

Funding County Governments

Public Financial Reporting for Counties & Other Public sector entities

Credibility .

Professionalism

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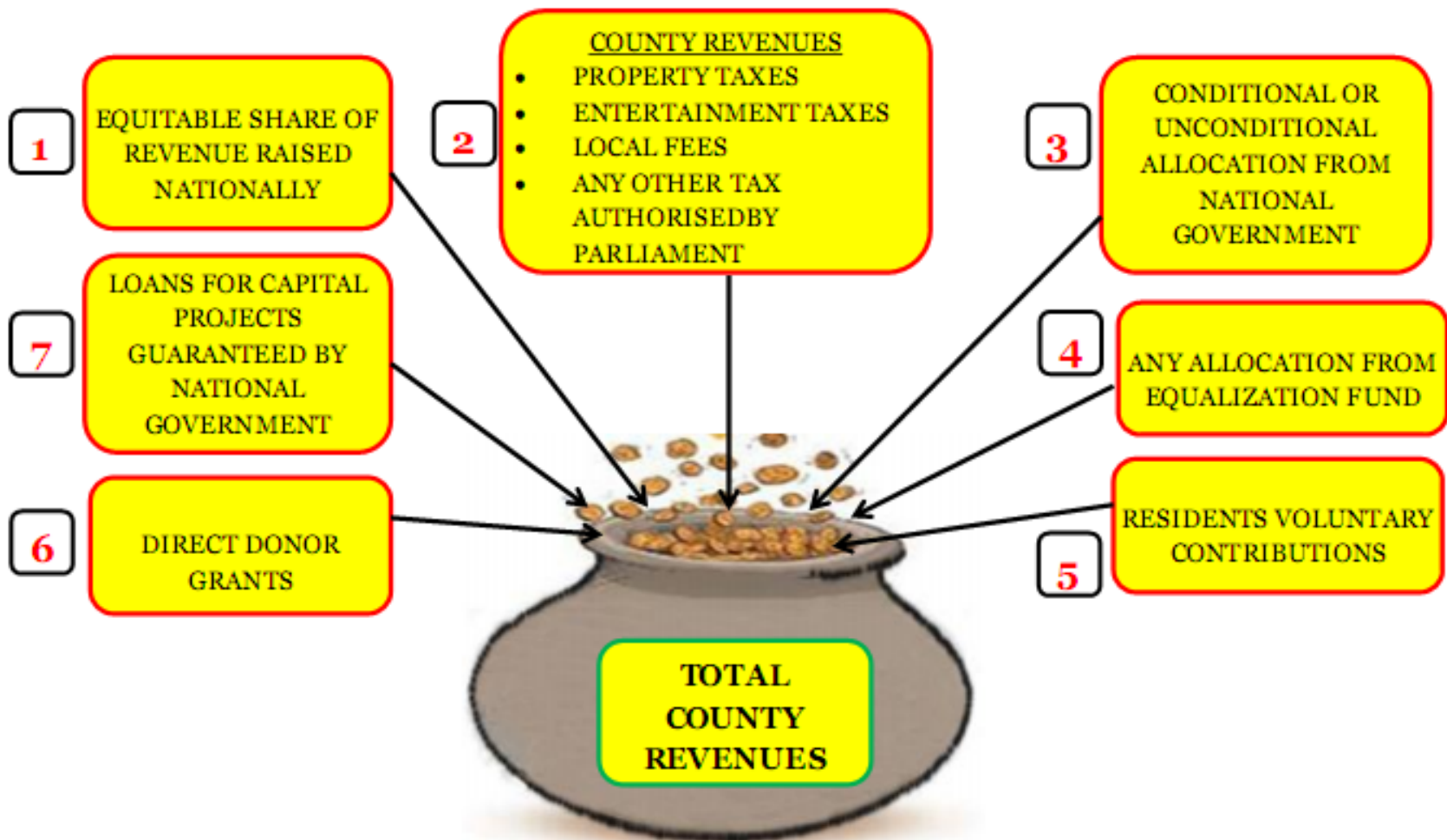
AccountAbility

