



The Institute of Certified Public Accountants of Kenya

ICPAK SUBMISSIONS

ON

THE BUDGET POLICY STATEMENT 2019

SUMMARY OF ICPAK SUBMISSION ON BPS 2019

#	PARAGRAPH OF BPS 2019	ISSUE OF CONCERN	ICPAK RECOMMENDATIONS
1.	Paragraph 12- value of Per Capita Income and Job creation	<p>According to the BPS 2019, The value of goods and services produced raised Per Capita Income from Ksh 113,539 in 2013 to an estimated Ksh 190,521 in 2018, a 67.8 percent increase. This enabled generation of around 840,000 new jobs per year in the period 2013-2018 up from 656,500 new jobs per year in the period 2008-2012</p> <p>According to the Economic Survey 2018, a total of 897.8 thousand new jobs were created in 2017 with 787.8 thousand new jobs created in the informal sector. Employment in the informal sector accounted for 83.4% of total employment in the period under review.</p> <ul style="list-style-type: none"> ▪ How sustainable is employment within the informal sector? ▪ What measures can we put place to spur job creation within the formal and corporate sectors? ▪ Mismatch on data on informal sector- What methodologies/system can KRA use to capture data on informal sector for purposes of tax revenue given that so many jobs are created in this sector yet it isn't considered in the expansion of tax base ▪ How feasible is data on informal sector 	<ul style="list-style-type: none"> ▪ Improve the regulatory environment for the informal sector to support stability and growth of MSMEs to overcome start-up challenges and contribute to economic development ▪ Device mechanisms for identification of informal sector players to contribute to tax revenue. ▪ Formalize the informal sector by limiting cash-based transactions as a means to capture all business activities in the economy.

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		contribution??	
2.	Para 32: Net Foreign Assets (NFA)	The Draft BPS 2019 indicates Kenya's Net Foreign Assets (NFA) grew by 22.3% yet with the increase in external component of the public debt and the import bill indicates otherwise. This needs to be revised for clarity.	The Draft BPS 2019 indicates Kenya's Net Foreign Assets (NFA) grew by 22.3% yet with the increase in public debt and the import bill indicates otherwise. This needs to be revised for clarity.
3.	Para 52- modernized Income Tax Bill	Over the last few years, the reform of Kenya's Tax system has involved policy, legal and administrative reforms aimed at modernizing taxation and simplifying tax administration in Kenya. Recent efforts to modernize the tax regime have yielded a new Value Added Tax 2013, Tax Procedures Act 2015, Excise Duty Act 2015 and Tax Appeals Tribunal Act 2015 without an overarching tax policy.	ICPAK recognizes that legislation, including subsidiary legislation, traces its foundation on an agreed policy framework, to establish the most appropriate approach to resolve a problem. As such, the review of the Income Tax Act should be predicated on a comprehensive n Income Tax policy. It is therefore the Institutes professional opinion that an income tax policy should be developed to guide the review process of the Income Tax Act. It further important to envisage the entire of the tax frame and develop an overarching tax policy ahead of any taxation.
4.	Para 59: Real GDP Growth	In as much as the BPS 2019 projects expansion of the Real GDP by 6.1% in FY 2018/2019, 6.2% in FY 2019/2020, 6.4% in FY 2020/21 and 7.0% FY 2022/23, it fails to put into consideration unforeseen risks and shocks especially in Agricultural sector (unpredictable weather patterns) and the macroeconomic environment that could be affected by external shocks including projected economic slump in leading economies such the US and UK	There's need to consider more realistic growth targets given the economy's vulnerability to shocks. The World Bank (through the Kenya Economic Update 2018) lower growth rates compared to those given in the BPS 2019, that Kenya's economy is expected to grow by 5.7% FY 2018/19, 5.8% FY 2019/20 and 6.0% in 2020/21. Since expected economic growth is a factor in subsequent macro-economic and fiscal projections, we argue for a more prudent approach by which we do not over-project

