

Strengthening Financial Accountability for Economic Growth

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Quote



“Accountability is the hallmark of any meaningful human achievement” Sam Silverstein

Summary of Presentation

- Mandate of the Office of the Auditor-General
- The Public Accountability Framework
- Effects of Covid-19: Audit Observations
- Financial Accountability for Economic Recovery
- Economic Recovery: Role of the Auditor-General
- Economic Recovery - Key Recommendations
- Conclusion

Mandate of Office of the Auditor-General

The Office of the Auditor-General is established as an Independent Office under Article 248(3) of the Constitution of the Republic of Kenya.

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Article 229 of the Constitution gives the Auditor-General the mandate to audit the accounts of:

1. National and County Governments
2. All Funds and Authorities of the NG and CG
3. All Courts
4. Every Commission and Independent Office
5. National Assembly, Senate and County Assemblies
6. Political Parties funded from public funds
7. Public Debt; and
8. Any other entity that legislation requires the Auditor-General to audit.
9. The Auditor-General may audit and report on the accounts of any entity that is funded from public funds.

Expanded Mandate

Article 229(6) of the COK,2010

“.....an audit report shall confirm whether or not public money has been applied lawfully and in an effective way”

- This introduces a new concept of auditing, requiring the Auditor-General not only to look at the fiscal and managerial accountability aspects, but also to confirm whether or not the programmes implemented lead to results and outcomes that positively transform the lives of our people.

Expanded Mandate Continued..

PAC 2015 7(1)(a)..In addition to the functions and responsibilities of the AG as set out in Article 229 of the Constitution, the AG shall ...give assurance on the effectiveness of internal controls, risk management and overall governance at the national and county government.

