



REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

END OF TERM REPORT 2011 - 2019

AUGUST 2019

STATEMENT OF APPRECIATION

I am pleased to present this End of Term Report as the First Controller of Budget appointed under the Constitution of Kenya, 2010. Article 228 (3) of the Constitution required me to hold the Office of the Controller of Budget for a non – renewable term of eight years from August 2011 to August 2019.

As the Independent Office mandated to oversee implementation of the budgets of the National and County Governments by authorising withdrawals from public funds, I would like to acknowledge the support from the People of Kenya, which went a long way in ensuring effective discharge of this mandate. My sincere appreciation goes to His Excellency The President and Commander-in-Chief of the Kenya Defence Forces of the Republic of Kenya, Hon. Uhuru Kenyatta, C.G.H and His Excellency The Deputy President Dr William Ruto, E.G.H for the tremendous support which enabled the office to deliver on its constitutional mandate.

I also thank the Cabinet Secretaries, Principal Secretaries and Accounting Officers in Ministries, Departments and State Corporations and Semi-Autonomous Government Agencies for their support in providing information to the Office of the Controller of Budget for implementation of its mandate. In the same breath, I recognise the efforts by both past and serving Governors and their County Executive Committee members for continued cooperation with the Office of the Controller of Budget.

The invaluable roles played by the National Treasury and Central Bank of Kenya in facilitating transfer of approved withdrawals to both levels of government are appreciated. The National Treasury also supported the Office of Controller of Budget in enforcement of sound financial management practices at both levels of government.

The Legislature continues to play critical roles in approving and overseeing implementation of plans and budgets. I thank the Senate, National Assembly and County Assemblies for ensuring implementation of recommendations in the quarterly and annual budget implementation reports prepared and disseminated by the Office of the Controller of Budget.

I also recognise and thank the leadership of all the Constitutional Commissions and the Office of Auditor General. The Office of the Controller of Budget has continued to enjoy cordial coordination from the Commissions and The Office of the Auditor General in promoting Kenya's Development Agenda.

Development Partners including Ford Foundation, United States Agency for International Development (USAID), Department for International Development

(DFID) and United Kingdom Agency for International Development (UKaid), German Society for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit GiZ), United Nations Development Programme (UNDP), World Bank, Danish International Development Agency (DANIDA), UN Women, International Development Law Organisation (IDLO), among others remain instrumental in supporting development of devolution since its nascent stages following promulgation of the Constitution in 2010. The Development Partners have supported the office in building capacities of staff and public at both levels of government in various areas specially technical skills in public expenditure management and promoting accountability.

I take note of the exemplary commitment of the Management Team and Staff having diligently worked to see the successful growth of the Office of Controller of Budget from the nascent years to its current establishment. The Management Team has led dedicated staff towards successful implementation of the mandate of the Controller of Budget. The success is depicted through distinguished recognitions and awards received by the Office over the eight years.

I thank His Excellency, The President for recently conferring me with award of Chief of Burning Spear (CBS), first class category in recognition of my role in national development. I am also grateful to the Public Service Commission for recognising and awarding the Office of Controller of Budget a Public Service Award in Compliance with the National Values and Principles of Public Service. The Public Service Commission outstandingly awarded the OCOB 100 per cent marks in six key thematic areas: Efficiency; Effectiveness; Economic use of resources and Sustainable Development; Equitable Allocation of Opportunities and Resources; Good Governance, Transparency and Accountability; and Accountability in Administrative Acts.

The Office also won Financial Reporting awards under the Independent Offices and Commission category for five consecutive years. These awards are promoted by the Institute of Certified Public Accountants of Kenya, the Public Sector Accounting Standards Board and the Nairobi Securities Exchange in recognition of excellence in financial reporting.

I remain indebted to the Institute of Certified Public Accountants of Kenya, for supporting me as a member through regular consultations and engagements on matters of public finance policy. As a long serving member, the Institute recognised the outstanding roles I have played in promoting accountability in the public sector and awarded me the prestigious Fellowship of the Institute of Certified Public Accountants of Kenya.

Once more, I take this opportunity to thank the People of the Republic of Kenya for bestowing this responsibility on me to implement the mandate of the Office of the Controller of Budget.

Development of this report has been made possible through financial support from Development Partners. To this end, I would like to convey my sincere gratitude and appreciation to the Ford Foundation for the financial support extended to the Office towards preparation of this report. I am confident that this report will serve as basis for continued endeavours of future holders of the Office of Controller of Budget. The report is also a useful source of information and guidance on roles of the Office as provided under Article 228 of the Constitution. The National and County Governments, Practitioners, Development Partners and students in pursuit of the devolution agenda will also find invaluable information in this report.

Thank you and God bless Kenya.



FCPA Agnes Odhiambo, CBS

First Controller of Budget in the Republic of Kenya

EXECUTIVE SUMMARY

This is the End of Term Report of the Controller of Budget whose term ends in August, 2019 having served an eight-year non – renewable term as provided for in Article 228 (3) of the Constitution of Kenya, 2010.

The report is divided into five chapters. Chapter one provides the background information including the history of budget controls in Kenya and establishment of the Office. Chapter two discusses the mandate and the strategic framework of the Office. Chapter three outlines synopsis of performance and achievements over the eight-year period. Chapter four enumerates the internal and external issues and challenges experienced. Chapter five makes recommendations on the challenges.

The preparation of this report was guided and supported by the following legal and policy frameworks: Constitution of Kenya, 2010; Public Finance Management Act, 2012; the County Governments Act, 2012; Controller of Budget Act, 2016; Kenya Vision 2030; The Second (2013-2017) and Third (2018-2022) Medium – Term Plans; The Strategic Plan (2013-2017) and The Annual Reports by the OCOB.

Prior to the establishment of OCOB, the Controller and Auditor General was responsible, inter alia, for approval of withdrawal of funds from the Consolidated Fund as well as auditing accounts of public entities. Following the promulgation of the Constitution of Kenya, 2010, the President, His Excellency Honourable Mwai Kibaki, EGH, nominated FCPA Agnes Odhiambo to serve as the first Controller of Budget. As required by the Constitution, Parliament approved the nomination paving way for her appointment by the President in August 2011.

As a public institution, the Office of the Controller of Budget is expected to contribute to national development through implementation of its mandate, and Kenya’s Development Agenda as outlined in the blueprints mainly: The Constitution; Kenya Vision 2030 and the Third Medium Term Plan 2018 – 2022 as well as Agenda 2063 and the Sustainable Development Goals.

The Vision 2030 is being implemented through five-year Medium – Term Plans (MTPs). Currently, the government is implementing the Third Medium – Term Plan (MTP III 2018 – 2022) whose theme is **Transforming Lives: Advancing socio-economic development through the “Big Four Agenda”**. MTP III builds on the achievements of the First (2008 – 2013) and Second (2013 – 2017) MTPs and prioritises implementation of the “Big Four Agenda” initiatives within the plan period, **The Big Four Agenda initiatives are Manufacturing, Universal Health Coverage, Affordable Housing and Food Security and Nutrition**. The targets

in each initiative are to: Support value addition and raise the manufacturing sector share of GDP from 9.2 % to 15% by 2022; Guarantee food security and nutrition to all Kenyans by 2022; Provide universal health coverage thereby guaranteeing quality and affordable healthcare to all Kenyans; and Provide housing to all Kenyans by targeting construction of at least 500,000 affordable houses by 2022.

The OCOB is guided by strategic objectives namely: ensure provision of quality advice on budgeting and budget implementation; produce credible and timely budget implementation reports; enhance public access to government budget implementation reports; enhance operational efficiency; attract and retain productive and motivated human resource; strengthen the legal and regulatory framework; enhance organisational image and visibility; and enhance good governance.

To implement its constitutional mandate through the strategic objectives, the OCOB has one Medium Term Expenditure Framework Programme: **Control and Management of Public Finances**. The programme comprises of four sub-programmes namely: **Authorisation of withdrawals from Public Funds; Budget Implementation and Monitoring; General Administration Planning and Support Services; and Research and Development**.

Institutionally, at the apex is the Controller of Budget who is appointed in accordance with Article 228 of the Constitution of Kenya, 2010. The Controller of Budget is supported by the Deputy Controller of Budget who is also responsible for the Directorate of Budget Implementation. The secretariat comprises of four directorates that report directly to the Controller of Budget: Directorate of Budget Implementation; Directorate of Corporate Services; Directorate of Research and Planning and Directorate of Legal Services. The OCOB also has an Internal Audit Division that functionally reports to the Audit Committee and administratively to the Controller of Budget.

The OCOB has also established a governance structure through management committees in an effort to entrench good practices; these are: Executive Committee; Management Committee; Integrity Committee; Audit Committee; Budget Committee; Human Resource Management Advisory Committee; and ICT Steering Committee. There are also ad hoc committees that convene when necessary including the procurement committees.

As a key institution constitutionally responsible for authorising withdrawals from public funds, OCOB has an important role to play in national development by: facilitating availability of resources required to implement various national and county governments programmes through timely approval of withdrawals from the public funds; inculcating a culture of transparency and accountability through

provision of timely information to the Public and Parliament on utilisation of public funds; advising the national and county governments on measures to improve budget implementation; ensuring prudent use of public funds through enforcement of budgetary ceilings set by Parliament on national and county governments expenditure; and sensitising the Public on their role in public financial management at National and County level.

From the inception of the OCOB in 2011/12 to 2017/18, total exchequer issues to the MDAs and County Governments was **Kshs.10.9 trillion**. The exchequer issues comprised of **Kshs.6.7 trillion** to MDAs, **Kshs.2.8 trillion** for CFS and **Kshs.1.4 trillion** to County Governments. The exchequer issues to net estimates were **92.6 per cent** over that period

The OCOB monitors and prepares statutory reports to Parliament on the implementation of the budgets of the National and County Governments in compliance with Article 228 (6) of the Constitution of Kenya 2010. During the period between 2011/12 to 2017/18 financial years, the OCOB prepared and published 38 budget implementation review reports: 21 for the National Government and 17 for County Governments.

The in-year budget implementation review reports prepared by the Office are key documents that provide comprehensive, understandable, credible and timely budget implementation information that the Public can use to monitor compliance of public institutions with the principles of public finance.

The Office has remained steadfast in ensuring information on budget implementation by both the National and County Governments is published and publicised as required by Section 39 (8) of the PFMA, 2012. A key component of this process is ensuring effective public participation in monitoring utilisation of public funds. The rationale for citizen engagement in the budgeting process arises from the fact that budget decisions have a significant impact on the lives of the citizenry, and therefore should be informed by the views and inputs from the Public. The scrutiny by citizens ensures that decision makers are precise in the decisions they make, improving the efficiency, responsiveness and accountability of government, and guarding against misuse of resources while engaging the Public in fundamental decisions such as budget decisions, promoting transparency and accountability by the government.

During the eight tenure OCOB encountered both internal and external challenges that impacted on achievement of its constitutional mandate. The challenges are extensively discussed, and recommendations made on way forward.

There are key issues identified during overseeing of budget implementation at both the National and County Governments. These include delays in transfer of resources to MDAs and County Governments, delays in preparation of

statutory reports, low own source revenue collections by County Governments, accumulation of pending bills, high personnel costs, lack of effective monitoring and evaluation frameworks, capacity constraints and strand working relationships between County Executives and Assemblies among others.

CONTENTS

STATEMENT OF APPRECIATION.....	II
EXECUTIVE SUMMARY.....	V
ABBREVIATIONS.....	XV
STRATEGIC DIRECTION.....	XIX
VISION.....	XIX
MISSION	XIX
CORE VALUES.....	XX
STRATEGIC THEMES	XXI
MANAGEMENT TEAM.....	XXII
CHAPTER ONE.....	I
I BACKGROUND.....	I
1.1. History of Budget Controls	1
1.2. Rationale for establishment of the Office of the Controller of Budget	1
1.3. Appointment of the Controller of Budget.....	2
1.4. The Role of the OCOB in Kenya’s Development Agenda.....	3
1.5. Kenya Development Agenda.....	4
1.6. Kenya Vision 2030	4
1.7. The Medium – Plan III (2018 – 2022)	5
1.8. Sustainable Development Goals	5
1.9. Africa’s Agenda 2063.....	5

1.10. Scope and Organisation of the Report	6
1.11. Reporting Framework	6
CHAPTER TWO	7
2 MANDATE, STRATEGIC AND INSTITUTIONAL FRAMEWORK.....	7
2.1. Mandate.....	7
2.2. Functions.....	10
2.3. Medium Term Expenditure Framework (MTEF) Programmes.....	11
2.4. Organisation Structure.....	11
OCOB ORGANISATION STRUCTURE	12
2.4.1. Institutional structure	13
2.4.1.1. Directorate of Budget Implementation	13
2.4.1.2. Directorate of Corporate Service.....	14
2.4.1.3. Directorate of Research and Planning.....	14
2.4.1.4. Directorate of Legal Services	15
2.4.1.5. Internal Audit Division	15
2.4.2. Governance Structure.....	16
2.4.2.1. Executive Committee.....	16
2.4.2.2. Management Committee.....	17
2.4.2.3. Integrity Committee.....	18
2.4.2.4. Audit Committee	18
2.4.2.5. Budget Committee	19
2.4.2.6. Human Resource Management Advisory Committee	20
2.4.2.7. ICT Committee.....	20
2.4.2.8. Ad Hoc Committees on Procurement.....	20

CHAPTER THREE.....21**3 PERFORMANCE AND ACHIEVEMENTS21**

Part I 21

- 3.1. Establishment of the Office of the Controller of Budget.....21
 - 3.1.1. Unbundling the mandate of the Controller of Budget21
 - 3.1.2. Job Evaluation and Staff Recruitment22
 - 3.1.3. Staff Training22
 - 3.1.4. Development of the 2013 – 2017 Strategic Plan.....22
 - 3.1.5. Highlight of Achievements under the 2013 – 2017 Strategic Plan23