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			the state of the economy.
5.	Para 64: Government Policies to support Fiscal Consolidation	The Institute takes note and commends the Government for recognizing the need for fiscal consolidation. However, it will be crucial to carefully determine which expenditures are contained so that the government's "Big Four" Agenda and service delivery are not curtailed.	According to the World Bank's Economic Update: <ul style="list-style-type: none"> ▪ There is need to re-ignite private sector led growth, in this regard, fiscal consolidation must be growth friendly; ▪ Fiscal consolidation needs to be recalibrated towards recurrent spending such as - lowering of transfers to state owned enterprises, cleaning and regular audit of the payroll register, keeping wages, salaries and allowance adjustments in line with recommendations from the Salaries and Remuneration Commission (SRC) ▪ Fiscal policy should geared towards regenerative expenditure not consumptive expenditure.
6.	Para 85 MSMEs To further support the manufacturing sector, the Government will continue to promote provision of financial support and credit to Micro, Small and Medium Enterprises	Traditional sources of financing for MSMEs have revolved around personal savings, loans from friends and family, and other informal sources. The Institute notes that for the MSME sector to succeed, it must be supported to overcome key challenges: <ul style="list-style-type: none"> • The regulatory environment • multiple licenses for same business • multiple procedures in registration; • lack of markets; • poor infrastructure (roads, power and water supply) 	The government should consider putting in place programmes to <ul style="list-style-type: none"> ▪ Support financial literacy for MSMEs on areas such as basic record-keeping, cash management, managing customer and supplier payments, tax, insurance and other regulatory requirements. ▪ At curriculum development level, introduce teaching and learning during formative school years and promoting work experiences for students on MSMEs. ▪ Reform the tax policy to help in the formalization of the informal sector. This can be achieved through: <ol style="list-style-type: none"> a) harmonization of taxes by reducing multiplicity of taxes both at National and subnational levels b) Tax education for taxpayers to understand why

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	(MSMEs)		<p>they pay. There's also need for sensitization on presumptive tax</p> <ul style="list-style-type: none"> ▪ Market linkage for MSMEs in Kenya. In addition, there's need to scale-up a programme from micro to small then to medium and large enterprises – to have ready companies to compete at local, regional and global markets. ▪ The government through the MSME authority should consider standardizing and authenticating Kenya products to foster comparative advantage. ▪ The government through the MSME authority should consider standardizing and authenticating Kenyan produced products to foster comparative advantage. ▪ Through the Buy-Kenya-Build- Kenya initiative, have select-standardized Kenyan products to support the Housing and Manufacturing agenda under the Big Four
7.	<p>Para 86 – Food Security</p> <p>The Government will continue to implement measures in the agricultural sector in order to ensure</p>	<p>According to Global Hunger Index (GHI) 2018, Kenya is classified as a food deficit country. Currently, close to 1 in every 3 Kenyans (14.5 million) suffer from chronic food insecurity and poor nutrition annually. In addition, about 30% of the children countrywide are stunted, 13% moderately wasted, while 7% are moderately underweight. Approximately 20% of the population does not attain the minimum dietary requirements to sustain a healthy</p>	<ul style="list-style-type: none"> • The sector legal, policy and institutional capacity should be strengthened in realization of core mandates. This is more so with, regard to devolved functions which require guidelines for implementation. • There is need for introduction of subsidies to farmers especially on inputs such as fertilizers and high yield seeds.

