



# Budget Review & Emerging Tax Issues Workshop: Nyanza/Western Branches

## Budget Implementation Gaps: Highlights from CoB and OAG Reports

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# Presentation Outline



- ❑ Legal foundations
- ❑ Key highlights –National Government (1<sup>st</sup> Half of 2018/19  
Fiscal year)
- ❑ Key Highlights – County Government (1<sup>st</sup> Half of 2018/19  
Fiscal year)

- ❑ Controller of Budgets & Auditor General are Independent offices Established by the Constitution (**Article 228 (1) and 229 (1) respectively**)
- CoB shall oversee the implementation of budgets for National and County governments (Article 228(4));
- CoB shall submit to each House of Parliament a report on budget implementation for National and county governments
- AG shall audit and report for all government entities and funds (National and County) within 6 months after the end of the financial year (Article 229(4))
- An audit report shall confirm whether or not public money has been applied lawfully and in an effective way
- Audit reports shall be submitted to Parliament or the relevant county assembly

# Legal Frameworks



- **Within three months after receiving an audit report, Parliament or the county assembly shall debate and consider the report and take appropriate action**

# Consolidated Fund Highlights



- Total receipts = Ksh. 1.1 trillion (**41% of revised annual estimates**) –represents a growth of 20.3% growth compared to Ksh. 880.4 billion for 2017/18 for similar period
- Total exchequer issues (National & County entities) 1 trillion (**39.% of revised annual estimates**) –represents 35.8% increase compared to Ksh. 835.5 billion in 2017/18 for similar period
- Breakdown of exchequer issues
  - ✓ MDAs recurrent expenditures –Ksh. 415.3 billion
  - ✓ Consolidated fund services -370.8 billion
  - ✓ Development expenditure -116.9 billion
  - ✓ County governments – 115.1 billion

# Sources of receipts –Consolidated funds



- Income tax – 681.0 billion
- Domestic borrowing – 195.2 billion
- Opening balance – 102.8 billion (excludes TSC)
- Non Tax incomes – 41.2 billion
- Loans: Foreign gov't & Int'l organizations -24.1 billion
- Unspent balances (Recoveries) -6.8 billion
- Grants: Foreign gov't & Int'l organizations -4.4 billion
- Programme Loan: Budget Support – 2.3 billion
- Domestic Lending and on-lending – 1.0 billion
- Grants from AMISON -0.1 billion

# Expenditure absorption rates –National Government



- MDA development -252.7 billion (22.8%)
- Consolidated Fund Services – 388.6 billion (35.1%) (**of this public debt accounts for 349.7 billion; Pensions & gratuity 36.9 billion; Salaries, Allowances & miscellaneous services - 1.3 billion; and Guaranteed loans -0.7 billion )**
- MDAs Recurrent – 465.4 billion (42.1%)
- **Compensation to employees – 194.0 billion (this excludes NIS & components of Ministry of Defense). Of this, TSC accounted for 60.3%**
- **Transfers to SAGAS -174.9 billion**

# Key Issues Raised



- ☐ Delay of budget performance reports Financial and Non-financial
- ☐ Failure to align budget reallocations to actual performance

# CoB Highlights –County governments



- ❑ Aggregate budgets for the 47 counties -463.93 billion (Recurrent 276.44 billion (59.6%); Development 187.49 billion (40.4%))
- ❑ How the budget was to be financed:
  - Equitable share – 314 billion
  - Conditional grants from National government -25.5 billion
  - Conditional grand from development partners -36.98 billion
  - Own Source Revenues -51.32 billion
  - Cash balance B/F from 2017/18 -46.12 billion

# Issues from Consolidated Fund -1<sup>st</sup> half of 2018/19



- ❑ Total disbursements – Ksh. 224.65 billion
  - Equitable share – 115.14 billion
  - Own Source Revenue – 15.37 billion (29.9% of target)
  - Transforming Health Systems project (World Bank) – 613.57 million
  - Kenya Urban Support programme (IDA -Worldbank) – 11.46 billion
  - Cash balance b/f - 46.12 billion

# OSR performance



## ❑ Best performers

- Narok – 74.1%
- Samburu – 68.7%
- Isiolo – 57.8%

## ❑ Poor performers

- Kisii – 12.7%
- Wajir – 13.1%
- Kericho – 13.5%

# Exchequers Releases – CRFs



- ❑ Overall amounts – 145.11 billion
  - Recurrent expenditure – 117.13 billion (80.7%)
  - Development expenditure – 27.97 billion (19.3%)
- ❑ Absorption rates
  - Overall – 136.98 billion (29.5%)
  - Recurrent -112.25 billion (40.6%)
  - Development – 24.73 billion (13.2%)
- ❑ Economic classifications
  - Personnel emoluments – 80.02 billion (58.4%)
  - Operations & Maintenance – 32.23 billion (23.5%)
  - Development activities – 24.73 billion (18.1%)

# Key Issues – Summary for 47 Counties



- ❑ High expenditure on personnel emoluments
- ❑ Under-performance of OSR
- ❑ Delays in disbursements of equitable share by the National Treasury
- ❑ Delays in submission of reports – financial and non financial
- ❑ Failure to budget for all conditional grants under CARA, 2018

# AG – Summary Common problems



- ☐ Non compliance with the approved budgets
- ☐ Expenditures not supported by the Annual Procurement Plans (APP)
- ☐ Serious questions on “Value for Money” in public expenditures
- ☐ Huge expenditures not supported by requisite evidence (records)
- ☐ Inconclusive evidence/records provided during audits
- ☐ Problems with asset records -ownership and valuations
- ☐ Challenges in verifying pending bills – authenticity and values
- ☐ Serious problems with Imprest management and accounting
- ☐ Issues with the financial system -IFMIS

**And Finally.....**