Part II 26

- 3.2. Authorisation of withdrawals from Public Funds.....26
 - 3.2.1. Policies, Procedures and Systems for Authorisation of Withdrawals from Public Funds.....26
 - 3.2.2. Total Exchequer Issues.....26
 - 3.2.3. Recurrent Exchequer Issues and Absorption.....27
 - 3.2.4. Development Exchequer Issues and Absorption.....27
 - 3.2.5. Exchequer Issues to County Governments and Absorption.....27
 - 3.2.6. Exchequer Releases for Consolidated Funds Services.....28
- 3.3. Budget Implementation and Monitoring28
 - 3.3.1. Quarterly Budget Implementation Review Reports31
 - 3.3.2. Sharing Information with the Public.....32
 - 3.3.3. Review of County Government Budgets.....35
 - 3.3.3.1. Balanced Budgets35
 - 3.3.3.2. Programme Based Budgeting.....36
 - 3.3.4. Review of County MTEF Documents36
 - 3.3.5. Establishment of County Public Funds.....36
 - 3.3.6. Parliamentary Committee Activities.....37
 - 3.3.7. Enactment of The Controller of Budget Act, 201638

3.3.8. Mediation	38
3.3.9. Investigations.....	38
3.3.10.Guidelines Advisories/Issued by the Office on Budget Implementation.....	39
3.4. General Administration Planning and Support Services.....	40
3.4.1. Legal Activities	40
3.4.2. Human Resource Development and Capacity Building for OCOB Staff.....	41
3.4.3. Compliance	44
3.4.4. Staff Welfare Kitty	44
3.4.5. Staff Mortgage Scheme	44
3.4.6. OCOB Staff Insurance Covers.....	44
3.4.7. Awards and Recognitions.....	45
3.4.7.1. Public Service Commission Award	45
3.4.7.2. Financial Reporting Awards.....	45
3.4.8. Audit Opinions.....	47
3.4.8.1. Exemplary Recognition of the Controller of Budget.....	47
3.4.9. Records Management Services.....	48
3.4.10.Reservation of Procurement Budget for Disadvantaged Groups	48
3.4.11.Internship Programme	48
3.4.12.Corporate Social Responsibility	49
3.4.13.Conferences and Workshops	50
3.4.13.1. Annual Devolution Conferences.....	50
3.4.13.2. Participation in the 62 nd Commission on Status of Women Conference	51
3.4.13.3. Other International Conferences and Workshops.....	52
3.5. Research and Development	53
3.5.1. Baseline Revenue Analysis Survey.....	53
3.5.2. Monitoring Framework for Budget Implementation	54

3.5.3. Strategic Plan 2018 – 2022	55
3.5.4. Online Library Services	56
3.5.5. Collaborative Ventures	56
3.5.5.1. Collaborations with Kenya National Bureau of Statistics (KNBS)	57
3.5.5.2. Collaboration with UN Women on Gender Responsive Budget.....	57
3.5.5.3. Other Collaborative Ventures	58
3.5.6. Special Reports.....	59

CHAPTER FOUR..... 60

4 CHALLENGES AND RECOMMENDATIONS..... 60

4.1. Weak Legal Frame Work.....	60
4.2. Inadequate Budget Allocation	60
4.3. Inconsistent Reporting Timelines	60
4.4. Ineffective Public Sensitisation Frameworks	61
4.5. Failure to Report on Achievements of Programmes and Projects.....	61
4.6. Inadequate Office Space and Dysfunctional Elevators at Bima House	62
4.7. Lack Data Management and Storage System	62

CHAPTER FIVE..... 63

5 KEY ISSUES IN OVERSEEING BUDGET IMPLEMENTATION..... 63

A. NATIONAL GOVERNMENT 63

5.1. Delays in Release of Funds by the National Treasury.....	63
5.2. Timing of Supplementary Budgets	63
5.3. Delay in Submission of Reports by MDAs to OCOB.....	64
5.4. Non-Disclosure of Appropriations-In-Aid in the IFMIS Generated Reports	

64	
5.5.	Accounting for Expenditure of Capital Transfers.....64
5.6.	IFMIS Functionality65
B.	COUNTY GOVERNMENTS..... 66
5.7.	Low Own-Source Revenue Collections66
5.8.	Use of Own-Source Revenue at Source66
5.9.	Strained Relationship between the County Executive and the Assembly66
5.10.	Increasing Pending Bills67
5.11.	Increasing Expenditure on Personnel Costs.....67
5.12.	Inadequate Administration and Reporting on County Public Funds.....68
5.13.	Lack of Effective Monitoring and Evaluation Frameworks68
5.14.	Late Submission of Reports.....68
5.15.	Delayed Approval of Budget Documents.....69
5.16.	Inadequate Internal Audit Arrangements.....69
5.17.	Operationalisation of County Budget and Economic Forums70
5.18.	Capacity Constraints.....70
5.19.	MTEF Approach.....71
5.20.	Timing of the Budget Cycle72
5.21.	Delays in Release of Equitable Share of Revenue to Counties73
CHAPTER SIX 74
6	OUTSTANDING ISSUES..... 74

ABBREVIATIONS

A-I-A	Appropriations in Aid
ADPs	Annual Development Plans
AUC	Africa Union Commission
AWAK	Association of Women Accountants of Kenya
BAT	British American Tobacco
BIRR	Budget Implementation Review Report
BPS	Budget Policy Statement
BROP	Budget Review and Outlook Paper
CARA	County Allocation of Revenue Act
CBEF	County Budget and Economic Council
CBIRR	County Budget Implementation Review Report
CBROP	County Budget Review and Outlook Paper
CBS	Chief of the Burning Spear
CFS	Consolidated Fund Services
CFSP	County Fiscal Strategy Paper
CGA	County Governments Act, 2012
CIC	Commission on the Implementation of the Constitution
CIDCs	County Information Dissemination Centres
CIDP	County Integrated Development Plan
COG	Council of Governors
CPA	Certified Public Accountant

CPS	Certified Public Secretary
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
CSR	Corporate Social Responsibility
CSW	Commission on Status of Women
DANIDA	Danish International Development Agency
DFID	Department for Foreign and International Development, Her Majesty's Government, United Kingdom
DMSP	Debt Management Strategy Paper
EGH	Elder of Golden Heart
EDRMS	Electronic Data Retrieval Management System
EXCOM	Executive Committee
FCPA	Fellow of the Institute of Certified Public Accountants of Kenya
FiRe	Financial Reporting Awards
GDP	Gross Domestic Product
GiZ	German Society for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit)
GPA	Group Personal Accident Insurance Cover
GRB	Gender Responsive Budgeting
HR	Human Resource
HRMAC	Human Resource Management Advisory Committee
IB	Internet Banking
IBEC	Intergovernmental Budget and Economic Council
ICPAK	Institute of Certified Public Accountants of Kenya

ICT	Information Communication and Technology
IDLO	International Development Law Organisation
IFMIS	Integrated Financial Management Information System
IGRTC	Intergovernmental Relations Technical Committee
IPPD	Integrated Personnel Payroll Database
IPSAS	International Public Sector Accounting Standards
KES	Kenya Shillings
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KNBS	Kenya National Bureau of Statistics
KSG	Kenya School of Government
LSK	Law Society of Kenya
MDAs	Ministries, Departments and Agencies
MODA	Ministry of Devolution and Arid and Semi – Arid Lands
MTEF	Medium – Term Expenditure Framework
MTP	Medium – Term Plan
NESC	National Economic and Social Council
NSDS	National Strategy for the Development of Statistics
NSE	Nairobi Securities Exchange
NSS	National Statistical System
OCOB	Office of the Controller of Budget
OPAC	Online Public Access Catalogue
PBB	Programme Based Budget
PFMA	Public Finance Management Act, 2012

PFMR	Public Finance Management Reforms
PPOA	Public Procurement and Oversight Authority
PSASB	Public Sector Accounting Standards Board
PSC	Public Service Commission
PWD	Persons Living with Disabilities
SAGAs	Semi – Autonomous Government Agencies
SDGs	Sustainable Development Goals
SDP	State Department of Planning
SHaSA	Strategy for the Harmonisation of Statistics in Africa
SLDP	Strategic Leadership Development Programme
SSC	Sector Statistical Committee
SWG	Sector Working Group
UKaid	United Kingdom Agency for International Development
UN	United Nations
UN Women	United Nations Women
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

STRATEGIC DIRECTION



OUR VISION

A country where public funds are utilised prudently



OUR MISSION

To oversee implementation of Government budgets through timely authorisation of withdrawals from Public Funds and reporting on utilisation.

CORE VALUES

INTEGRITY

We shall uphold honesty, fairness and professional ethics in all our undertakings.

TRANSPARENCY & ACCOUNTABILITY

We are committed to promoting transparency in our work and shall be accountable for our decisions or actions.

INDEPENDENCE

We execute our constitutional mandate firmly and without fear or favour.

CREATIVITY

We are a learning organization that is committed to continuous improvement of our processes in order to deliver value to our customers.

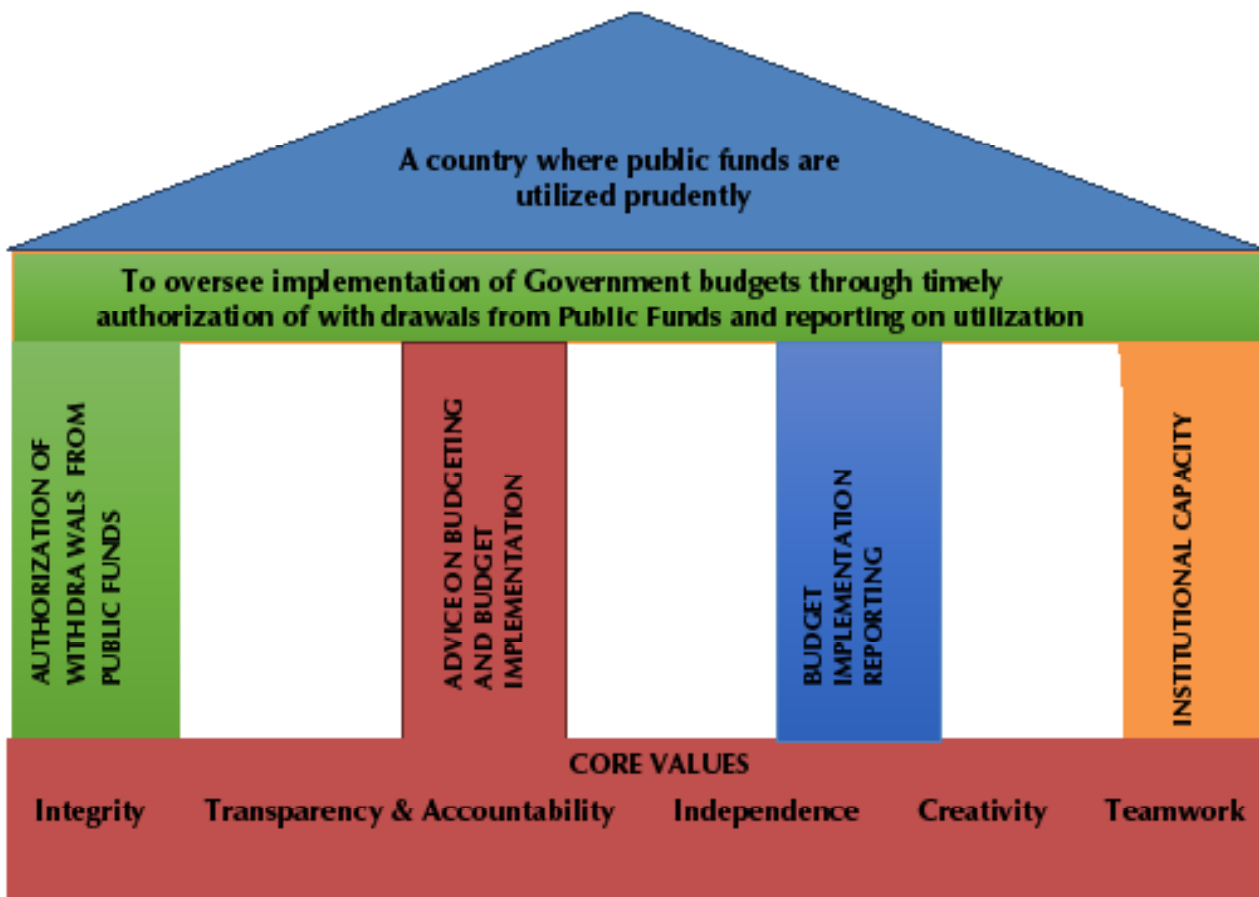
TEAMWORK

The staff work as one team and will collaborate with stakeholders in the realization of our mandate.

STRATEGIC THEMES

Strategic Themes for the Office of the Controller of Budget that govern its excellence are:

- Authorisation of Withdrawals from Public Funds
- Advisory on Budgeting and Budget Implementation
- Budget Implementation Reporting
- Institutional Capacity



MANAGEMENT TEAM



FCPA Agnes Odhiambo, CBS
Controller of Budget

FCPA Odhiambo is the first Controller of Budget in the Republic of Kenya. She holds a Master of Business Administration degree and a Bachelor of Commerce (Accounting Option) 1st Class honours degree both from the University of Nairobi and is a Fellow of the Institute of Certified Public Accountants of Kenya. She is also a member of the Association of Women Accountants of Kenya and a member of Women Corporate Directors.

She is an accomplished finance professional with over 30 years' experience, having held various senior management positions in the private and public sectors. FCPA Odhiambo started her career at BAT Kenya Limited as an Assistant Accountant and later joined the then Deloitte Haskins and Sells Management Consultancy Ltd.,

(presently Deloitte) as a Financial Consultant. She also worked at Unga Limited and Unga Feeds Limited, subsidiaries of Unga Group Limited, where she rose through the ranks to Finance Manager. FCPA Odhiambo also served at Metro Cash & Carry (Kenya) Limited and Metro Cash & Carry (Uganda) Limited as Finance Director.

FCPA Odhiambo joined the Public Sector in June 2005 upon her appointment at Kenya Post Office Savings Bank as Director/Finance and Administration where she successfully led the organization's financial reforms and later moved to the Constituencies Development Fund Board as the Chief Executive Officer where she spearheaded formulation and implementation of the Board's strategy.