Presentation Outline

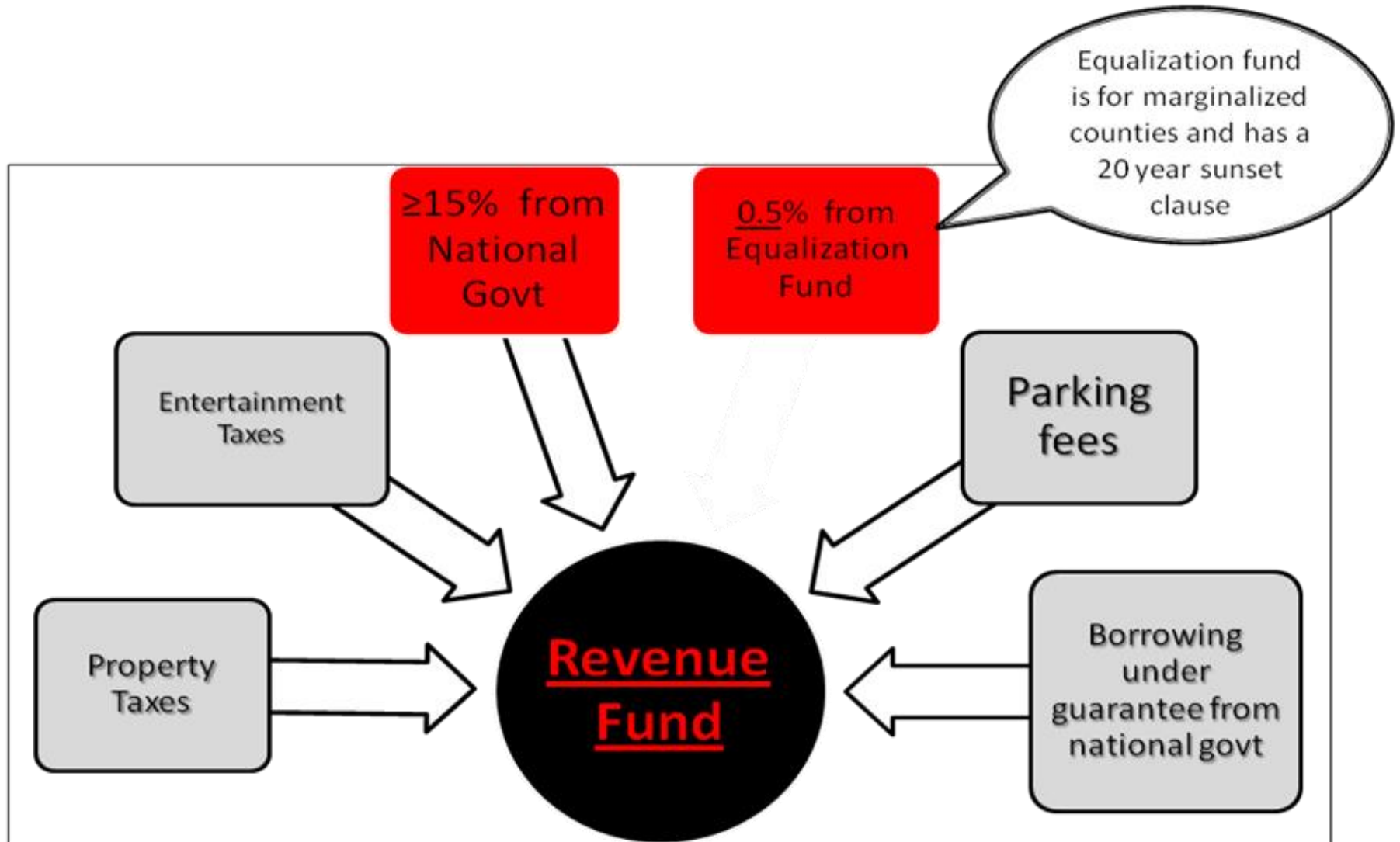


- ☐ Overview of the constitution on County revenues
- ☐ Provisions of the PFM Act 2012
- ☐ PFM Regulations No. 35
- ☐ Tools for Revenue Enhancement

Constitutional sources of county revenues



County Internal Sources



County revenue sharing fomular: 2017/18 -2018/19



	Parameters	Percentage Weights
1	Population	45%
2	Poverty Index	18%
3	Land Area	8%
4	Basic Equal Share	26%
5	Fiscal Responsibility	2%
6	Development factor	1%

Receivers and collectors of county revenues



- Receivers of County Government revenue are to be designated by the CECM-F responsible for Finance.
- Receivers of County Government revenue are to be responsible for receiving and accounting for County Government revenue.
- Ensuring prompt recovery of revenues when in arrears
- Receivers of County Government revenue may authorize any public officer of the County Government to be a Collector of Revenue.
- Prepare quarterly and annual revenue statements and submit to Auditor General with copies to County Treasury
- CECM-F has powers to appoint Kenya Revenue Authority as collector of County Government Revenue

Management of county revenues and other receipts –Reg.



- County government receipts may be classified into domestic receipts and external receipts (Reg. no. 57)
- Domestic receipts shall comprise of:
 - ✓ domestic loans receipts;
 - ✓ tax revenues; and
 - ✓ non tax revenues including exchequer non tax receipts and Appropriation-in-Aid.
- External receipts shall comprise of:
 - ✓ external loans including national exchequer loan receipts and credit purchase; and
 - ✓ external grants including national exchequer grant receipts and direct payments.

Estimates of Revenue (Reg. no. 58)



- Estimates of revenues shall be in the format issued by the Cabinet Secretary and shall include:
 - ✓ the description of the source of revenue in terms of head code;
 - ✓ estimated revenues;
 - ✓ the receiver of revenue;
 - ✓ for each revenue head, there shall be shown revenue items; and
 - ✓ the amounts and the nature of receipts.