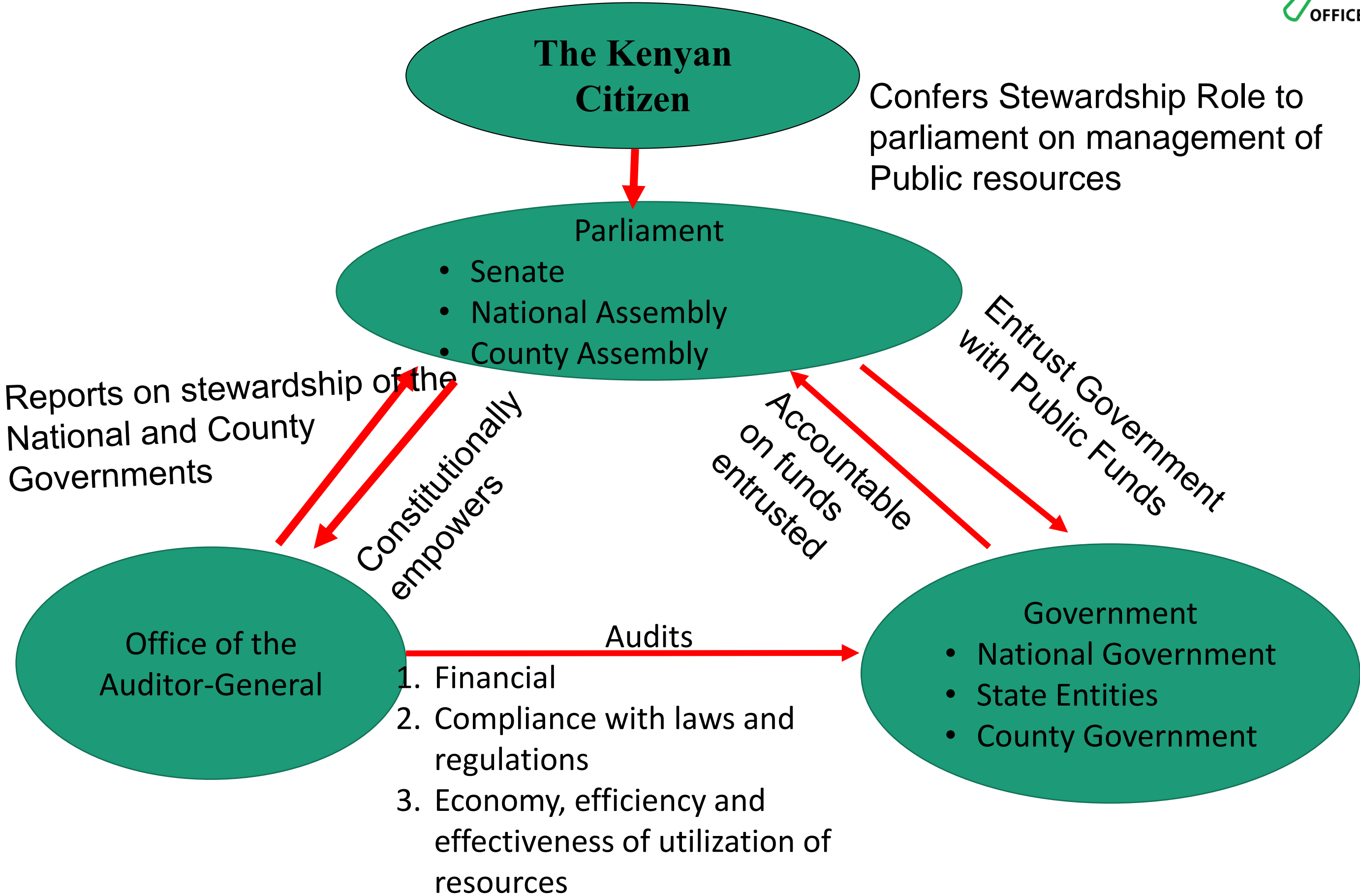


Accountability Framework

The Constitution of Kenya, 2010 (CoK,2010) is the bedrock of Accountability in Public Sector -:

- **Article 10 - National Values and Principles of Governance** to include but not limited to; patriotism, national unity, rule of law, democracy, participation of people, **good governance**, the principle of **accountability**, transparency, integrity and **sustainable development**
- **Article 73 - Principles of Leadership & Integrity**- accountability to the public for decisions and actions;
- **Article 201 - Principles of Public Finance** that include **openness**, **accountability** and **prudent use of public resources**.
- **Article 232 - Values and Principles of Public Service** - that ensures efficiency, effectiveness and economic use of resources in the public sector & **high standards of professional ethics**.

Accountability Framework



Effects of Covid-19 Pandemic



General effects

- Loss of employment,
- Closure of businesses and livelihood,
- Loss of lives
- Loss of school calendar

Effects to the economy

- Loss of revenue through tax cuts
- Reduced tax collection from closed businesses
- High unemployment
- Rising inflation
- Non-performing loans
- Rising debts

Effects of Covid-19: Key Audit Observations

- Increase in wastage of public funds
- Over-riding of procurement procedures
- Failure to observe the principles of economy, efficiency, and effectiveness
- Increase in unbudgeted procurements



Financial Accountability for Economic Growth



Strengthening Financial Accountability for Economic Growth

- Progressively change the Government Financial Reporting Framework from IPSAS Cash to Accrual.

The accrual accounting will enable the Government to have a more accurate information on its assets and liabilities and provide a more accurate picture of its financial position.

- Strengthen Controls on the Integrated Financial Management System
IFMIS is the de facto Financial Management System of the Government.

- Timely Action on Auditor-General's Reports

Year in year out the Auditor-General churns out audit reports. The management of respective entities should be made to swiftly act on these recommendations.

Strengthening Financial Accountability for Economic Growth Cont..

- **Avoidance of Pending Bills by National & County Governments**

Pending Bills have continued to bog both National and County Governments.

Failure to clear pending bills in the year they fall affects the budgetary allocation for the year in which they are settled.

- **Ballooning Public Debt**

The Kenya Government Public Debt as at the end of the Financial Year 30 June 2020 stood at 2/3 of GDP. This is a worrying trend as it implies a considerable % of revenue raised will go towards servicing the debt.