She has attended several courses both locally and internationally in leadership, strategic management and governance, risk management, and Finance, among others. FCPA Odhiambo has held several board positions both in the private and public sectors.

FCPA Odhiambo was recently awarded the Chief of Order of the Burning Spear (CBS) 1st class commendation by His Excellency Honourable Uhuru Kenyatta, C.G.H, the President and Commander-in-Chief of the Kenya Defence Forces of the Republic of Kenya, for her role in national development.



CPA Stephen Masha
Deputy Controller of Budget
and Director of Budget
Implementation

CPA Masha holds a Master of Science in Finance from Leicester University, a bachelor's degree in Education from Kenyatta University and is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He recently served as the Convener of ICPAK's Public Finance Sub-committee, and a member of the Devolution and Branches Work stream and the Public Policy and Governance Committee.

CPA Masha has over 24 years of progressive experience in the finance and accounting sector, having worked previously as the Regional Chief Fiscal Analyst at USAID, Audit Manager at Action Aid, Kenya, an Internal Auditor at Family Health Organisation of Kenya and an Auditor at PricewaterhouseCoopers, among other reputable institutions. He has worked

in the public sector at senior management level and is highly experienced in policy formulation, financial analysis and management, budget formulation and implementation, auditing, procurement processes and fiscal decentralisation.

He was the Director, County Fiscal Affairs at the Commission on Revenue Allocation prior to joining Office of the Controller of Budget and has also served as Board Member of the Industrial Development Bank (Capital) Limited and Balozi SACCO Limited.

CPA Masha has attended several professional workshops both locally and internationally in leadership, financial analysis, program management, supervision, procurement, and training of trainers. He has also performed several short-term assignments in a number of countries, including Tanzania, Uganda, Burundi, Rwanda, Eritrea, Ethiopia, Zambia and the United States of America.



CPA Macklin Ogolla
Director of Corporate Services

CPA Ogolla holds a Master of Business Administration (MBA) in Finance from Moi University and a Bachelor of Science in Actuarial Mathematics from the University of Nairobi. He also holds a Post-graduate Diploma in Finance from Maastricht. He is a member of Institute of Certified Public Accountants of Kenya (ICPAK) and Institute of Certified Investment and Financial Analysts (ICIFA). He is also a Board Member of the Public Sector Accounting Standard Board (PSASB).

He has extensive knowledge in Fiscal Decentralisation, Debt Sustainability Analysis, Budget Coding and Classification from the World Bank and International Public Sector standards from the Public Administration Institute, London and ICT training at Oracle University.

He is an experienced Finance Manager with a track record of success in developing operational financial management information systems, processes and procedures, managing daily ministry budgeting, financial management and accounting functions. He has worked in various projects such as World Bank funded El-Nino and Emergency Drought Recovery Projects and was the implementation team leader of the IFMIS at the National Treasury at its inception.

CPA Ogolla has over 28 years' work experience gained from his previous positions as Assistant Director of Budget, and Assistant Accountant General at the National Treasury. He also served as Chief Finance Officer in the Ministry of Industrialization as well as a Board Member of the Kenya Industrial Estates Limited.



Mr. Joshua Musyimi
Director, Research and Planning
(Was in service until June 2019)

Mr. Musyimi holds a Master of Arts degree (Economics Policy Management) from University of Ghana, Legon and a Bachelor of Science degree in Statistics and Computer Science from Kenyatta University. He has had extensive training in Data Analysis, Census and Survey Processing. With over 24 years of experience, Mr. Musyimi has previously worked at the Kenya National Bureau of Statistics (formerly Central Bureau of Statistics) where he rose through the ranks to become the Manager Research and Planning.

He also worked in the Ministry of State for Planning and National Development and Vision 2030 as Principal Economist/Statistician. Mr. Musyimi had a stint at the Policy and Strategy Unit, State House and was attached to the National Economic

and Social Council (NESC) as part of the team that developed the Kenya Vision 2030. With a background in Social Research and Statistics, Mr. Musyimi was directly involved in the preparation of the “Vision 2030” particularly the Social and Political Pillars.



Ms. Selina Iseme
Director Legal Services (Was in
service until March 2019)

Miss Iseme holds a Master of Laws degree from the University of Leeds, United Kingdom and Bachelor of Laws degree from the University of Nairobi. She is also a certified mediator having been accredited by the Centre for Effective Dispute Resolution, the United Kingdom in the year 2015.

She has over 22 years of experience gained both in the public and private sectors. Prior to joining OCOB she worked for the Public Service Commission where she joined as Principal Litigation Counsel and rose through the ranks to the position of Deputy Director Legal Services.

While serving at the Public Service Commission, she participated in national assignments including joint secretary to the Taskforce that developed the Policy

and Bill on the values and principles of public service contained in Article 232 of the Constitution. Prior to that, she had served as an associate advocate with the firm of Iseme, Kamau and Maema Advocates and as a Legal Officer with Lion of Kenya Insurance.



CPA Joseph Tulula
Chief Internal Auditor

CPA Tulula holds a Master of Arts in Economics and a Bachelor of Commerce (Accounting) degrees both from the University of Nairobi. He is a member of Institute of Certified Public Accountants of Kenya and Institute of Internal Auditors of Kenya.

CPA Tulula has over 25 years of experience in Auditing, Finance, and Management. He is a seasoned auditor and finance expert, specifically in Risk Management, reviewing the internal control systems and implementing computerized financial systems. He is a trained Lead Auditor for ISO quality management system.

He previously worked for Kenya Institute of Curriculum Development as Chief Internal Auditor where he developed policies and procedures of internal audit

and changed the auditing system from pre-audits to risk – based audit. He also worked at Kenya Bureau of Standards as Manager, Finance and Accounts spearheading change in the accounting system from manual to computerized system. Mr. Tulula also worked at Defence Forces Canteen Organization as an Internal Auditor and Office of the Auditor General as an Auditor.

CPA Tulula has also attended various management and auditing seminars and workshops including Strategic Leadership Development Programme (SLDP) at the Kenya School of Government, and Performance Management and Transformative Leadership.



CPA Patrick Kamore
Chief Fiscal Analyst National
Government

CPA Kamore holds a Master of Business Administration (Finance) and Bachelor of Education (Economics), both from the University of Nairobi and is a Certified Public Accountant. He is a member of Institute of Certified Public Accountants of Kenya (ICPAK).

Mr. Kamore has extensive training in Finance and Banking, Institutional Operations and Strategic Leadership Management. He has also attended several professional courses including Information communication and technology, Senior Management Course at the Kenya School of Government, financial data analysis and report writing.

Mr. Kamore has over 17 years' experience in finance, institution operations and change management. Before joining Office of the Controller of Budget, He was a Branch

Manager at Family Bank Ltd where He had joined as a management trainee.



CPA, CS Mark Kipkoech
Chief Fiscal Analyst County
Governments

CPA,CS Kipkoech holds Master of Economics from the University of Nairobi and Bachelor of Arts degree in Economics from Kenyatta University. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Public Secretaries of Kenya (ICPSK).

He is experienced in the finance industry having previously worked in the finance and accounting sections at Amana Capital Ltd, Lukenya Getaway Ltd, and at Trustmark Insurance Brokers Ltd.

He has had extensive training in investment banking, management and administration of retirement pension schemes, accounting for public and private entities, public finance, public procurement, data analysis and report writing, management and

administration. Before joining OCOB, he was the Finance and Compliance Manager at Amana Capital Ltd and was appointed Pension Administrator of the Amana Personal Pension Scheme and the Amana Umbrella Pension Scheme in line with the requirements of the Retirement Benefits Authority.



Mrs. Irene Arimi
Chief Manager HR and
Administration

Ms. Arimi holds a Master of Business Administration (MBA) in HR from Kenya Methodist University (KeMU). She also holds a Bachelors' degree in HR Management and Higher National Diploma in HR both from the University of South Africa (UNISA) as well as a Certificate in Executive Human Resource Management from the Institute of Human Resource Management.

Ms. Arimi has over 16 years' experience in Human Resource. Previously she worked at the Kenya Methodist University as Administrative Officer – HR, at the William J. Clinton Foundation HIV/AIDS Initiative (CHAI) in Papua New Guinea as HR Coordinator and at Marketing, Travel and Credit Consultancy (MTC), Botswana as Products and Services Manager. She has also worked with Deloitte, South

Africa/Botswana as HR Management Assistant. She is a member of the Institute of Human Resources Management (IHRM).



Ms. Judith Muli
Chief Manager Information
Communication and Technology

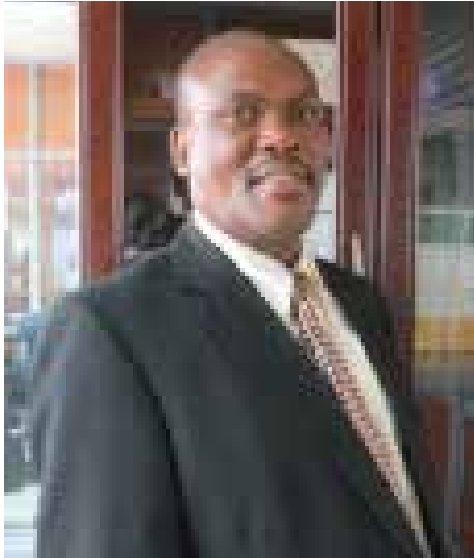
Ms. Muli holds a Master of Science in Information Systems from the University of Nairobi, a Master in Business Administration (Strategic Management option) from Moi University and a Bachelor of Science in Mathematics with bias in computing from the University of Nairobi. She is currently pursuing a PhD program in Information Technology at the Jomo Kenyatta University of Agriculture and Technology.

Judith has extensive professional training and over fifteen years work experience in information systems management and training, ICT project management and research. She previously worked as a lecturer at Jomo Kenyatta University of Agriculture and Technology [JKUAT]. Some of the National projects Judith has been engaged include being the research team leader in the development

of e-government strategic plan 2008-2012 Kenya, Country field Manager in ResearchICTafrica.net 2007–SME E-access and e-usage for WSIS–Tunis and the research project coordinator for Communication Commission of Kenya Research - Internet Market Study for Kenya 2006.

Judith has attended various leadership, management and ICT seminars and workshops including Senior Management Course (SMC) at the Kenya School of Government, TOM PETERS (Re-imagine Leadership/Re-imagine Excellence) by KPMG, Microsoft Partner University program and United Nations second World Data Forum, amongst others.

She is a member of Information Systems Audit and Control Association (ISACA), Computer Society of Kenya [CSK], Internet Society (ISOC), Kenya Chapter, a lister with Kenya ICT Action Network [KICTANet] and a Toastmaster.



FPRSK Stephen Wangaji
Chief Manager, Public Relations & Communications

Mr. Wangaji holds a Master of Business Administration (Marketing) degree from Egerton University, a Post-graduate Diploma in Mass Communication and a Bachelor of Arts, Economics and Geography both from the University of Nairobi. He is a Fellow of the Public Relations Society of Kenya.

He is a skilled Public Relations practitioner with over fifteen years' experience in Journalism and Public Relations in the Public, Private and Civil Society sectors in Kenya, and serves in The Centre for Corporate Governance Alumni Network as a Board Member.

Mr. Wangaji is the immediate former President of the East Africa Public Relations Association (EAPRA), immediate former Vice Chairman of the Public Relations

Society of Kenya (PRSK) and 2012 recipient of the PRSK Golden Honors Award for significant contribution to the PR industry in the region. He previously worked as Public Relations and Marketing Manager at the National Hospital Insurance Fund and at Egerton University, Public Relations Manager at The Pyrethrum Board of Kenya and Corporate and Regulatory Affairs Assistant at the BAT Kenya Limited.



Dr. Anthony Lusuli
Chief Manager, Supply Chain
Management

Dr. Lusuli holds a PhD in Supply Chain Management, Masters' Degree in Procurement and Logistics both from Jomo Kenyatta University of Agriculture and Technology and a Bachelor's Degree in Business Administration (Entrepreneurship) from the Kenya Methodist University. He is also a member of Kenya Institute of Supplies Management and Chartered Institute of Purchase and Supplies.

Dr. Lusuli has over 31 years of experience in Supply Chain management both in public and private sector. Previously, he worked as a Supply Chain Management Officer at Kenya National Bureau of Statistics (KNBS), World Bank Project on Flood Mitigation as well the National Treasury. He has participated in drafting several legislations especially the Public Procurement and Asset Disposal Act,

2015 and draft Public Procurement and Asset Disposal Regulations of 2016.

He was part of the pioneer team that sensitized public servants on the implementation of the Public Procurement and Asset Disposal Act, 2015 in the Public Sector. He is also part of the team that pioneered the implementation of IFMIS in the public sector..



CPA Pamela Okatch (Mrs.)
Chief Manager Finance and
Account

Pamela holds a Master of Business Administration [Finance Option] and a Bachelor of Commerce degree [Finance Option] from the University of Nairobi and Catholic University of Eastern Africa respectively. She is a member of the Institute of Public Accountants of Kenya (ICPAK) and Association of Women Accountants of Kenya (AWAK).

Pamela has over 15 years of experience in the accounting and finance field. She is well versed in accounting systems and practice and has attended various professional trainings, conferences and workshops both locally and overseas in financial management.

Previously, she worked for the Kenya Institute of Special Education (KISE) as Head of Finance and Administration

and Jaribu Credit Traders Limited as a Senior Accountant. She has served in the Public Finance Management Committee of AWAK and is currently pursuing the Certified Public Secretaries (CPS) qualification.

CHAPTER ONE

1 Background

1.1. History of Budget Controls

Prior to the establishment of OCOB, the Controller and Auditor General was responsible, inter alia, for approval of withdrawal of funds from the Consolidated Fund as well as auditing accounts of public entities. The arrangement meant that there was no clear separation of functions as the Controller and Auditor General would authorise withdrawal of funds to finance public expenditure and thereafter audit the expenditure.