- The estimates of revenue shall include the actual revenue for the two previous financial years (N-2) ,(N-1), the current financial year revenue estimates (N), and the projected revenue estimates for the next two outer years (N+1) and (N+2).

Responsibility (personal) of Accounting Officer/Receiver of revenue –Reg. 63



Ensures:

- adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenues;
- adequate measures, including legal action where appropriate, are taken to obtain payment;
- official receipts are issued for all moneys paid to county government.
- In case of any difficulty, report to CEC-MF
- May not convert revenues into foreign or local currency except with the authority of CEC-MF

Quarterly Reports -Reg. 64



Shall be prepared not later than 15th after the end of every quarter and shall include:

- a statement of receipts and disbursements in such form as the Public Sector Accounting Standards Board may determine;
- a statement of arrears of revenue which shall be classified by financial year; and
- reasons for material differences between approved estimates and the actual revenue collected.

In case of waivers and other variations



The following details in respect of each waiver or variation:

- ✓ the full name of each person benefiting from the waiver or variation;
- ✓ the amount of tax, fee or charge affected by the waiver or variation;
- ✓ the year to which the waiver or variation relates;
- ✓ the reasons for the waiver or variation; and
- ✓ the law in terms of which the waiver or variation was granted.

Content of Annual, Quarterly & Monthly Statements



At minimum shall include:—

- the actual revenue received by the receiver and transmitted to the county exchequer account;
- the actual revenue received by the receiver and not transmitted to the county exchequer account;
- the revenue arrears due but not collected; and
- a responsibility statement by the receiver of revenue on the revenue statement

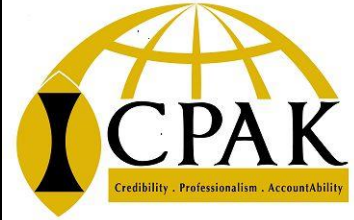
Additional Sources of Revenue



In addition to the previously discussed sources, counties can mobilize of revenues through:

- Public Private Partnerships (PPP)
- Proposals to targeted partner's for specific activities
- Fiscal responsibility grant (CRA)

Challenges in county Revenues



Inadequate
Reporting on Public
Funds Established
by the Counties

Low Local
Revenue Collection
by the Counties

Persistent Use of
Locally Generated
Revenue at Source

Revenue not
captured in County
Budgets

County Budget Analysis: 2017/18



- Aggregate County Budgets – Ksh. 410.1 billion
- Distribution:
 - ✓ Recurrent expenditure – Ksh. 271.32 billion (66.1%)
 - ✓ Development expenditure –Ksh. 139.18 billion (33.9%)
- Allocations:
 - ✓ Equitable share –Ksh. 302 Billion
 - ✓ Conditional grants –Ksh. 27.27 billion
 - ✓ Projected own source revenues –Ksh. 49.22 billion
 - ✓ Projected cash balance –Ksh. 25.75 billion

County Budget Performance Analysis: 2017/18



- Aggregate available revenues – Ksh. 387.09 billion
- Authorized expenditure: Ksh. 324.12 billion
 - ✓ Recurrent expenditure – Ksh. 251.96 billion (77.7%)
 - ✓ Development expenditure –Ksh. 72.16 billion (22.3%)
- Absorption: Ksh. 303.83 billion
 - ✓ Recurrent expenditure – Ksh. 236.94 billion (87.3%)
 - ✓ Development expenditure –Ksh. 66.89 billion (48.1%)
- Sources:
 - ✓ Equitable share –Ksh. 302 Billion
 - ✓ Conditional grants –Ksh. 26.85 billion
 - ✓ Own source revenues –Ksh. 32.49 billion (66% of projected)
 - ✓ Projected cash balance –Ksh. 25.75 billion

Best/worst Counties -absorption: 2017/18



☐ Best

- Kiambu – 85.5%
- Marsabit -85%
- Laikipia -84.2%

☐ Worst

- Nakuru -59.3%
- Tana River -53.7%
- Vihiga -48.5%

Best/worst Counties -development: 2017/18



☐ Best

- Mombasa -76%
- Marsabit -74%
- Kilifi – 73.1%
- Murang'a – 72.5 %

- Kisumu – 23.6%
- Wajir -22.9%
- Vihiga -17.5%
- Taita Taveta -12.7%

Analysis by economic classification: 2017/18



- Personal emoluments –Ksh. 151.09 billion (49.7%)
- Operations and maintenance –Ksh. 85.85 billion (28.3%)
- Development – Ksh. 66.89 billion (22%)
- Emoluments within the 35% Limit
 - Kilifi – 33.8%
 - Marsabit -28.7%
 - Mandera -24.9%
- Worst Emoluments performers
 - Machakos -65.3%
 - Taita Taveta -64.4%
 - Meru -63.9%

Un-authorised expenditure: 2017/18



- Nairobi city
- Mandera
- Murang'a
- laikipia

And Finally.....