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	food and nutrition security.	and productive life. Agricultural sector has faced numerous challenges lowering its productivity in the recent years. Stagnation in productivity has been largely due to frequent droughts in parts of the country, high costs of domestic food production due to high costs of inputs especially fertilizers and farming equipment, rural-urban migration of young energetic population, low purchasing power for large proportions of the population due to high poverty levels, lack of incentives and lack of diversified agricultural activities.	<ul style="list-style-type: none"> • Increase funding levels especially to the sectors that contribute to food security such as Agriculture and manufacturing. Exchequer releases should be within the prescribed timeline to facilitate implementation of development programs. Agriculture should be at least 10% as per Maputo Declaration. • Build and improve rural infrastructure to open space for movement of goods and services. • Revisiting policies on trade agreements to boost export of some agricultural products. • Improve access to financial services and credit in agriculture and rural development.
8.	Para 86 – Food Security (Storage	Storage facilities and other down-stream efforts for agriculture produce has been a challenge in Kenya. In the 2018 BPS, the government indicated that it will introduce incentives for post-harvest technologies to reduce losses from 20% to 15%. However, this is still a challenge in the sector.	<p>The Government should consider employing the Ethiopian style warrant age or inventory credit system.</p> <p>This is a community-based micro credit approach where farmers in partnership with a lending agency (micro-financial institution, NGO, etc.) store their products at harvest in the appropriate established warehouses and are issued with cash loans based on the value of the product deposited, which they could use to address urgent financial needs, participate in collective input purchase or carry out income-generating activities during the off-season.</p> <p>Later, in agreement with the lending institution, the farmers sell the stored produce at higher prices, say after 4-5 months after harvest, when the market supply</p>

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			<p>begins to decline. The cash is then used to pay back the loans with interest.</p> <p>This system has been a success in West African countries like Mali, Niger and Burkina Faso in dealing with poverty/ enhancing rural economic empowerment.</p>
9.	Para 86-Food Security (Irrigation)	<p>The Institute is concerned that for the last two years, a lot of public resources have been invested in irrigation yet the rewards have been minimal. For instance, in BPS 2018, the government placed 700,000 Acres through PPP under maize, potato, rice, cotton, aquaculture and feeds production and formed an Agriculture and Irrigation Sector Working Group to provide coordination of for irrigated agriculture</p> <p>In 2019, the government plans to develop 85,000 acres of irrigation area under National Expanded Irrigation programme and increase area under smallholder irrigation by 1,617 acres</p>	<ul style="list-style-type: none"> ▪ Monitor progress in implementation of irrigation related projects to determine returns on investment. ▪ Consider reviewing pricing of produce from farmers. For instance, there has been hue and cry from farmers in the coffee, maize and sugar sectors on low prices for their produce
10.	Para 96-Universal Health Coverage	<p>Its unclear whether agreed targets as enumerated in the BPS 2018 have been met under this area. In 2018, the Government promised to - In particular, the Government will review and amend the NHIF Act to align it to the universal health coverage as well as review the laws governing private insurance companies to encourage investment by private health insurers and bring the cost of cover within the reach of every Kenyan. This has been reiterated in the BPS 2019.</p>	<ul style="list-style-type: none"> ▪ The government should complete reconfiguration and digitization of NHIF to ensure the system is ready for roll out before fully implementing the UHC. ▪ There is need to increase the health budgetary allocation to the recommended 15% of the total annual budget as recommended by the AU under the auspices of Abuja declaration. ▪ Sector players should dialogue to end persistent

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		Progress in implementing UHC is threatened by persistent labour unrest.	labour unrest in the sector. Currently, nurses in over 17 counties are on strike to the detriment of services and suffering to Kenyans at larger. We urge Labour Unions, National Government and County Governments to work together to address the concerns of the doctors, nurses and other cadres within the health sector.
11.	Para 97 – Universal Health Coverage	The wording of paragraph 97 connotes free health services, <i>“.....The residents of these Counties will receive free health care services in all health facilities from their local health centres all the way to the referral facilities. The Government will use the lessons learnt from this pilot to refine and scale up the programme to the rest of the Counties over the next 18 months”</i> , against provisions of the BPS which allude to the fact that a reconfigured contributory NHIF shall be the platform for implementing UHC. This needs to be clarified.	There is need for clarity on whether the Government will be providing free health care services in the long-run under the UHC
12.	Para 102/103	Paragraphs 102 and 103 anticipate investment in health infrastructure including the relevant equipment. However, there is no indication of a commensurate effort to hire competent health personnel to handle the purchased equipment.	Hire and train staff/manpower with relevant skills to handle the purchased equipment (that is, human capital is vital)
13.	Para 107 National Housing Development	Stakeholders have raised concerns on the structure and implementation framework of the National Housing Development Fund.	<ul style="list-style-type: none"> ▪ Consider incentive to businesses by way of either tax credits or allow for the contributions to be treated as tax allowable. This will be a useful relief to businesses which are already of doing business