In the previous Constitution, the Controller and Auditor General's duties were limited to approving withdrawals from the Consolidated Fund and yearly audits on the expenditure by all spending entities. The function of in – year monitoring and reporting on budget implementation was not performed regularly hence Parliament could not appropriately exercise its mandate over budget execution and curb any wastage of resources in good time.

1.2. Rationale for establishment of the Office of the Controller of Budget

The Office of the Controller of Budget was established following promulgation of the Constitution of Kenya, 2010. Article 228 of the Constitution outlines the roles of the Office of Controller of Budget including, authorising withdrawal of funds from Public Funds under Articles 204, 206 and 207 and overseeing the implementation of the budgets of the national and county governments.

The Constitution of Kenya, 2010 separated the functions of controlling the budget and those of auditing by establishing an independent office of the Controller of Budget and that of the Auditor General. This fundamentally split the two functions to ensure proper management of public funds.

The Office of the Controller of Budget was therefore established to:

- i. Address the demand by public for separation of financial management functions –monitoring, controlling and reporting on budget implementation and auditing which were performed by the National Treasury and Controller and Auditor General respectively;
- ii. Have an independent institution that will monitor, evaluate and report to Parliament on budget implementation by both the national

and county governments and advise on remedies to be taken as the budget is being implemented; and

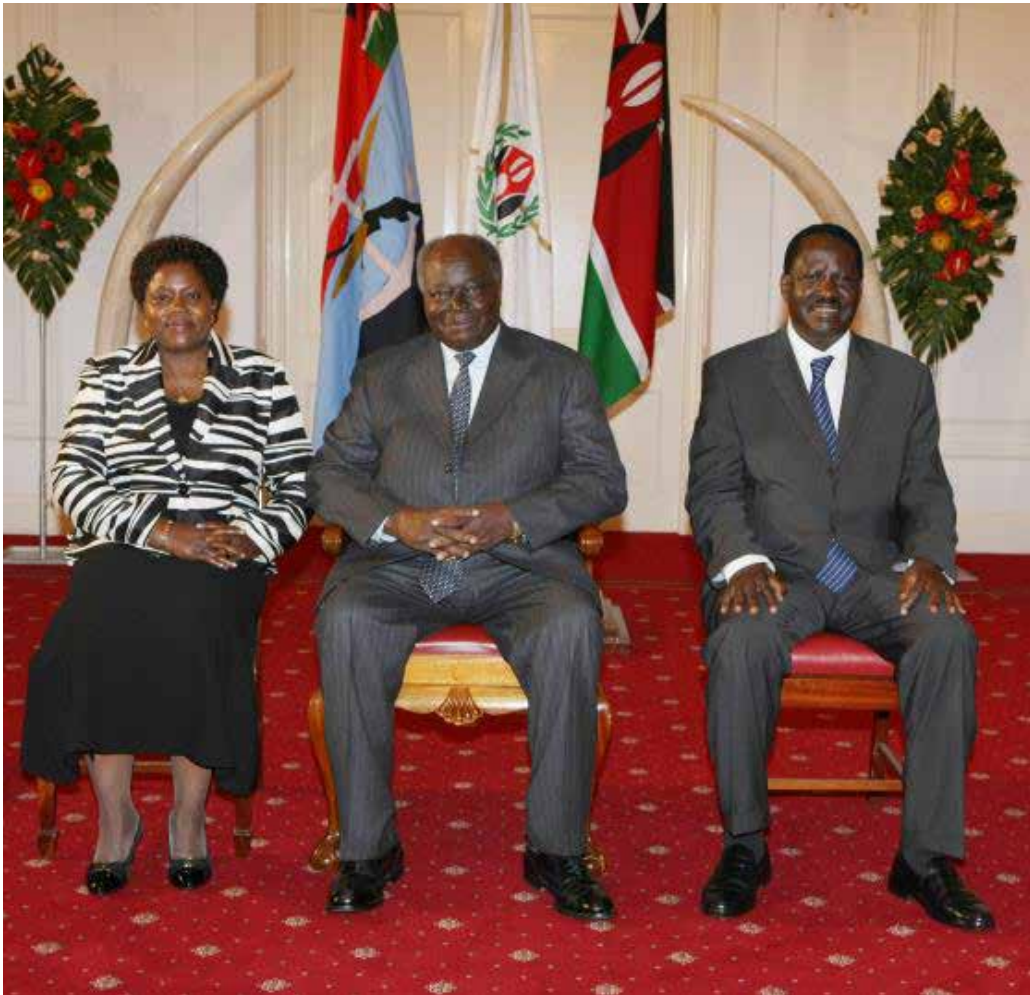
- iii. Promote fiscal discipline and equitable allocation of available resources.

1.3. Appointment of the Controller of Budget

His Excellency Honourable Mwai Kibaki, C.G.H, nominated FCPA Agnes Odhiambo to serve as the first Controller of Budget in the Republic of Kenya for a non – renewable eight – year term. As required by the Constitution, Parliament approved the nomination paving way for her appointment by His Excellency the President in August 2011.



FCPA Agnes Odhiambo, CBS taking oath of Office of the Controller of Budget on 27 August, 2011



FCPA Agnes Odhiambo, CBS (L) posing with Retired President H.E. Hon. Mwai Kibaki, C.G.H (C) and the Former Prime Minister the Rt. Hon. Raila Odinga, EGH (R) after taking oath of office on 27 August, 2011

1.4. The Role of the OCOB in Kenya's Development Agenda

As a key institution constitutionally responsible for authorising withdrawals from public funds, OCOB has an important role to play in national development by:

- i. Facilitating availability of resources required to implement various national and county governments programmes through timely approval of withdrawals from the public funds;
- ii. Inculcating a culture of transparency and accountability through provision of timely information to the Public and Parliament on public funds utilisation;

- iii. Advising the national and county governments on measures to improve budget implementation;
- iv. Ensuring prudent use of public funds through enforcement of budgetary ceilings set by Parliament on national and county governments expenditure;
- v. Sensitising the Public on their role in public financial management at national and county level aimed at enhancing accountability and financing of critical projects.

To achieve the above, there is need for effective collaboration between OCOB, National and County Governments.

1.5. Kenya Development Agenda

As a public institution, the Office of the Controller of Budget is expected to contribute to national development through implementation of its mandate. Kenya's development agenda as outlined in the country's development blueprints mainly: The Constitution; Kenya Vision 2030 and the Third Medium Term Plan 2018 – 2022 as well the African Agenda 2063 and the Sustainable Development Goals (SDGs)

1.6. Kenya Vision 2030

The Country's long-term development agenda is set out in the Kenya Vision 2030. The aim of the Vision is **to make Kenya a globally competitive and prosperous country by transforming it into an industrialized middle-income nation, providing high quality of life for all its citizens in a clean and secure environment by 2030**. The Vision 2030 is anchored on three pillars: economic, social and political pillars.

- i. The Economic Pillar aims at achieving an economic growth rate of 10 per cent per annum and sustaining it throughout the Vision period;
- ii. The Social Pillar seeks to build a just and cohesive society with social equity in a clean and secure environment; and
- iii. The Political Pillar aims to realise an issue-based, people-centred, result-oriented and accountable democratic system.

Within each pillar, flagship projects have been identified in key sectors of the economy. These projects are being implemented by national and county governments.

1.7. The Medium – Plan III (2018 – 2022)

The Vision 2030 is being implemented through five-year Medium – Term Plans (MTPs). Currently, the government is implementing the Third Medium – Term Plan (MTP III 2018 – 2022) whose theme is **Transforming Lives: Advancing socio-economic development through the “Big Four Agenda”**. MTP III builds on the achievements of the First (2008 – 2013) and Second (2013 – 2017) MTPs and prioritises implementation of the “Big Four Agenda” initiatives. Within the plan period, **The Big Four Agenda initiatives are Manufacturing, Universal Health Coverage, Affordable Housing and Food Security and Nutrition**. The targets in each initiative are to:

- iv. Support value addition and raise the manufacturing sector share of GDP from 9.2 % to 15% by 2022;
- v. Guarantee food security and nutrition to all Kenyans by 2022;
- vi. Provide universal health coverage thereby guaranteeing quality and affordable healthcare to all Kenyans; and
- vii. Provide housing to all Kenyans by targeting construction of at least 500,000 affordable houses by 2022.

The Constitution of Kenya, 2010, Vision 2030 and MTPs provide the foundation for the preparation of the County Integrated Development Plans (CIDPs). The purpose of these CIDPs is to provide the framework for socio–economic development within a county as prioritised by stakeholders. CIDPs help to coordinate the work of national and county government in improving the quality of life of the citizens. These plans form the basis for county government budgeting.

1.8. Sustainable Development Goals

The SDGs are universal set of goals, targets and indicators contained in the UN’s post-2015 sustainable development agenda launched at the Sustainable Development Summit in September 2015. There are seventeen SDGs and UN member States are expected to use them in framing their agendas and political policies over the next 15 years. These SDGs have been domesticated and integrated in the MTP III.

1.9. Africa’s Agenda 2063

Africa’s Agenda 2063 is Africa’s long-term vision to achieve the collective aspirations of the continent, “The Africa We Want”. It is a strategic framework for the socio-economic transformation of the continent over the next 50 years. The framework aims to deliver on the continent’s goal for inclusive and

sustainable development and is a concrete manifestation of the Pan-African drive for unity, self-determination, freedom, progress and collective prosperity pursued under Pan-Africanism and African Renaissance. The Agenda has seven aspirations and is being implemented through ten-year implementation plans. MTP III has incorporated the priorities of the First Ten-Year Implementation Plan (2014 – 2023).

1.10. Scope and Organisation of the Report

This is the End of Term Report of the Controller of Budget whose term ends in August 2019 having served an eight-year non – renewable term as provided for in Article 228 (3) of the Constitution of Kenya, 2010.

The report is divided into six chapters. Chapter one provides the background information including the history of budget controls in Kenya and establishment of the OCOB. Chapter two discusses the mandate and the strategic framework of the OCOB. Chapter three outlines synopsis of performance and achievements over the eight-year period. Chapter four enumerates the internal and external issues and challenges experienced and makes recommendations. Chapter five outlines key issues in budget implementation and chapter six presents the outstanding issues.

1.11. Reporting Framework

The preparation of this report was guided and supported by the following legal and policy frameworks

- i. Constitution of Kenya, 2010
- ii. Public Finance Management Act, 2012
- iii. County Governments Act, 2012
- iv. Controller of Budget Act, 2016
- v. The Vision 2030
- vi. The Second (2013-2017) and Third (2018-2022) Medium – Term Plans
- vii. The OCOB Strategic Plan (2013-2017)
- viii. Annual Reports for the Office of The Controller of Budget
- ix. Budget Implementation Review Reports

CHAPTER TWO

2 Mandate, Strategic and Institutional Framework

2.1. Mandate

The OCOB is an independent office established under Article 228 of the Constitution of Kenya, 2010 with the core mandate to oversee the implementation of the budgets of the National and County governments by authorising withdrawals from public funds.

The Office is also required to submit to each House of Parliament a report on the implementation of the budgets of the National and County governments every four months. Further, the Office is required under Article 254 of the Constitution to publish and publicise statutory reports and ensure that members of the Public have access to information on budget implementation by both the National and County government. The mandate is summarised in the following roles:

a) Controlling

The controlling function involves authorising withdrawals from Public Funds. The Controller of Budget must be satisfied the withdrawals are authorised by law as per Article 228 (5) of the Constitution. The Public Funds are:

i. Consolidated Fund

Article 206 of the Constitution of Kenya, 2010 established the Consolidated Fund. All funds raised or received by or on behalf of the National Government shall be paid into the Consolidated Fund.

ii. Revenue Funds

Article 207 of the Constitution of Kenya, 2010 established the Revenue Funds for each county government. All money raised or received by or on behalf of each county government shall be paid into respective Revenue Funds.

iii. Equalisation Fund

Article 204 of the Constitution established the Equalisation Fund to provide public services including water, roads, health facilities and electricity to marginalised areas to the extent necessary to bring the quality of those services in those areas to the level generally enjoyed by the rest of the nation, so far as possible.

b) Reporting

Reporting entails preparation of quarterly, annual and special reports to the legislature and executive on matters related to the implementation of budgets of the national and county governments as provided for under Article 228 (6) of the Constitution.

Section 9 of the Controller of Budget Act, 2016 outlines the reporting role of the Controller of Budgets to include provision of information relating to the following:

The approved budget;

- x. The total funds released by programmes;
- xi. The absorptive capacity of funds by projects; and
- xii. Reasons of the decline if any.

Additionally, the reports submitted comprise of:

- i. A report on approved expenditures, authorised withdrawals, actual exchequer releases and actual expenditures;
- ii. The comparison between amounts provided for in the County Allocation of Revenue Act for each county in accordance with county government disbursement schedule approved by the Senate with the authorised withdrawals from the Consolidated Fund to county governments; and
- iii. A report on the receipts into the Consolidated Fund and the County Revenue Funds.

The reports speak to, and provide information on the following issues that relate to budget implementation:

- i. Level of absorption of public funds both recurrent and development;
- ii. Utilisation of funds according to the appropriation of sums voted by Parliament and County Assemblies;
- iii. Sectoral analyses on expenditure and the exchequer issues;
- iv. Performance of revenue collections, exchequer issues and exchequer requests not funded; and
- v. Recommendations on improving budget implementation by the spending units e.g. revenue shortfall, operationalisation of financial management systems, and streamlining the procurement procedures.

c) Advisory

This function involves giving advice to Parliament on financial matters where a Cabinet Secretary in charge of finance has stopped the transfer of funds to a State organ or public entity. The suspension of funds cannot be lifted or sustained before the Controller of Budget present a report to Parliament.

The Office of the Controller of Budget is expected to investigate the matter leading to suspension of transfer of funds to a State organ or public entity after which prepare and present a report on the matter to Parliament which will be used to approve or renew the decision to stop transfer of funds as provided for under Article 225 (7) of the Constitution.

