect and promote the distinctiveness of the national and county levels of government; ***PFMA 2012- Regulation (Section 109)(1)***

# WHERE WE WERE GOING WRONG



The following were key issues that led to qualification of Accounts for public entities;

- 1) Financial Statements Prepared Outside IFMIS
- 2) Failure to attach the FO 30 bank reconciliation Report
- 3) Unsupported Imprest amounts/Accounts Receivable
- 4) Unexplained Accounts Payables amounts
- 5) Errors in the Summary Statements of Appropriation
- 6) Unexplained Significant Utilisation variances
- 7) Casting errors in the financial statements

- 8) Inconsistency between notes and financial statements
- 9) Non Approval of financial statements
- 10) Incomplete notes to the financial statements
- 11) Net Financial Assets not agreeing to Net Financial Position resulting to a Suspense
- 12) Cash and cash equivalents in the Statement of Cash flows not equal to the amount in the Statement of Assets
- 13) Opening balance not correctly brought forward
- 14) Unexplained clearance accounts included in Accounts Receivables

# CNTD



- 15) Unexplained clearance accounts included in Accounts Receivables
- 16) Incorrect modification to the reporting template
- 17) Failure to provide comparative information
- 18) Unsupported Prior Year Adjustments
- 19) Missing Summary Statements of Appropriation
- 20) Failure to provide non financial information

# Challenges overcome by the NT



- ✓ Skills Gap on Standards – Massive training undertaken jointly twice a year;
- ✓ IFMIS Systems Challenge – Complex re-engineering undertaken & replacing Servers;
- ✓ SCOA inadequate – Revised in 2012 and under second revision for accrual migration;
- ✓ Resistance to change – Sensitization to public accountants has been successful and continuous.
- ✓ Setting up Financial Reporting Unit as focal point