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	Fund		<p>grappling with the high cost of doing business. Such a charge on business is an additional burden.</p> <ul style="list-style-type: none"> ▪ Increase housing relief for employees: Currently, employees have to cope with numerous statutory deductions from their salaries in the form of taxes. There is need to introduce a housing relief which will help reduce the tax liability. ▪ Access must apply equally for both the public and the private sector: There is need to ensure that access to the benefits of the fund are not only skewed to the public sector in form of salaried government employees but that benefits are also accessible by the private sector. This will give incentives to the private sector to support implementation of the affordable housing agenda. ▪ Administration of the fund: Funds must be utilized only for the intended purpose. Appropriate checks and balances must be put in place to avoid misappropriation of the fund in the form of graft ▪ Mortgage exemptions: The Regulations should provide that employees currently servicing a mortgage should be exempted from contributing to this fund upon proof of mortgage/home ownership loan plan. This will ease the burden of additional tax burden arising from implementation of this policy change.
14.	Housing- General Comments on M & E systems	<p>Its unclear whether agreed targets as enumerated in the BPS 2018 have been met under this area. In 2018, the government earmarked the following projects:</p> <ul style="list-style-type: none"> • Development of a comprehensive housing package that will incentivize the private sector in 	Strengthen monitoring and evaluation systems for the “Big Four” Agenda projects and other government initiatives

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		<p>low cost housing</p> <ul style="list-style-type: none"> Established a Taskforce on Expanding Affordable Housing Finance in Kenya Prioritized review of the National Construction Authority Act, Built Environment Bill, and related legislations to ensure they address matters on sustainable building standards and design procedures, as well as green building codes for sustainability and safety of the housing sub-sector 	
15.	Para 110- Idle Land Tax	The Government plans to include allowing strategic land acquisition (Public Land), prohibiting land speculation (Idle Land Tax/Potential Land Tax)	<p>A very encouraging move that will address the pervasive trend of hoarding land, a factor of production, for speculative purposes. It is expected the introduction of this idle land tax which discourage land hoarding and balance off the high cost of land.</p> <p>The economic prosperity of a country is closely linked to the richness of her natural resources of which is a core factor. The push to apply all land into productive use is this a welcome move.</p>
16.	Para 147- Blockchain Technology	<p>The Government aims at setting up a taskforce on Blockchain and Internet of Things (IoT) technologies that will study the benefits and challenges associated with the latest digital innovation trends.</p> <p>On contrary, the Taskforce on Blockchain Technology was set up in 2018 and finalized its findings and report.</p>	It is our considered view that rather than set up another Taskforce, the government needs to implement the Report of the Taskforce on Blockchain Technology to promote accountability within the economy