The Controller of Budget also gives advice to government entities on improving budget implementation including low absorption of funds by MDAs and county governments. This therefore promotes accountability in the use of public financial resources.

d) Public sensitisation

Article 35 of the Constitution requires that the public has the right to access any information held by the State. Article 201 of Constitution sets out principles of public finance; Article 201 (a) provides that there must be public participation in all financial matters. The sensitisation role involves disseminating information to the public on budget implementation at both levels of government in accordance with Section 39 (8) of the Public Finance Management Act, 2012.

e) Mediation and conciliation

The Controller of Budget under Article 252 (1) (b) of the Constitution has powers for conciliation, mediation and negotiation. The Mediation role may involve resolution of conflicts between the national government and the county government, or between county governments with respect to budget implementation. This role involves conducting alternative dispute resolution mechanisms to resolve disputes relating to budget implementation.

f) Investigation

Under Article 252 (1) (a) of the Constitution, the Office of the Controller of Budget has powers to conduct investigations on its own initiative or following a complaint made by a member of the public on budget implementation matters.

2.2. Functions

In performance of the roles, the OCOB undertakes the following functions in pursuit of its mandate in the Constitution of Kenya, 2010:

- i. Authorising withdrawals from public funds, that is; Equalization Fund (Article 204); Consolidated Fund (Article 206); and the County Revenue Fund (Article 207);
- ii. Reporting, every four months to each house of Parliament on the implementation of the budgets of the National and County governments in accordance with Article 228 (6);
- iii. Monitoring, evaluating, reporting and making recommendations to the National and County governments on measures to improve budget implementation;
- iv. Reporting after the end of each financial year, to the President and Parliament (Article 254 (1));
- v. Reporting on a particular issue, as may be required by President or the Parliament (Article 254 (2));

- vi. Advising Parliament on the need to renew or not to approve the decision of the Cabinet Secretary in charge of finance to stop the transfer of funds to a State Organ or any other Public Entity (Article 225 (7) (a));
- vii. Conducting investigations based on its own motion or on a complaint made by a member of the public (Article 252 (1) (a));
- viii. Conducting alternative dispute resolution including conciliation, mediation and negotiation to resolve budget implementation disputes (Article 252 (1) (b)); and
- ix. Ensuring the public has access to information on budget implementation both at the national and county levels (Article 35) and (Section 39 (8) of the PFMA)

2.3. Medium Term Expenditure Framework (MTEF) Programmes

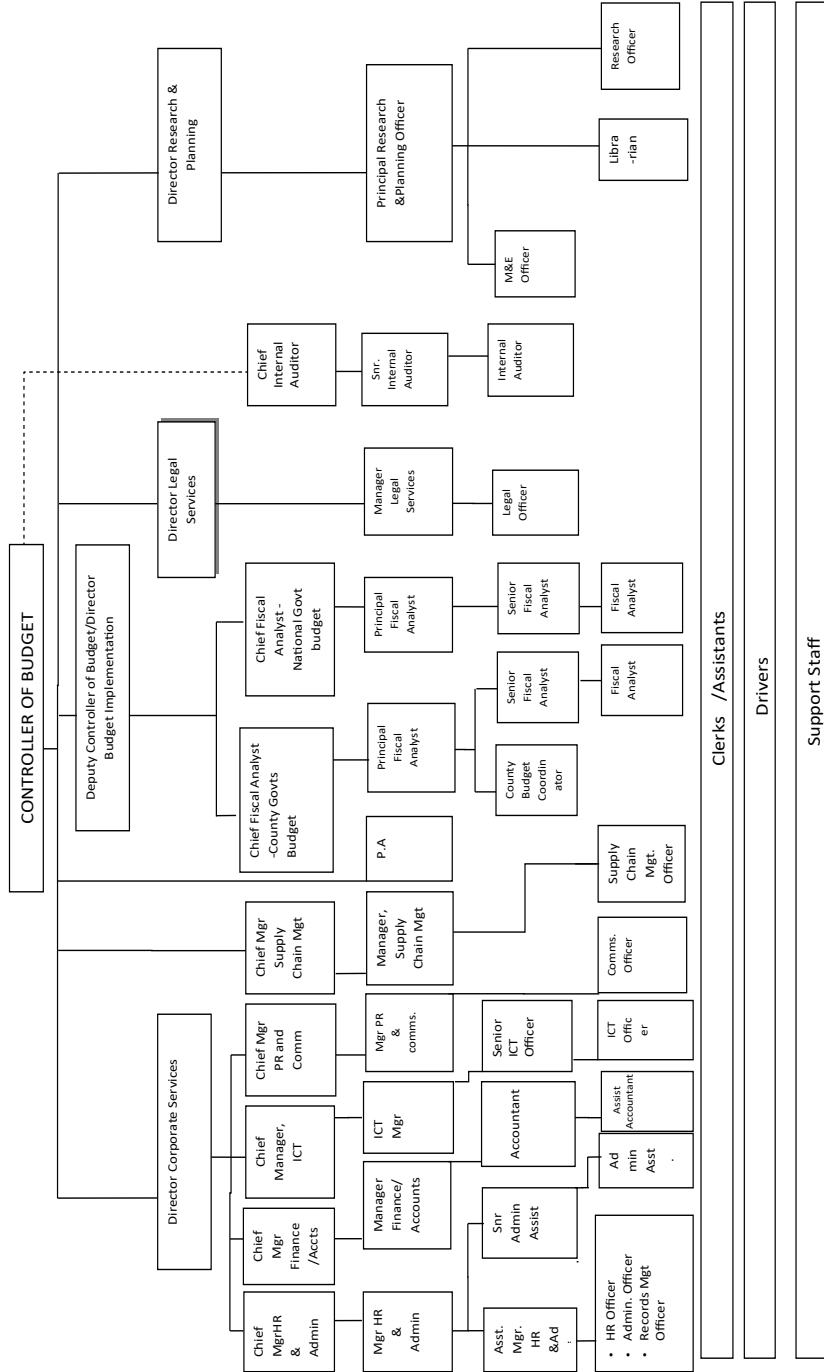
Guided by the strategic objectives, the operations of the OCOB are run under one programme, namely: **Control and Management of Public Finances**. Under this programme, the OCOB seeks to promote prudent public financial management by timely authorisation of withdrawals from Public Funds and reporting on budget implementation for both levels of governments. The programme comprises of four sub-programmes as listed below:

- i. Authorisation of withdrawals from Public Funds;
- ii. Budget Implementation and Monitoring;
- iii. General Administration Planning and Support Services; and
- iv. Research and Development.

2.4. Organisation Structure

Implementation of the constitutional mandate of the OCOB is achieved through an organisational structure illustrated in the diagram below:

OCOB ORGANISATION STRUCTURE



2.4.1. Institutional structure

At the apex is the Controller of Budget who is appointed in accordance with Article 228 of the Constitution of Kenya, 2010. The Controller of Budget is supported by the Deputy Controller of Budget who is also responsible for the Directorate of Budget Implementation. The secretariat comprises of four directorates that report directly to the Controller of Budget: Directorate of Budget Implementation; Directorate of Corporate Services; Directorate of Research and Planning and Directorate of Legal Services. The Office also has an Internal Audit Division that functionally reports to the Audit Committee and administratively reports to the Controller of Budget.

2.4.1.1. Directorate of Budget Implementation

This directorate is headed by the **Deputy Controller of Budget**. The directorate has the following key functions:

- i. Oversee implementation of the budgets of national governments and county governments;
- ii. Ensure accuracy of documentation for withdrawal requests from public funds (Consolidated Fund, Equalization Fund and County Revenue Fund);
- iii. Coordinate preparation of quarterly, annual and special reports to the Legislature and Executive on implementation of the budgets of the national and county governments;
- iv. Develop and review policies, systems and procedures for budget implementation reporting;
- v. Ensure timely and accurate preparation of monthly exchequer release reports for gazettelement;
- vi. Monitor compliance of budget performance is within the law;
- vii. Develop monitoring and evaluation policies, systems and procedures for tracking budget implementation;
- viii. Advise the Controller of Budget on effective methods of budget implementation;
- ix. Analyse monitoring and evaluation reports for national and county governments and take necessary action.

2.4.1.2. Directorate of Corporate Service

This directorate is headed by the **Director, Corporate Services**, who is responsible for facilitating the development of organizational policies, systems and procedures and coordinating the delivery of quality services in Accounting, ICT, Human Resources and Supply Chain Management, Corporate Communications and Public Relations Divisions. The Director of Corporate Services reports to the Controller of Budget.

The key functions of the corporate services directorate are to:

- i. Formulate administrative policies, systems and procedures for the organization;
- ii. Develop financial and accounting strategies and systems;
- iii. Develop performance management tools and standards and mechanisms for ensuring compliance with the Constitution, in consultation with the Controller of Budget;
- iv. Develop supply chain management strategies, policies, systems and procedures;
- v. Develop a policy framework for attracting, motivating, developing and retaining staff;
- vi. Coordinate information exchange with all stakeholders and the public to ensure customer expectations are met;
- vii. Coordinate and compile directorate reports;
- viii. Responsible for the corporate image of the organization; and
- ix. Oversee the effective administration of office support and security services.

2.4.1.3. Directorate of Research and Planning

This directorate is headed by the **Director, Research and Planning**, who reports to the Controller of Budget.

The directorate has the following key functions:

- i. Development of research strategy, policies, systems and procedures;
- ii. Facilitate implementation of the strategic plan for the OCOB;
- iii. Spearhead and coordinate the organization's research assignment;
- iv. Collate and analyse macroeconomic, socio-economic and fiscal data;

- v. Identify and collaborate with external research institutions, policy makers and other stakeholders;
- vi. Conduct objective research and analysis on budget implementation policy issues, with the ultimate goal of advising on improvement of the budget implementation;
- vii. Prepare research reports; and
- viii. Develop and implement policies, procedures and systems for research on budget implementation.

2.4.1.4. Directorate of Legal Services

This directorate is headed by the **Director, Legal Services** who reports to the Controller of Budget.

The directorate is responsible for:

- i. Advising management on legal, governance and compliance issues;
- ii. Providing legal counsel on legal and legislative issues impacting on the Office;
- iii. Formulating legal, governance and compliance strategic direction aligned to the Constitution and government guidelines;
- iv. Implementation of legal, governance and compliance policies, systems and procedures;
- v. Ensuring compilation of reports on legal, governance and compliance issues;
- vi. In consultation with the Controller of Budget, responsible for representation of the Office in any litigation;
- vii. Making recommendations on legal interventions required to ensure compliance with the Constitution;
- viii. Undertaking research on various legal aspects and processes relating to the mandate of the Office; and
- ix. Drawing of contracts and agreements for the organisation.

2.4.1.5. Internal Audit Division

The Internal Audit Division is headed by the Chief Internal Auditor, who reports to the Audit Committee and administratively to the Controller of Budget and is responsible for:

- i. Monitoring the formulation and implementation of appropriate internal control systems for the organization;
- ii. Developing and implementing internal audit policies, systems and procedures;
- iii. Designing and implementing audit plans;
- iv. Compilation of periodic and special audit reports;
- v. Carrying out an internal audit in accordance with generally accepted auditing standards;
- vi. Developing business continuity, evaluating risk exposure and preparing mitigation strategies and policies;
- vii. Ensuring the organization is compliant with government, regulations and guidelines;
- viii. Carrying out post-audit reviews to ensure implementation of agreed corrective action plans;
- ix. Continuous review of procedures and policies to ensure that adequate controls are in place; and Coordinating execution of special assignments as per the specified terms of reference;

2.4.2. Governance Structure

The OCOB established the following administrative structure in entrenching good governance practices:

2.4.2.1. Executive Committee

The purpose of the Executive Committee (EXCOM) is to oversee the Office of the Controller of Budget's (OCOB) overall performance and delivery. It focuses on strategic leadership, management and direction, ensuring the most effective prioritization of resources. Further, the Committee spearheads development and implementation of policies and OCOB Strategic Plan. The Executive Committee is composed of the Controller of Budget; Deputy Controller of Budget, the Directors and any such members as may be co-opted into the Committee on need basis. The Executive Management Team is responsible for:

- i. Developing and monitoring implementation of OCOB Strategic Plan
- ii. Approving and monitoring the implementation of OCOB Policies and Procedures.
- iii. Approving OCOB's Organization Structure.

- iv. Overseeing Risk Management in the organization.
- v. Providing direction on Succession Planning.
- vi. Promoting Stakeholder engagements as provided in the OCOB Strategic Plan.

2.4.2.2. Management Committee

The Committee makes recommendations and approve policies on major decisions that have impact on the Office operations. The Committee is composed of the Controller of Budget, Deputy Controller of Budget, Directors and Heads of Departments. The other roles and functions of the Management Committee include:

- i. Planning – establishing and reviewing strategic and operational plans for Office of the Controller of Budget (OCOB);
- ii. Policy and decision making – establishing policies/procedures that guide the operations of OCOB and record decisions and actions on matters concerning OCOB;
- iii. Management – ensuring that all staff properly perform their tasks according to their job descriptions and further ensuring that the OCOB’s mandate is properly executed;
- iv. Legal – ensuring that at all times, OCOB complies with the laws of Kenya in discharge of its mandate;
- v. Financial – ensuring that all finances are properly managed; that financial records are audited annually and that the principles of public finance management articulated under Article 201 of the Constitution are adhered to; and
- vi. Evaluation – monitoring all activities of OCOB and ensuring that the feedback contributes to the continuous improvement in governance and service delivery.

In execution of their functions, the Executive Committee and the Management Committee have the power to appoint sub-committees to assist in discharging the mandate of the Office. The sub-committee members are drawn from the various departments and have a wide range of skills and experience to effectively discharge their duties. On appointment; each member is provided with the appointment letters outlining the responsibilities to be undertaken. In discharging their duties, Members of the Committees are guided by:

- i. The organisations policies and procedures; and
- ii. The organisation strategic plan and other legislations.