- **Government to Enact Laws that enable building Kenya**

- Produce more locally and export as opposed to importing

- **Strengthen Accountability Institutions**

- **Reap on the Lessons Learned from the Covid-19 Pandemic**

Financial Accountability for Economic Growth Cont...

To enhance transparency and accountability and to ensure that core procurement principles are not traded for expediency during the Covid-19 pandemic, the government should -:

- Place all contract information in the public domain including Procurement plans, procurement tender opportunities, and contract awards.
- Closely monitor COVID-19 response expenditures since they present the inherent risk of misuse of funds due to their emergency nature.
- Strengthen public oversight institutions

The Role of Auditor-General in Promoting Financial Accountability



- The Supreme Audit Institutions (SAI) should ensure credible oversight mechanisms for optimal accountability in the public sector.
- Expenditure may be incurred on a set of activities financed by both sources; the government budget and emergency funds. In such cases, the SAI audit teams should review the expenditure from the blended sources.
- The Office of the Auditor-General recently established the Citizen Accountability Audit (CAA) Unit, which will enhance the much needed accountability through involvement of citizens in audit.

The Role of Auditor-General in Promoting Financial Accountability Cont..



Expected Outcomes of Citizen Accountability Audit -:

- Improved governance in public finance management
- Strong partnership between the Office and stakeholders
- Enhanced sharing of audit data and information
- Enhanced awareness on transparency and accountability
- Reduced corruption, impunity and mismanagement of resources
- Enhanced accountability in the management of public resources

The involvement of Citizens in the audit process will help the Office to stretch the accountability frontier thus enhancing economic growth.

Economic Recovery: The Role of the Auditor-General

As a the SAI, the Office has the responsibility to ensure continued transparency and accountability beyond the crisis.

The Office will play a key role in reviewing: -

- Economic recovery efforts
- Financial management and governance systems
- Government preparedness for future disasters.
- Information on use and management of public resources in terms of adequacy of budgeting and legal framework, mitigation, response and sustainability

This will assist the government to maintain fiscal discipline and ensure transparency and accountability in use of public resources.

Economic Recovery: The Role of the Auditor-General Cont..

Covid-19 brought about the need for -:

- Modification of the accountability and transparency requirements during emergencies and epidemics.
- Design and use of responsive Public Finance Management systems that allow for reallocation of resources during emergencies.
- Ensuring that controls are not overridden for the purposes of committing fraud and corrupt practices

Economic Recovery: The Role of the Auditor-General Cont..

As the country enters the post-emergency stages of the COVID-19 pandemic, continued transparency and accountability remains critical just like during the time of the crisis.

As we return to normalcy, public resources will be provided to assist in rebuilding the already struggling economy.

The draft 2021 Budget Policy Statement proposes a raft of fiscal and monetary measures as part of the Post Covid-19 Economic Recovery Strategy to promote a resilient and sustainable economic recovery

Re-Positioning the SAI for Effectiveness

The Office of the Auditor-General will remain relevant, credible and the voice of reason even during and after the crises.

Audit must be seen and act as a reliable and credible voice and source of independent, factual and objective insight, guidance and information to:

- Promote economic development
- Facilitate service delivery
- Support beneficial change for the citizens

Achievement of this is will be through: -

- Continuous independent and accountable provision of audit services
- Enhancing collaboration and communication with stakeholders
- Critical feedback on the needs of the citizens and requirements of stakeholders