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17.	Para 152: Access to Clean Water	The Government unveiled plans to implement the strategic water storage program that will increase the number of Kenyans connected to safe piped water by 9 million people by 2022. The Institute supports this proposal.	To further promote realization of Article 43 of the Constitution, we urge all stakeholders to support CRA's proposed 3 rd Revenue Generation formula that has a heavy component on service delivery. Access to water is one of the parameters of the proposed formula. The formula being a distributive tool does not enforce allocation to the specific components highlighted. The National Treasury should develop guidelines to ensure budgetary allocation in line-with the CRA parameters.
18.	Para 157: Sports Fund	In order to have a sustainable financing for sports, arts and culture, the Government has established under Public Finance Management Act a Fund with financing mainly from betting taxes and winning. ICPAK is of the opinion that Government should instead offer tax incentives for sport betting companies who spend 40% of their incomes to sponsor sporting activities. In addition, sports tourism and sport development be exempted from corporation tax.	ICPAK is of the opinion that Government should instead offer tax incentives for sports-related betting companies who spend 40% of their incomes to sponsor sporting activities. In addition, sports tourism and sport development be exempted from corporation tax t.
19.	Para 180: Consolidation of Uwezo Fund, Youth Enterprise Development Fund and Women Enterprise Development Fund.	The Government plans to support the youths, women and people with disabilities by reforming and consolidating affirmative action funds such as Uwezo Fund, Women Enterprise Fund, into one robust Fund whose objective is to support enterprises owned by youth, women and persons with disabilities. This is long overdue. The initiative was identified in	There's need to Fastrack this process. CS Rotich indicated in his Budget Speech FY 2018/19 that the Cabinet has approved Biashara Kenya Fund by merging Uwezo Fund, Youth Enterprise Development Fund and Women Enterprise Development Fund.

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		the 2018 BPS.													
20.	Para 181- 185 Strengthening Governance and the Fight against Corruption	<p>Kenya has an elaborate legal architecture on integrity and accountability. This ranges from the Constitutional provisions on leadership and integrity to other numerous related pieces of legislation on public finance management, integrity, bribery and accountability.</p> <p>Nevertheless, we continue to witness myriad cases of financial misappropriation and the numerous reported scandals involving both the public and private entities.</p>	<p>Amend the law and provisions on public finance management, anti-money laundering, leadership and integrity to include:</p> <ul style="list-style-type: none"> • Total blacklisting to public positions for persons culpable • Strengthen asset recovery mechanism, including repatriation of assets 												
21.	Para 205 – realism of revenue forecast --- its ambitious and leads to budget deficit .. For instance,	<p>The Institute is concerned with the accuracy and the ambitious nature of National Treasury’s revenue projections. This exacerbated by failure by the Tax Authority to meet the set targets over the years.</p> <p>A trend analysis of revenue growth is critical in informing revenue projections for the coming years. Kenya’s budget process has inadequately facilitated accurate forecasts for resource collection. The common tendency has therefore been to make overly optimistic revenue projections leading to an increased uncertainty of resource flows.</p> <p>Revenue Projections FY 2017-18- 2019-2020</p> <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>FY 2017/18</th> <th>FY2018/19</th> <th>FY 2019/2020</th> </tr> </thead> <tbody> <tr> <td>Total Revenue including A-I-A</td> <td>Ksh 1,643.1 billion</td> <td>Ksh 1,831.5 billion</td> <td>Ksh 2,080.9 billion</td> </tr> <tr> <td>Ordinary Revenue</td> <td>Ksh 1,486.3</td> <td>Ksh 1,651.5 billion</td> <td>Ksh 1,877.2 billion</td> </tr> </tbody> </table>	Fiscal Year	FY 2017/18	FY2018/19	FY 2019/2020	Total Revenue including A-I-A	Ksh 1,643.1 billion	Ksh 1,831.5 billion	Ksh 2,080.9 billion	Ordinary Revenue	Ksh 1,486.3	Ksh 1,651.5 billion	Ksh 1,877.2 billion	<p>According to ICPAK’s, “Kenya Revenue Analysis Report, 2015”. The role of Parliament is critical in providing oversight over the revenue projections. According to the Parliamentary report on the Budget Policy Statement, the Budget and Appropriations’ Committee expressed concerns over the revenue projections provided by the executive in the FY 2014/2015 and by extension, the subsequent revenue projections including the 2019/20 which we also feel are not backed by economic fundamentals.</p> <p>This calls for a holistic approach and a review of economic data and macroeconomic trends when setting revenue targets.</p>
Fiscal Year	FY 2017/18	FY2018/19	FY 2019/2020												
Total Revenue including A-I-A	Ksh 1,643.1 billion	Ksh 1,831.5 billion	Ksh 2,080.9 billion												
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			billion															
22.	Para 210 – Deficit Financing	<p>The government needs to put into consideration efforts to reduce the fiscal deficit.</p> <p>Fiscal Deficit over the years</p> <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>FY 2017/18</th> <th>FY2018/19</th> <th>FY 2019/2020</th> </tr> </thead> <tbody> <tr> <td>Fiscal Deficit excluding grants</td> <td>Ksh 581.8 billion</td> <td>Ksh 638.2 billion</td> <td>Ksh 623.8 billion</td> </tr> <tr> <td>Fiscal Deficit including grants</td> <td>Ksh 529.8 billion</td> <td>Ksh 587.7 billion</td> <td>Ksh 572.2 billion</td> </tr> </tbody> </table> <p>This has had an impact on accumulation of public debt</p>				Fiscal Year	FY 2017/18	FY2018/19	FY 2019/2020	Fiscal Deficit excluding grants	Ksh 581.8 billion	Ksh 638.2 billion	Ksh 623.8 billion	Fiscal Deficit including grants	Ksh 529.8 billion	Ksh 587.7 billion	Ksh 572.2 billion	<p>We take issue with the GDP figures applied in computing fiscal deficit as a function overall GDP. This demonstrates that the projected GDP figures which are subsequently applied to compute economic indicators are grossly overstated and hence cannot be relied upon. THE BPS 2019 presupposes a GDP projection of 11.7 trillion shillings in 2019/20 yet statistics from the CBK which are comparable with globally computed figures put the countries GDP at a modest KES 8.4 trillion. By this overcast in the GDP figures, the BPS has projected a healthier fiscal deficit than it is the case.</p>
Fiscal Year	FY 2017/18	FY2018/19	FY 2019/2020															
Fiscal Deficit excluding grants	Ksh 581.8 billion	Ksh 638.2 billion	Ksh 623.8 billion															
Fiscal Deficit including grants	Ksh 529.8 billion	Ksh 587.7 billion	Ksh 572.2 billion															
23.	Para 299- Own Source Revenue	<p>There has been delay in implementing the policy on Own Source Revenue.</p>				<ul style="list-style-type: none"> ▪ Fastrack implementation of the OSR Policy as developed by the National Treasury ▪ For effective revenue management across the Counties, there is need to integrate the different systems for revenue collection and management. IFMIS has been very vital in entrenching accountability in financial management. ▪ County Treasuries should continuously review the performance of revenue collection vis-à-vis targets and shall include a status report in the Quarterly and Annual 												