2.4.2.3. Integrity Committee

The purpose of this committee is to entrench anti-corruption initiatives in the operations of the Office. The Committee comprises of the Controller of Budget as the Chair and all heads of departments as members. The mandate of the committee includes:

- i. Coordinating formulation and implementation of Codes of Conduct and Ethics, Anti- Corruption Policy, Corruption reporting channels, Corruption Risk Assessment and mitigation plan and Performance contracting targets etc.
- ii. Holding periodic meetings to deliberate on anti-corruption and other integrity issues
- iii. Setting priorities in the prevention of corruption in functional areas
- iv. Planning and coordinating corruption prevention strategies
- v. Integrating integrity in the institutional programs and activities
- vi. Receiving and reviewing corruption reports and recommending action
- vii. Spearheading anti-corruption public campaigns within their areas
- viii. Monitoring the impact of corruption prevention initiatives
- ix. Preparing and submitting regular progress reports to Ethics and Anti-Corruption Commission and other appropriate agencies
- x. Strengthening internal control systems

2.4.2.4. Audit Committee

Section 73 (5) of the PFMA provides that every national government entity shall establish an audit committee whose composition and functions shall be as prescribed by the regulations. The PFMA (National Government) Regulations Section 174 (10) provides that the Public Sector Accounting Standards Board shall prescribe guidelines for appointment of audit committees to be approved and gazette by the Cabinet Secretary. The primary function of the Committee is to assist the Controller of Budget in fulfilling her oversight responsibilities relating to the quality of financial reporting, internal controls, the audit process, and the organisation's process for monitoring compliance with laws and regulations and the code of conduct. The membership of the Audit Committee comprises

of: Director of Research and Planning, Director of Legal Affairs, Chief Fiscal Analyst (National Government), Chief Manager ICT, and Chief Internal Auditor. The functions of the Committee are:

- i. Reviewing the audit plan for adequacy;
- ii. Reviewing financial statements and other financial information distributed externally;
- iii. Monitoring the procedures in place to ensure the OCOB is in compliance with standards, Law and Regulations;
- iv. Monitoring risk assessment and the internal controls instituted within the Office;
- v. Monitoring the establishment of an appropriate risk management and internal control framework, including information management systems security and controls;
- vi. Liaising with the external auditors and ensuring the statutory audits and reviews are conducted in an efficient and effective manner; and
- vii. Follow up on the implementation of the recommendations of internal and external auditors.

2.4.2.5. Budget Committee

This is a sub-committee of the Management Committee established to ensure resources are utilised as per the OCOB budget and work plan. The committee is made up of the following members drawn from various departments: Director-Corporate Services, Director-Research and Planning, Chief Manager-ICT, Chief Manager-HR, Chief Manager-Supply Chain Management, Chief Manager-Finance and Accounts, Manager- HR and two Accountants. The committee has the following responsibilities:

- i. Review and consider the cash flow plans- This shall involve a regular review of cash plan including approving for any changes to be communicated to National Treasury
- ii. Reviewing the utilization of cash limits and considering any changes as may be required. This may include reviewing the actual departmental expenditures to determine the absorption rate for the budgeted activities and identifying the reasons behind non utilization of funds
- iii. Advising the Accounting Officer on any problems related to budget implementation.
- iv. Reviewing and recommending re-allocations

- v. Reviewing and approving expenditure returns
- vi. Reviewing the commitments including pending bills and recommending solutions

2.4.2.6. Human Resource Management Advisory Committee

The Human Resource Management Advisory Committee (HRMAC) is a standing committee that advises the Controller of Budget on Human Resource issues and staff development. The committee supports the Controller of Budget in the following areas:

- i. Analysing training needs and setting up a hierarchy of priorities (in terms of relevance, urgency and availability of funds) with the overall training projections;
- ii. Assessing available training opportunities, identify, select and recommend to the Controller the suitable candidates (based on identified needs) for various training programs organized locally and internationally;
- iii. Investigate and make recommendations to the Controller of Budget on disciplinary matters;
- iv. Discuss and make recommendations on existing HR regulations and policies to the Controller of Budget; and
- v. Discuss and make recommendations to the Controller of Budget on general staff welfare and motivation issues among others.

2.4.2.7. ICT Committee

The ICT Steering Committee provides advice to the Controller of Budget with regard to strategic decisions in Information and Communication Technology (ICT) with particular attention to risk management, compliance and change management. The Committee ensures that OCOB's ICT strategic objectives and their implementation remain aligned with the mandate and strategic objectives of the organization. ICT steering Committee plays one of the key ICT governance roles within the OCOB and is given appropriate strategic status within the organizational planning and management environment.

2.4.2.8. Ad Hoc Committees on Procurement

The Public Procurement and Assets Disposals Act, 2015 requires establishment of ad hoc committees for Tender Evaluation, Disposals, Opening and Inspection and Acceptance. The OCOB has a functioning Procurement Department that convenes the committees as required in that Act.

CHAPTER THREE

3 Performance and Achievements

This chapter outlines the achievements by the Office of the Controller of Budget over the eight – year period. The first part of the chapter focuses on the key achievements during the OCOB’s nascent stages in 2011. Within that period, the office focused on laying the foundation for necessary operational structures towards achievement of mandates in Article 228 of the Constitution.

Guided by the strategic objectives, the operations of the OCOB are implemented under one MTEF programme namely: **Control and Management of Public Finances**. Under this programme the OCOB is financed from the Consolidated Fund to execute its mandate budgeted under four sub – programmes, namely:

- i. **Authorisation of withdrawals from Public Funds;**
- ii. **Budget Implementation and Monitoring**
- iii. **General Administration Planning and Support Services; and**
- iv. **Research and Development.**

The second part of this chapter addresses the achievements of the Office of Controller of Budget aligned to the sub – programmes over the eight – year period.

Part I

3.1. Establishment of the Office of the Controller of Budget

3.1.1. Unbundling the mandate of the Controller of Budget

There was need to unbundle the mandate of the Office of the Controller of Budget as provided in Article 228 of the Constitution. This involved conceptualisation and internalisation of the mandate. As part of this process, the OCOB carried out three benchmarking visits in German, Australia and Ethiopia to understand the functions of a devolved system of government in established governments. Further in July 2013, the OCOB took part in a study tour to the USA organised by the Council of Governors with support of USAID under the Kenya Governors Strategic Execution Support (KEGOSES) program. The study tour covered the States of Tennessee and Oklahoma with an objective of learning the unique approaches, structures, strategies and policies for devolution/decentralization

that had been successfully applied, tried and tested in the USA and could be replicated in Kenya. The tour also sought to promote and establish relationships between key constitutional bodies in Kenya and their USA counterparts, including government officials, at Federal and State level.

Initial staff members were seconded from various ministries to assist the OCOB at its nascent stage of operation and capacity building was carried out to facilitate proper and efficient delivery on its mandate.

3.1.2. Job Evaluation and Staff Recruitment

The OCOB carried out a Job Evaluation exercise to inform on optimal staffing levels and job descriptions that would enable it deliver on its mandate. The Job Evaluation report guided the recruitment of staff significantly, the Directors, Heads of Departments, and other staff in early years to support the operations of the office.

In 2013, the OCOB decentralised its services to all the 47 counties through appointment, training and deployment of County Budget Coordinators (CBCs) to coordinate requests for authorisation of withdrawals from County Revenue Fund and monitor and report on budget implementation at the county level.

3.1.3. Staff Training

Training of staff is an essential organisational function that provides opportunities for employees to upgrade their core competencies, knowledge, skills and attitudes at workplace. In this regard, the OCOB entrenched training and staff development in 2013 through various trainings including Budget Analysis, Monitoring and Evaluation, Report Writing, Leadership and Integrity, Fraud Prevention, Forensic & Investigation, Communication Strategic Development, Enterprise Risk Management, Library Management System, EDRMS and Strategic Leadership Development Programme, among others. These trainings have equipped staff with necessary skills to effectively deliver on the mandate of the office.

3.1.4. Development of the 2013 – 2017 Strategic Plan

In 2013, the OCOB developed the 2013 – 17 Strategic Plan to guide implementation of its mandate. The Plan was developed through a consultative and transparent process. The Plan envisioned six strategic areas of focus namely:

- i. Enhance proper use of public funds by approving withdrawal of funds within the law;
- ii. Ensure efficient budget implementation by offering the requisite oversight and monitoring;

- iii. Provide information on budget implementation to Kenyans through enhanced statutory reporting;
- iv. Improved financial, planning and budgeting processes;
- v. Develop institutional capacity and enhancing the work environment; and
- vi. Improve information sharing by leveraging on communication.

The development of the Plan was informed by the Constitution of Kenya, 2010, PFMA, 2012 and relevant government policy documents.

The 2013 – 2017 Strategic Plan identified six strategic objectives:

- i. To ensure timely approval of withdrawals from the Consolidated Fund, County Revenue Fund and Equalization Fund;
- ii. To oversee and regularly monitor the utilisation of public funds released to spending units;
- iii. To enhance openness, accountability and public participation in prudent financial management;
- iv. To participate and provide advice on financial, planning and budgeting issues;
- v. To build capacity of the OCOB to deliver on its mandate; and
- vi. To ensure the public has access to comprehensive, understandable, credible and timely information.

3.1.5. Highlight of Achievements under the 2013 – 2017 Strategic Plan

Table 1: Key Achievements under the 2013 – 2017 Strategic Plan

Key Achievements
Objective 1: To ensure timely approval of withdrawals from the Consolidated Fund, County Revenue Fund and Equalization Fund
<ol style="list-style-type: none"> 1. Development of policies, procedures and systems to guide authorisation of withdrawals from Public Funds. 2. Ensured timely approval of Exchequer requisitions for National (within 2 hours) and County Governments (within 24 hours).

Key Achievements

Objective 2: To oversee and regularly monitor the utilization of public funds released to spending units

1. Published 48 budget implementation review reports: 27 for National Government and 21 for County Governments.
2. Undertook county visits in the 47 counties to assess impact of devolution on service delivery to the citizens
3. Partnered with various stakeholders in a number of fora including the National Treasury to develop framework and regulations to assist in Public Financial Management, Gender Responsive Budgeting and Budget Implementation for both levels of Government.

Objective 3: To enhance openness, accountability and public participation in prudent financial management

1. Publicised budget implementation review reports.
2. Collaborated with the public to monitor implementation of the budgets by various government agencies.
3. Developed an interactive website for sharing budget implementation review reports.

Objective 4: To participate and provide advice on financial, planning and budgeting issues

1. Held various meetings with Committees of Parliament and County Assemblies to discuss issues highlighted in the Budget Implementation Review Reports (BIRR) and provided advice on the way forward.
2. Provided advice to the Executive on budget implementation through quarterly reports.
3. Reviewed County legislations to ensure compliance with existing laws and provided advice accordingly.
4. Reviewed National and County Governments' budget estimates and provided advice as appropriate.
5. Participated in development of curricula for the County Budget Executives and staff to facilitate capacity building for County Governments.
6. Trained County executives and staff to facilitate budget preparation and implementation.
7. Provision of mediation services on budget matters to several counties.

Objective 5: To build capacity of the OCOB to deliver on its mandate

Key Achievements

1. Development of OCOB organisation structure
2. Recruited, trained and deployed staff in the headquarters and the 47 counties.
3. Developed a human resource and administration policies and procedure manual.
4. Development of the ICT Policy and Guidelines and IT governance structures
5. Developed a robust network infrastructure (LAN, WAN and various Network Segments) and IP telephony for unified communication.
6. Upgrade and Maintenance of ICT Infrastructure – Data Centre, servers, server operating system platforms, application platforms, wireless and access services.
7. Developed a data redundancy and IT Service continuity conceptual plan.
8. Developed OCOB interactive website.
9. Developed a library management system to increase the efficiency and effectiveness of the library.
10. Enactment of Controller of Budget Act, 2016.
11. Winning the FiRe Award for six consecutive times in the category of Independent Offices and Constitutional Commissions Reporting under International Public Sector Accounting Standards (IPSASs).

Objective 6: To ensure the public has access to comprehensive, understandable, credible and timely information

1. Developed an interactive website and a mobile phone application (Budget Yetu) through which information on budget implementation is uploaded for dissemination to the public.
2. Sharing of budget implementation data with research, professional and institutions of higher learning
3. Disseminated BIRRs to the public through Huduma Centres and County information dissemination centres and Public Universities
4. Conducted five regional public sensitisation fora on the role of members of public in public financial management at National and County level during the budget making process, and in monitoring budget implementation.

Source: OCOB Strategic Plan 2018 – 2022

Part II

3.2. Authorisation of withdrawals from Public Funds

The sub-programme entails approval of exchequer requisitions from Public Funds (Consolidated Fund, County Revenue Fund and Equalisation Fund) subject to compliance with relevant laws and regulations. The Office has reviewed internal exchequer requisition process to ensure expeditious release of funds to finance approved programmes by spending entities at both national and county governments.

3.2.1. Policies, Procedures and Systems for Authorisation of Withdrawals from Public Funds

In 2013, the OCOB developed a procedure manual for authorising withdrawals from Public Funds. The manual provides a guide to ensure approval for withdrawals from Public Funds is made in conformity with law. In this regard, the OCOB reviews exchequer requests from MDAs and county governments to check for completeness and compliance with the law.

The manual has streamlined the exchequer process and ensured that exchequer requests from MDAs and county governments are approved expeditiously aimed at seamless implementation of the approved budgets.

3.2.2. Total Exchequer Issues

From inception of the OCOB in 2011/12 to 2017/18, total exchequer issues to the MDAs and County Governments was **Kshs.10.9 trillion**. The exchequer issues comprised of **Kshs.6.7 trillion** to MDAs, **Kshs.2.8 trillion** for CFS and **Kshs.1.4 trillion** to County Governments. The exchequer issues to net estimates were **92.6 per cent** over that period.

Analysis of exchequer issues shows that **Kshs.1.9 trillion** was approved towards development programmes and **Kshs.4.8 trillion** towards recurrent expenditure for MDAs. The exchequer issues released to fund development programmes translated to **84.9 per cent** of the revised net development estimates while those towards recurrent activities translated to **96.5 per cent** of the revised net recurrent estimates.

In the same period, the Controller approved withdrawal of **Kshs.1.4 trillion** from the County Revenue Funds to fund the 47 county governments. The amount comprised of **Kshs.435.5 billion** for development programmes and **Kshs.971.8 billion** for recurrent expenditure. The exchequer issues released to fund the 47

county governments translated to **91.7 per cent** of the revised net estimates as shown in **Table 2** below.