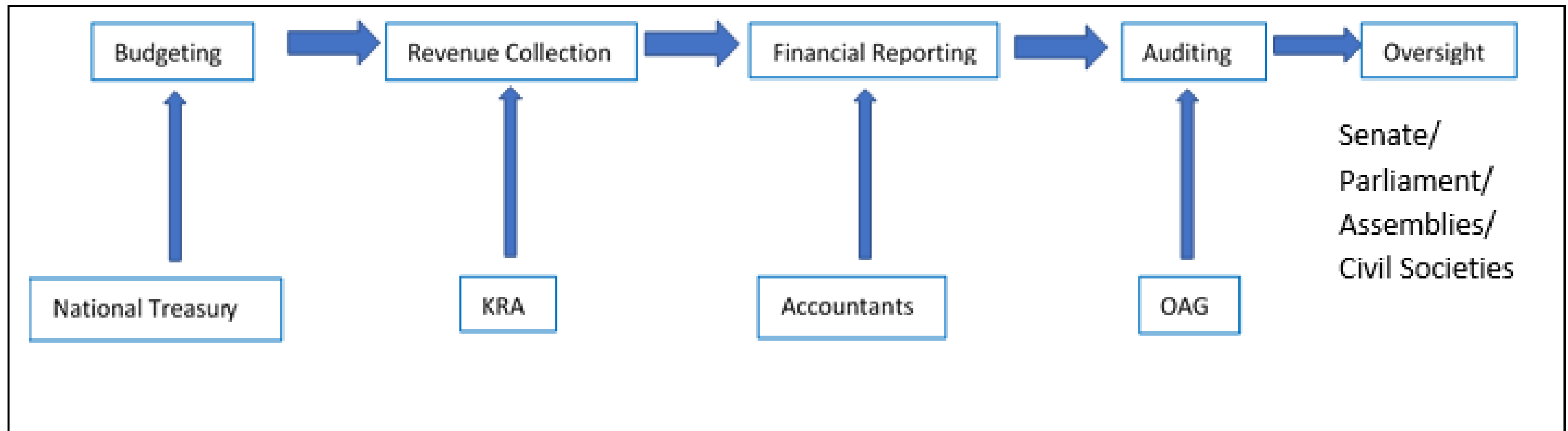
Re-Positioning the SAI for Effectiveness Cont..



- Utilization of robust ICT infrastructure
- Updating staff on necessary ICT skills
- Live connection to client's systems
- Creation of a data science audit unit
- Adoption of various technology tools
- Hybrid of physical and remote working

Strengthening Economic Growth Key Players

Accountability Chain :



Strengthening Economic Growth

Key Players Cont..

- **Budgeting:** - Rationalize the budget to reduce budget deficit, review capital intensive projects, Finance bill geared towards incentives for business recovery.
- **Kenya Revenue Authority:** Apply efficient and effective tax collection method and able to publish periodical reports for public to monitor.
- **Accountants:** Prudent application of resources for effective of key delivery services to the public.
- **Auditors:** Plan and design effective audit procedures that will timely respond and report on identified risks as per interests of the public on effectiveness on use of resources.
- **Parliament:** Put in place robust oversight system on management of public resources. Publicize recommendations of PAC/PIC.
- **Civil society:** Citizens to play their role through public participation especially budget making process and use the budget for demanding deliverables

Key Recommendations - Strengthening Economic Growth



- Establishing and strengthening accountability institutions
- Developing relevant regulatory frameworks laws and statutes (E.g. the Buy Kenya, Build Kenya Directive)
- Leveraging Communication & Information Technology (ICT)
- Benchmarking economic performance with other countries
- Developing economic monitoring and feedback mechanisms
- Strengthen controls on the IFMIS and other Systems
- Management of pending bills and the wage bill
- Reap on Lessons from the COVID 19 Pandemic

Key Recommendations - Strengthening Economic Growth Cont..

- Enhancing budgetary resource allocation to audit services. This will guarantee adequate staffing and continuous oversight.
- Devolving audit functions to counties for continuous audit and monitoring
- Embracing IT audits in the public sector which is moving away from manual records for efficiency and effectiveness in service delivery.
- Regular training of audit staff (accountants and auditors) to cope with changing technological environment.
- Use of multi-disciplinary approach in audit to ensure adequate coverage of technical areas to improve quality and timeliness of audit reports.

Conclusion



Through accountable implementation of post Covid recovery strategies and reliable accountability mechanisms, as a country we will be able to rebuild and grow our economy.

Being accountable simply means being responsible for decisions made, actions taken and assignments Completed.

“Accountability begins with me and you”

*Thank
you*

