



# FINANCIAL REPORTING FOR COUNTY GOVERNMENT & OTHER PUBLIC ENTITIES CONFERENCE

## PREPARATION OF FINANCIAL REPORTS

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# SUMMARY OF PRESENTATIONS



- Introduction of Public Finance
- Reporting Requirements
- Reporting for County Government
- Annual Reporting
- Reporting for Receivers of Revenue
- Prescribed Accounting System
- 20 - Key legal provisions on Reporting
- Components of Financial Reporting
- Statements under financial reporting Templates
- Where do we go Wrong
- Questions and Discussions
- Parting Principles

# Introduction of Public Finance



- ❖ The key law guiding public financial management in Kenya is Constitution of Kenya 2010, Chapter 12
- ❖ 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.
- ❖ PFM Act 2012, Regulations for both National and County Government 2015.
- ❖ In both National Treasury and County Treasury issues Circulars and guidelines in support of application of public funds.
- ❖ *It is worth noting public finance involves entire population in a country in a given jurisdiction.*

# 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.*

# Reporting for; County Government & its Entities



## Financial reporting by county governments entities

**Section 163**

County government to prepare annual financial statements

**Section 166**

Accounting officers to prepare quarterly reports for county government entity

**Section 167**

Annual reporting by Administrators of county public funds.

**Section 168**

Quarterly reporting by administrators of county public funds

**Section 164** Annual reporting by accounting officers

**Section 165:** Annual reporting by receivers of revenue

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## 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 publicize 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.

# Reporting for Receivers of Revenue.



- ❖ Public Finance Management Act, 2012 requires that, at the end of each financial year, a receiver of revenue shall prepare an account of the revenue received and collected by that receiver during that financial year.
- ❖ The following are the timelines for preparation of financial statements
  - i) Annual Reports;**
    - a) National Government – PFM Act 2012 – Section 82
    - b) Investment Report – PFM Act 2012 – Section 89
    - b) County Government– PFM Act 2012 – Section 165
  - ii) Quarterly Reports;**
    - a) National Government – PFM Act 2012 – Section 83
    - b) County Government– PFM Act 2012 – Section 158

# 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)***

# 20 – Key Legal provisions on Reporting



<b>S/ No.</b>	<b>Type of the Report</b>	<b>Section of Act</b>
1	Joint IGC- Quarterly Report	100(4)
2	Financial Diviation Report	108(3)
3	Submission of Reports to CRA	109(9)
4	Annual Reports for Funds	116(5) (b)
5	Status of Loan Reports	122(5)
6	Debt Strategy Report	123
7	Status of Debt Report	124
8	Annual Cashflow projection report	127
9	Receivers of Revenue - Quarterly	158(3)
10	Statement of Waivers	159(1)(a)
11	Annual Consolidated FS	163(1)
12	Annual Financial Reports	164(1)
13	Annual Reports for RoR	165(1)
14	Quarterly Reports	166(1)
15	Annual report by Admin of Funds	167
16	Annual reports by Urban and Cities	180
17	Annual Reports County Corporations (Investment Report)	185(1)
18	Three year term Report - Investments	185(3)
19	PFM Act 2012- Regulations 2015	97-110
20	Bank Reconciliation Statement- FO-30	Cardinal

# **BASIC PROCEDURES TO FOLLOW, BEFORE PREPARATION OF FINANCIAL STMT**



The following are the basic procedure that will lead to credible financial statement;

- ✓ There must be an established accounting and finance Unit;
- ✓ There must be proper maintenance of financial records;
- ✓ There must be conducive environment for employees;
- ✓ There must be the qualified and experienced employees;
- ✓ There must be established financial reporting framework;
- ✓ There must be the will to prepare financial statements;
- ✓ There must be support from the institutional leadership and or;
- ✓ All players should be ready to take responsibility and be accountable in defending the accounting information presented.

# Components of Financial Statement



Financial performance

Financial position

Changes in net worth

Cash flows

Financial information

Service and operational performance

Performance information

General purpose financial reports

An entity's annual report includes general purpose financial reports and other information provided by the entity, such as an overview by those charged with governance.

# Financial Reporting Templates



The following are the key statements to be prepared as prescribed by PSASB;

- ✓ Statements of Receipts and Payments
- ✓ Statement of Assets & Liabilities
- ✓ Statements of Cash flows
- ✓ Combined Statement for Recurrent & Development
- ✓ Statement for Appropriation: Recurrent
- ✓ Statement for Appropriation: Development
- ✓ Notes to the Accounts

# WHERE DO WE WERE GOING WRONG



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

- 1) Financial Statements Prepared Outside prescribed systems
- 2) Failure to prepare and update 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 statements by accounting officers
- 10) Incomplete notes to the financial statements and inclusion of irrelevant notes to the accounts
- 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 and as per the cash books
- 13) Opening balance not correctly brought forward
- 14) Unexplained clearance accounts included in Accounts Receivables

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- 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;
- ✓ 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

# QUESTIONS & DISCUSSIONS



**THANK YOU**

# QUOTABLE QUOTES



***Public servants should be focused on serving the public - not any special interest group, and good governance should be an expectation - not an exception.***