Table 2: Exchequer Issues approved from 2011/12 to 2017/18 (Kshs in Billions)

Nature of Expenditure	Revised Gross Estimates	Revised Net Estimates	Exchequer Issues Released	Actual Expenditure	% of Exchequer Issues Released to Revised Net Estimates	% of Actual Expenditure to Revised Gross Estimates (Absorption Rate)
MDA Recurrent	5,508.9	4,953.8	4,781.8	4,843.8	96.5%	88%
MDA Development	4,112.4	2,263.4	1,921.6	2,444.3	84.9%	59%
CFS	3,024.0	3,023.9	2,787.5	2,809.8	92.2%	93%
County Governments	1,736.3	1,549.2	1,421.2	1,361.8	91.7%	78%
Total	14,381.6	11,790.3	10,912.0	11,459.7	92.6%	80%

Source: OCOB Annual Reports (2011 – 2018)

**The difference between development Exchequer Issues and Actual Expenditure is attributed to A-I-A generated and utilised by some MDAs and direct disbursement of funds to projects by Development Partners in form of grants and loans A-I-A.*

3.2.3. Recurrent Exchequer Issues and Absorption

The total exchequer issues released over that period to fund recurrent budget (MDAs and CFS) for the National Government was **Kshs.7.6 trillion** translating to **95 per cent** of the revised recurrent net estimates. The total recurrent expenditure over that period was **Kshs.7.6 trillion** which translated to an absorption rate of **89.4 per cent** of the revised gross recurrent estimates.

3.2.4. Development Exchequer Issues and Absorption

The total exchequer issues released to fund the development programmes by MDAs was **Kshs.1.9 trillion** translating to **84.9 per cent** of the revised net development estimates. The total expenditure by MDAs in the same period amounted to **Kshs.2.4 trillion** representing an absorption rate of **59.4 per cent** of the revised gross development budget. The difference between development Exchequer Issues and Actual Expenditure is attributed to A-I-A generated and utilised by some MDAs and direct disbursement of funds to projects by Development Partners in form of grants and loans A-I-A.

3.2.5. Exchequer Issues to County Governments and Absorption

The total amount approved from the Consolidated Fund to the various County Revenue Funds (CRFs) amounted to **Kshs.1.4 trillion** and comprised of **Kshs.971.8**

billion (69 per cent) for recurrent expenditure and **Kshs.435.5 billion (31 per cent)** for development activities.

In the same period, the total expenditure was **Kshs.1.36 trillion** representing an absorption rate of **78.1 per cent** of the total county governments' gross revised estimates.

Recurrent expenditure over that period was **Kshs.944.9 billion**, representing an absorption rate of **88.9 per cent** of the total county governments revised gross recurrent estimates. Development expenditure amounted to **Kshs.416.8 billion**, representing absorption rate of **59.4 per cent** of the total county governments revised gross development estimates.

3.2.6. Exchequer Releases for Consolidated Funds Services

Consolidated Fund Services comprise of funds allocated towards: Repayment of Public Debt (Domestic and Foreign debt, and government guaranteed loans to State Corporations); Pensions and Gratuities; Salaries and Allowances to Constitutional Office holders and Miscellaneous Services; and Subscriptions to International Organisations. The Controller approved withdrawals totalling to **Kshs.2.8 trillion** towards CFS between the 2011/12 and 2017/18 period.

3.3. Budget Implementation and Monitoring

The key outputs of this sub-programme include preparation and publications of budget implementation review reports, proper management of exchequer records, ensuring compliance with public financial management framework, sensitisation of the public on the budget implementation and a framework for tracking and monitoring implementation of budgets.

The OCOB monitors and prepares statutory reports to Parliament on the implementation of the budgets of the National and County Governments in compliance with Article 228 (6) of the Constitution of Kenya, 2010.

The in-year budget implementation review reports prepared by the OCOB are key documents that provide comprehensive, understandable, credible and timely budget implementation information that the Public can use to monitor compliance of public institutions with the principles of public finance.

Some of the projects implemented in the counties are shown in the pictures below:



Water Dam in Makueni County



Mother and Child hospital with a capacity to accommodate 120 adults and 80 neonates Makueni County



Sigor market in West Pokot



Kakamega Referral Hospital under construction 2019



The National Government successfully completed and commissioned the Nairobi – Mombasa Standard Gauge Railway

Project in 2017 (Photo credit Kenya Railways)

3.3.1. Quarterly Budget Implementation Review Reports

The reports are prepared in line with Article 228 of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016, which requires the Controller of Budget to submit to Parliament quarterly budget implementation reports for the National and County Governments every four months. During the period between 2011/12 to 2017/18 financial years, the OCOB prepared and published 48 budget implementation review reports: 27 for the National Government and 21 for County Governments.

The reports highlighted key issues affecting budget implementation at both levels of government. At the national level key issues highlighted included delays by MDAs to submit quarterly financial reports to OCOB, non-disclosure of A-I-A by MDAs, and failure to report programme achievements by MDAs. At county level, delays in disbursement of equitable share of revenue by the National Treasury, high expenditure on personal emoluments, under-performance of own source revenue collection by counties and lack of functional County Budget and Economic Forums are among the issues that affected budget implementation.

The first quarterly report by the OCOB for 2011/12 financial year covered the period between July to December 2011.

A high – level meeting bringing together Cabinet Secretaries, Principle Secretaries and Development Partners was held at KICC to discuss absorption of development budget and key resolutions were made. The report marked the impact of the OCOB regarding reporting on budget implementation by the national government entities.

3.3.2. Sharing Information with the Public

The Office has remained steadfast in ensuring information on budget implementation by both the National and County Governments is published and publicised as required by Section 39 (8) of the PFMA, 2012. A key component of this process is ensuring effective public participation in monitoring utilisation of public funds. The rationale for citizen engagement in the budgeting process arises from the fact that budget decisions have a significant impact on the lives of the citizenry, and therefore should be informed by the views and inputs from the public. The scrutiny of citizens ensures that decision makers consider strategies aimed at improving efficiency, responsiveness and accountability of government.

Between 2014 and 2018, the OCOB organised public sensitisation sessions covering 30 counties in which over 1000 members of the public participated. The objectives of the sessions were to ensure that the public is sensitised on their role in public financial management at national and county level during the budget making process as well as in monitoring the budget implementation. The public were provided with opportunities to engage in fruitful discussions with the county government policy makers on improved service delivery of services.

Table 3: Public Participation Forums

Month	Venue/ Region	Counties Participated	Number of Partici- pants
Dec 2014	Eldoret	Uasin Gishu, Baringo, Elgeyo – Marakwet, Nandi, Trans Nzoia, Nakuru, Bungoma and Kakamega	224
June 2015	Nyeri	Kiambu, Kirinyaga, Nyeri, Embu, Meru and Tharaka Nithi	249
May 2016	Mombasa	Mombasa, Kilifi, Lamu, Tana River, Taita – Taveta and Kwale	282
June 2016	Kisumu	Kisumu, Busia, Homa Bay, Vihiga and Siaya	267

Month	Venue/ Region	Counties Participated	Number of Partici- pants
June 2017	Machakos	Machakos, Kitui, Makueni, Kajiado and Nairobi	220
Total	5 Regions	30 Counties participated	1,242

The OCOB uses its interactive website and Budget Yetu Application, a mobile application available on Google Play, Apple Store and Microsoft Store to publicise budget implementation reports and enable users interrogate performance of both national and county governments. The website also has feedback mechanism to enable the public to inquire about any issue on public finance, give comments on the same or report any misuse of public resources.



*Controller of Budget addressing participants during a public forum in Nyeri
Controller of Budget answering question from the public during a sensitization forum in Nyeri.*



Controller of Budget addressing participants during a public sensitisation forum in Nyeri.



The Controller of Budget with a section of Persons Living with Disabilities during a public forum in Mombasa

3.3.3. Review of County Government Budgets

The OCOB analysed all draft budgets for 2014/15 and 2015/16 submitted to the County Assemblies in April 2015 and addressed pertinent issues arising from the budgets and provided comments to further improve the budgets. Through the intervention of the Office of Controller of Budget, the Appropriations Bills, 2014/15 for County Governments were revised to comply with the law and ensure they had balanced budgets. The law required that beginning 2014/15, all county budgets were to be Programme Based Budgets. This was not the case in many counties.

Over the reporting period, the OCOB reviewed county Budget Estimates to ascertain compliance with the law. During the review, some key issues in the draft budgets were noted and corrective measures were communicated to the respective counties.

In general, most of the recommendations of the OCOB were implemented resulting to;

- Improvement in local revenue collection in a number of county governments;
- Improvement in the reporting of expenditure by the county governments;
- Establishment of County Public Funds and enabling regulations in accordance with the law;
- Improved service delivery in some entities due to capacity building of their staff; and
- Reduced conflicts between County executives and the County Assemblies.

3.3.3.1. Balanced Budgets

Regarding balanced budgets, in 2013, the OCOB advised the county governments on the need to balance their budgets after a number of them had presented budgets that were unrealistic and largely not in conformity with the basic ideals of budget formulation. In July of that year, only eight counties had balanced budgets and as such were in line to receive their budgetary allocations.

The concern was that a majority of the counties had huge deficits in their budgets which they were unable to explain how they intended to plug these deficits. Other counties had also presented unrealistic revenue targets that they were unable to indicate how they intended to realise them. As a consequence, the OCOB advised counties to revise their budgets in response to the anomalies.

3.3.3.2. Programme Based Budgeting

On programme-based budgeting, The OCOB was able to advise a number of counties on the need to adopt Programme Based Budgets as required by law. Section 12 of the Second Schedule of the PFMA requires counties to adopt and develop Program Based Budgets from the 2014/15 financial year. The PBB framework requires that there is linkage of resources to the achievement of key performance indicators.

In other Counties, there were deviations between the County Fiscal Strategy Paper (CFSP) ceilings, and the budget ceilings as stipulated under Section 129 (2) (b) of the Public Finance Management Act, 2012. The revision reduced the high and unrealistic local revenue provisions in the budget estimates.

3.3.4. Review of County MTEF Documents

Section 25 (5) and 117 (5) of the PFMA, 2012 requires the National and County Treasuries to take into account views of the Controller of Budget in preparing the BPS and CFSP. The BPS and CFSP contain policies and priorities on revenues, expenditures and borrowing for the next financial year.

Over the period, OCOB reviewed the BPSs and 47 CFSPs and submitted comments to the respective national and county treasuries. Some of the common issues that emerged during the review were: unrealistic amounts of projected revenue collection by County Governments; excessive expenditure allocation to non-priority areas; and low absorption of development funds.

The OCOB also reviewed the County MTEF documents including the CIDPs, ADPs and CBROPs.

The OCOB made appropriate recommendations to address the issues identified in the planning documents such as the formats of the CFSP, failure to specify both recurrent and development ceilings, inaccurate local revenue data and over-expenditure on certain items especially on personnel emoluments, conformity with the County Allocation of Revenue Act (CARA) and Programme Based Budgeting (PBB) guidelines and reasonableness of the revenue estimates and resource allocation between development and recurrent expenditure

3.3.5. Establishment of County Public Funds

Most counties established County Funds in line with Section 116 of the PFMA, 2012. However, the necessary regulations and the appointment of Administrators as stipulated in Section 116 (2) (9) of PFMA, 2012 had not been developed before the allocation of such funds was done in the respective budgets.

Section 116 of the PFMA provides for requirements to be fulfilled prior to establishment of other public funds by the County Treasuries and approval of

those funds by the respective county assemblies. Over the past years, county governments established various funds including the Car and Mortgage Funds for county assemblies.

The OCOB played critical role in requiring the conditions set in that section of the law to be fulfilled before the funds were budgeted for. The interventions by the OCOB included rejection of county budgets that included the Car and Mortgage Funds that were inconsistent with the PFMA – this action ensured that the counties complied with the law prior to authorisation of withdrawal of funds for budget implementation.

3.3.6. Parliamentary Committee Activities

The OCOB has continually engaged Parliamentary Committees to increase awareness on budget implementation and discuss issues under consideration by Parliament. The OCOB engagement with Parliament ranged from making written submissions, giving clarification and presentations during committee hearings, consultation on budget implementation, and provision of expert opinion on findings and recommendations for action by both Parliament and the Executive. Specifically, key engagements were with the following committees of Parliament:

- i. Standing Public Accounts Committee of the National Assembly;
- ii. Departmental Committee on Finance and National Planning;
- iii. Senate Sessional Committee on County Public Accounts and Investment Committee.



FCPA Agnes Odhiambo attending a Parliamentary Committee session to give feedback on Budget Implementation Review Reports

3.3.7. Enactment of The Controller of Budget Act, 2016

In the financial year 2016/17, Parliament enacted the Controller of Budget Act, 2016 to give effect to the provisions of Articles 225, 228 and 252 of the Constitution of Kenya, 2010 regarding the functions of the Office of the Controller of Budget. The Act provides a framework for the operationalization of the Office to enable it deliver on its mandate effectively.

3.3.8. Mediation

Article 252 (1) (b) of the Constitution empowers the OCOB to undertake conciliation, mediation and negotiation on budget implementation matters. During the reporting period, the OCOB mediated in several county conflicts mainly pitting the County Executives and the County Assemblies on issues touching on budgeting and ceilings in Makueni, Lamu, Turkana, and Nyeri among others.

3.3.9. Investigations

The Office of the Controller of Budget has power to conduct investigations on its own initiative or following a complaint made by a member of the public on budget implementation matters Under Article 252 (1) (a) of the Constitution.

The purpose of investigations is to assist the Office determine whether there were incidences of mismanagement of public funds then escalate the matter to relevant institutions for action. During the 8 – year period investigations were carried out in five counties.