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			<p>reports which shall be published in various media.</p> <ul style="list-style-type: none"> ▪ The standardized ICT-based system prescribed should provide real time revenue information in a consistent manner to enable consolidation and analysis, as well as periodic reports for use by the National Treasury, the CoB, the CRA and the Office of the Auditor General, and also easily accessible by the general public. ▪ Consider positioning the Kenya Revenue Authority as the collector of county revenues to support revenue collection at that level.
24.	Para 304 – Absorption of Development Funds	<p>This is a worrying trend at the two levels of government. One of the main causes cited by the Controller of Budget is the delay in Exchequer Releases.</p> <p>For instance, during the Annual report of FY 2015/16, the total exchequer releases towards development expenditure totaled Kshs. 110.4 billion representing 14.3% of the annual net estimates. This is a low percentage considering that at half year, total exchequer releases towards development expenditure should be approximately 50% of the annual net estimates.</p>	<p>The low absorption rates of approved budgets is a pointer to weak budgeting process in relation:</p> <ul style="list-style-type: none"> • Over-ambitious and unrealistic revenue projections which become uncollectible; • As a result of the above, erratic exchequer releases serve to compound the problem. <p>We need to the rethink the budgeting frame more specifically around revenue projections. This has consequent effect on budget implementation.</p>
25.	Para 307/308 – Pending Bills	<p>According to the Auditor General Reports, there has been an increase in pending bills in the recent times. The table below illustrates the increase for the national government.</p>	<p>Globally, under cash accounting, transactions are recognized only when the associated cash is received or paid, and economic events are not reported if there is no immediate exchange of cash. Accrual accounting therefore offers several benefits:</p>