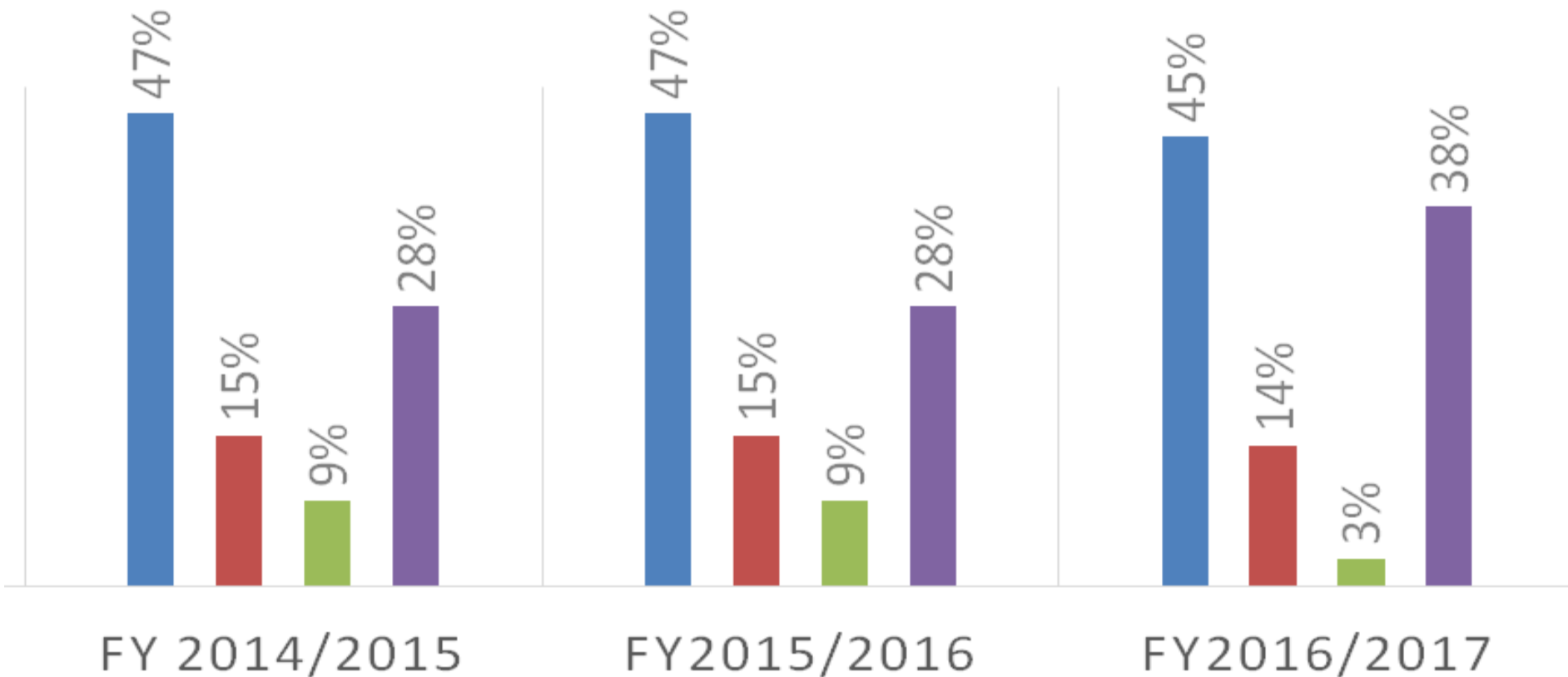


# Success

# registered in Financial Reporting



■ Qualified ■ Adverse ■ Disclaimer ■ Unqualified



*Audit opinions in public sector is improving albeit slowly.*



# Our way forward & Strategies

- ❖ Deepen Accountability to lower levels
  - Primary and Secondary Schools – Approx 30,000
  - TVETS;
  - Health Facilities;
  - Prisons, Security installations;
- ❖ Enhance Accounting for Assets and Liabilities
  - Identification and valuation;
- ❖ Migration to Accrual Accounting planned by 2020;
- ❖ Close remaining gaps in terms of human capacity/skills;
- ❖ Revamp the Board with more specialized secretariat;
- ❖ Enhance our responses to international exposure drafts; and
- ❖ Strengthen Internal Audit functions across government.



# QUESTIONS & ANSWERS



THANK YOU

# GOLDEN PRINCIPLES IN OUR LIFE

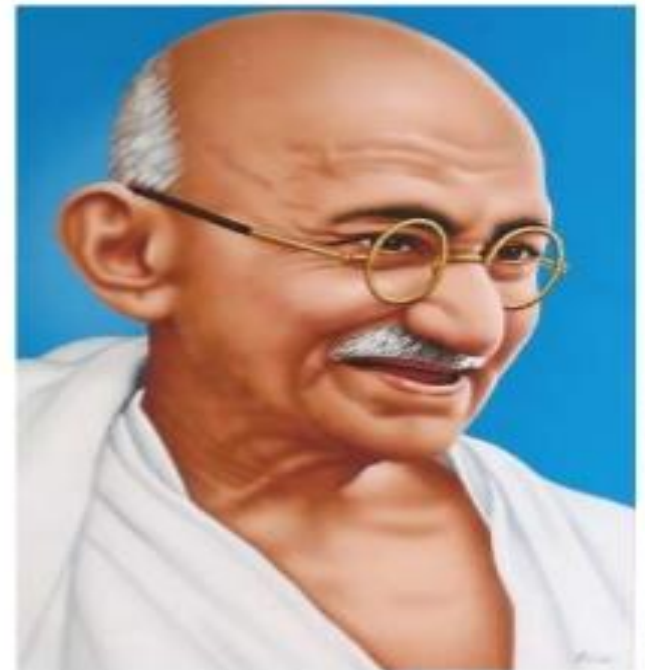


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PRINCIPLES OF BUSINESS ETHICS

**Explain the social sins listed by Mahatma Gandhi. (Nov. 10)**

1. Politics without Principles
2. Wealth without work
3. Commerce without morality
4. Knowledge without character
5. Pleasure without Conscience
6. Science without humanity
7. Worship without sacrifice



**Non-Violence, Justice  
& Harmony among  
people of all faiths**