#	PARAGRAPH OF BPS 2019	ISSUE OF CONCERN		ICPAK RECOMMENDATIONS								
		<table border="1"> <thead> <tr> <th>Financial Year</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>16,638,164,142</td> </tr> <tr> <td>2014/15</td> <td>43,212,107,778</td> </tr> <tr> <td>2015/16</td> <td>20,472,313,203</td> </tr> </tbody> </table>	Financial Year	Total	2013/14	16,638,164,142	2014/15	43,212,107,778	2015/16	20,472,313,203		<ul style="list-style-type: none"> ▪ accrual-based fiscal reports provide a more comprehensive view of the government’s financial performance and the cost of government activities; ▪ help focus greater attention on the part of policymakers and the public on the acquisition, disposal, and management of government assets, liabilities, and contingent liabilities ▪ by consolidating not only central government ministries and agencies but all institutional units under government control, accrual accounts provide a more complete picture of the financial position of the public sector as a whole; ▪ by reporting stocks and flows within an integrated accounting framework based on internationally-accepted standards such as IPSAS, accrual accounting can improve the reliability and integrity of government financial data
Financial Year	Total											
2013/14	16,638,164,142											
2014/15	43,212,107,778											
2015/16	20,472,313,203											
26.	Para 309 – absence of audit committees	BPS 2019 identifies absence and/or ineffectiveness of internal audit committees in line with part XIII of the PFM (County Governments) Regulations, 2015 as one of the county financial risks.		<ul style="list-style-type: none"> • Continuously lobby County entities to establish audit committees • Capacity build established audit committees on their roles • Support CRA’s proposals to have this as a variable under the Fiscal Prudence parameter for revenue share. This will obligate counties to establish and operationalize effective Audit Committees 								

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27.	Para 316- County governments Equitable Share	<p>ICPAK’s analysis of the Division of Revenue Process shows that for the past three years, the Division of Revenue Act (DORA) has used FY 2013/14 audited accounts as the basis for equitable share!</p> <table border="1" data-bbox="550 508 1188 724"> <thead> <tr> <th data-bbox="550 508 898 592">Division of Revenue Act (DORA)</th> <th data-bbox="903 508 1188 592">Audited Financial Statements</th> </tr> </thead> <tbody> <tr> <td data-bbox="550 596 898 634">DORA 2016</td> <td data-bbox="903 596 1188 634">935, 653 million</td> </tr> <tr> <td data-bbox="550 638 898 677">DORA 2017</td> <td data-bbox="903 638 1188 677">935, 653 million</td> </tr> <tr> <td data-bbox="550 680 898 719">DORA 2018</td> <td data-bbox="903 680 1188 719">935, 653 million</td> </tr> </tbody> </table> <p>Therefore, the use of 2013/14 figures affect fairness and equity in the revenue share. These disadvantages county governments given that any surplus accrues to the national government.</p>	Division of Revenue Act (DORA)	Audited Financial Statements	DORA 2016	935, 653 million	DORA 2017	935, 653 million	DORA 2018	935, 653 million	<ul style="list-style-type: none"> • It is our considered opinion that in adjudicating of vertical revenue share FY 2019/2020, National Treasury, Commission on Revenue Allocation (CRA) and Parliament should use the most recent audited financial statements as the basis for revenue allocation. The latest audited accounts cover the fiscal year 2016/17 • National Assembly to consider, expedite scrutiny and adoption of these reports from the Auditor General. This will enable not only the revenue share to rely on the most recent and approved financial statements, but also enhance accountability of public funds on a timely manner.
Division of Revenue Act (DORA)	Audited Financial Statements										
DORA 2016	935, 653 million										
DORA 2017	935, 653 million										
DORA 2018	935, 653 million										