3.3.10. Guidelines Advisories/Issued by the Office on Budget Implementation

Over the reporting period, the OCOB issued the following circulars and advisories on budget implementation:

- i. Circular on procedures for making Exchequer Requisition by County Governments;
- ii. Circular on enhancement of financial controls and exchequer issues;
- iii. Circular on submission of expenditure and revenue returns by spending entities;
- iv. Circular on submission of Budget Estimates and County Fiscal Strategy Papers;
- v. Circular on transfer of manual transactions into the Integrated Financial Management System (IFMIS);
- vi. Circular on the need to publicise county legislations in the Kenya Gazette following declaration of Section 25 (2) of the County Governments Act, 2012 as inconsistent with Article 199 of the Constitution of Kenya, 2010;
- vii. Special report on expenditure on rent for all Ministries, Departments and Agencies;
- viii. Special report on expenditure on rent for all Constitutional Commissions and Independent Offices;
- ix. Circular on the establishment and operationalisation of the Ward Development Funds;
- x. Circular on payment of enhanced nursing services allowance and uniform allowance;
- xi. Circular on status of pending bills owed by county governments as of 30 June 2018;
- xii. Circular on payment of pending bills owed by County Governments; and

- xiii. Special report to MDAs and Counties to rationalise expenditure on non-core areas
- xiv. Advisory on use of IFMIS to process Financial transaction by County Governments

3.4. General Administration Planning and Support Services

The Administration and Support Services Sub – Programme seeks to ensure effective service delivery through enhancing capacity of the OCOB to deliver on its mandate. Some of the activities and achievements under the Sub – Programme are discussed below.

3.4.1. Legal Activities

During the eight-year tenure of the first Controller of Budget, the Office was enjoined as party to several legal suits. The suits touched on various matters around the budget formulation process, particularly by the County Governments. They included; disputes on sharing of resources between the County Executive and the Assembly, approval of the budget estimates or supplementary budgets, and, release of funds for specific activities such as car loans and mortgages to MCAs based on the SRC Circular.

Over the period, the Controller of Budget was also enjoined in constitutional matters such as that filed in the Supreme Court by the Council of Governors, seeking the court's determination on legality of the contributions made by county governments to the Council. In addition, the Controller of Budget has on a number of occasions been invited to court to shed light on various matters, such as the delayed payment of additional pension to teachers who retired between 1997 and 2003.

Through the litigations, the Office has managed to assist courts to appreciate the public finance management legal framework as well as clarify and fortify the mandate of OCOB. The Office has also utilised the litigations to ensure that the principles of public finance as enshrined in Article 201 of the Constitution are adhered to, thus fulfilling the mandate of protecting constitutionalism and the rule of law as required under Article 249 of the Constitution.

The OCOB was also involved in the review of Bills and Regulations touching on public finance management proposed at both the National and County Government levels, and also made appropriate recommendations.

3.4.2. Human Resource Development and Capacity Building for OCOB Staff

The Office carried out Job Evaluation review to establish the workload and optimum level of its human resource requirement, in view of the additional mandate created by new legislation and operationalisation of the county governments. The Office has since recruited additional staff to fill the new positions after the job evaluation review and also replaced those who have left to facilitate proper delivery of services. These included appointment and replacement of County Budget Coordinators, and appointment of additional Internal Auditors, and Administrative Assistants.

Staff training is essential for both personal career growth and achievement of organization bottom line. Training promotes job satisfaction and nurtures employees to develop more rounded skill sets to help the OCOB achieve its mandate. The OCOB acknowledges the importance of staff training and development as a retention tool, instilling loyalty and commitment from staff. It is against this background that the OCOB initiated various programmes and partnerships with other stakeholders to build capacity of its staff. OCOB partnered with the KSG to train senior staff on Strategic Leadership with a view of equipping them with management skills. During the FY 2015/16, technical staff were trained on public finance management. The training sought to equip staff with emerging trends in management of finances in the public sector.



Training of County Budget Coordinators and Headquarter Staff on Leadership and Integrity at the Kenya School of Government



The Office of Controller of Budget staff team building at The Kenya School of Monetary Studies June 2019

The OCOB staff attended the following trainings:

- Data Analytics and Visualisation Course
- ICPAK Public Sector Audit Conference
- Monitoring and Evaluation Certification
- Commonwealth Secretarial Debt Recording and Management
- International Executive Seminar
- Career Development for Drivers
- Legal Aspects in Procurement Summit
- Electronic Document Management workshop
- Audit Staff Training Workshop
- IT Audit training
- Annual Internal Audit Conference, ICPAK
- Corporate Governance
- Risk Management
- Managing Information, Knowledge and Strategic Learning
- Career Development for Support Staff

- 24th Annual General Conference by ESSAG
- 2nd Ladies Leadership and Accountability Conference
- Annual Governance and Ethics Conference by ICPAK
- Records Management
- Advanced Excel Financial Modelling
- HR Convection Training
- Occupational Test for Drivers
- Annual HR Conference
- Advanced Customer Service
- Budget Analysis and Report Writing
- 34th Annual Seminar by ICPAK
- 26th Annual Economic Symposium by ICPAK
- 6th Annual Governance and Ethics Conference by ICPAK
- Strategic Leadership Development Programme
- Leadership and Accountability Conference
- 2nd ESA Regional Research Conference
- 21st Annual National HRM Conference
- Result based Project Monitoring and Evaluation
- Fraud Prevention, Forensic and Investigation
- Public Finance Management Conference by ICPAK
- Law Society of Kenya (LSK) Conference
- Workshop on Inventory Management
- Enterprise Risk Management
- East African Congress of Accountants
- Leadership Management Skills for Supervisors
- 5th Annual Human Resource Congress

- Communication Strategic Development
- Training on integrity facilitated by EACC

3.4.3. Compliance

The office has over the last 8 years developed and implemented internal policies and procedure manuals to build its capacity to effectively deliver on its mandate. These include:

- i. Human Resources and Administration Policies and Procedures Manual;
- ii. Internship Policy;
- iii. ICT Policy;
- iv. Complaints Handling Policy;
- v. Alternative Dispute Resolution Policy;
- vi. Investigation Policy;
- vii. Transport Policy;
- viii. Access to Information Policy;
- ix. Communication Policy; and
- x. Service Charters for the OCOB.

3.4.4. Staff Welfare Kitty

The OCOB established a staff welfare scheme to cater for welfare matters to enhance service delivery in the OCOB. The aim of establishing the scheme is to empathise with members and show solidarity during hard times of sickness and bereavement. Members contribute every month towards financing the kitty. This ensures that there is sufficient amount in the kitty to cater for all cases arising.

3.4.5. Staff Mortgage Scheme

The OCOB has since established a Mortgage Scheme for its staff. The scheme is aimed at providing opportunity for staff to purchase either houses or land for construction of their residences in future.

3.4.6. OCOB Staff Insurance Covers

The Office runs a Comprehensive Medical Cover, Group Personal Accident Cover (GPA), Work Injury Benefit Act (WIBA) and Group Cover for its staff. The covers are renewed annually.

3.4.7. Awards and Recognitions

Over the period, the OCOB was recognised and awarded for its exemplary performance in the public sector.

3.4.7.1. Public Service Commission Award

Article 234 (29) (c) of the Constitution mandates PSC to promote the national values and principles of governance of Article 10 of the Constitution, and the public service values and principles of Article 232. Further, Article 234 (2) (h) requires the Commission to undertake an evaluation and report to the President and Parliament on the extent to which the values and principles are complied with. In this regard, the PSC prepared the Evaluation Report for 2016/17 on public service compliance with the values and principles in Articles 10 and 232 of the Constitution.

The OCOB was part of the government institutions that were evaluated on values and principles by the PSC. The four service sectors were: MDAs; Constitutional Commissions and Independent Offices; State Corporations and Semi-Autonomous Government Agencies (SAGAs); and Statutory Commissions and Authorities.

The evaluation report focused on the performance of the sectors in 10 thematic areas: Ensuring High Standards of Professional Ethics; Devolution and Sharing of Power; Good Governance, Transparency and Accountability; Diversity management; Efficiency, Effectiveness, Economic use of Resources and Sustainable Development; Accountability for Administrative Acts; Improvement in Service Delivery; Performance Management and Public Participation in Policy Making.

The OCOB was ranked third overall after scoring outstanding scores in six key thematic areas: Efficiency; Effectiveness; Economic use of resources and Sustainable Development; Equitable Allocation of Opportunities and Resources; Good Governance, Transparency and Accountability; and Accountability in Administrative Acts. **OCOB attained a mean score of 100 per cent** in each area and was rated high while in the thematic areas of Improvement in Service Delivery and in Ensuring High Standards of Professional Ethics in Public Service, the mean scores were 80 per cent and 85.7 per cent respectively.

3.4.7.2. Financial Reporting Awards

The Financial Reporting (FiRe) Award is an initiative of the Institute of Certified Public Accountants of Kenya (ICPAK), the Capital Markets Authority (Kenya) and the Nairobi Securities Exchange (NSE). The initiative is aimed at promoting excellence in financial reporting, fostering sound corporate governance practices, and enhancing both corporate social responsibility and environmental reporting. The Public Sector Accounting Standards Board issued a directive that all public

sector entities shall submit their annual reports and financial statements for the FiRe Award so as to benefit from feedback provided as a way of monitoring compliance as provided under section 194 (4) of the PFMA. The OCOB was nominated in two categories namely the MDAs and International Public Sector Accounting Standards (IPSAS) Cash Category. During the first participation in the awards in 2015/16, the OCOB received First Runners – up in the Category of MDAs and the Second Runners – up for the IPSAS Cash category on the 2013/14 financial statements.

In 2016, OCOB was awarded the First Runners-up Award in the Category of MDAs and the Second Runners – up for the IPSAS Cash category on the 2014/15 financial statements.

The Office of the Controller of Budget emerged overall winner during the 2017 Financial Reporting (FiRe) Awards under the Independent Offices and Constitutional Commissions category and on the IPSAS Cash Category on the 2015/16 financial statements.



Some of the Trophies that the Office has won in the FiRe Awards.



The OCOB team receiving their trophy during the 2016 FiRe Awards

3.4.8. Audit Opinions

In the seven financial years between 2011/12 and 2017/18, the Auditor General expressed six Unqualified and one Qualified Audit Opinions on financial statements presented by the OCOB. This means that the financial statements gave a true and fair position of the financial affairs and that the financial statements complied with the standards prescribed by the Public Sector Accounting Standards Board, the International Public Sector Accounting Standards (Cash Basis, the Constitution of Kenya, 2010 and Public Finance Management Act, 2012. Further it also meant that nothing came to the attention of the Auditor General to cause him to believe that public money had not been applied lawfully and in effective way.

3.4.8.1. Exemplary Recognition of the Controller of Budget

The Controller received the coveted President's Order of Burning Spear first class commendation to become a Chief of the Burning Spear (CBS). These achievements are a demonstration of commitment by the Controller to promote prudent financial management in the public sector.

The Controller is an accountant by profession and a member of ICPAK with over thirty-six years of service. In recognition of her immeasurable contribution to the profession, the institute awarded her the highest recognition in that

profession by naming her a Fellow of the Institute of Certified Public Accountants of Kenya, FCPA

3.4.9. Records Management Services

The OCOB acquired an integrated records management system to automate mail management functions at the Registry Unit. The new system automated the tracking and dispatching of mail correspondence within the OCOB and promotes efficiency in the exchequer approval process and the overall discharge of the OCOB's mandate.

3.4.10. Reservation of Procurement Budget for Disadvantaged Groups

Section 155 of the Public Procurement and Asset Disposal Act, 2015 makes it mandatory for public entities to comply with the provisions of Part XII of the Act on Preference and Reservations in Procurement. Sections 53 (6), and 157 (5) and (10) of the Act requires accounting officers of public entities to reserve a prescribed percentage of its procurement budget, which shall not be less than 30 per cent, to the disadvantaged group.

In this regard, the Office awarded contracts worth **Kshs.75.8 million** to the disadvantaged group (Women, Youth and PWDs) against the procurement budget of **Kshs.160.6 million**. The total contracts awarded to the target group translated to **47.2 per cent** of the total procurement budget of the OCOB for 2017/18.

3.4.11. Internship Programme

The Constitution of Kenya, 2010 requires the State to take measures to ensure that the youth gain access to relevant education, training and employment. In this regard, the Public Service Commission (PSC) developed an internship policy in 2015 that establishes mechanisms for ensuring that the youth, especially those with relevant qualifications, are offered the opportunity to gain practical work experience in public institutions to improve their competitiveness in the job market.

In pursuance of this policy, the OCOB recruited 20 graduate interns, comprising of 11 male and 9 female and deployed them to various departments. The recruitment process was conducted competitively to ensure equity, inclusivity, fairness and professionalism. The process was also guided by the capacity of the OCOB to accommodate interns in terms of resources such as office space, facilitation and mentorship capabilities.



FCPA Agnes Odhiambo, CBS meets the interns as part of their induction program

3.4.12. Corporate Social Responsibility

CSR is an important component that enables an organisation to participate in promoting the environmental, ethical and socio-economic concerns of the communities.

As part of this initiative, OCOB organised a voluntary CSR activity dubbed **“Touch an Angel This Easter”**, which involved a visit to the Nest Children’s Home, Limuru Saturday, 24th March 2018. Staff from the OCOB visited all the three branches of the Children’s Home, located along Limuru Road, and in Limuru town in Kiambu County. The Kiambu Road branch is a ‘baby village’ housing about 30 infants aged between 1 week and 18 months. Limuru town has a ‘teenage shelter’ hosting 10 teenage mothers; and a ‘children’s home’ housing approximately 96 children aged between 2-17 years. The OCOB staff gave their personal donations in form of cash, foodstuff and clothing to the Children’s Home.



The OCOB team presenting gifts during a visit at NEST Children Home in Limuru in March 2018.

3.4.13. Conferences and Workshops

The OCOB considers participation in both local and international conferences and workshops as important in sharing knowledge and benchmarking best practices in public financial matters. Some of the conferences and benchmarking tours the office participated in included:

- Effective Organisational Communications Governance Training for Principal Secretaries, Mombasa, Kenya.
- 59th, 60th, 61st, and 62nd Sessions of the Commission on the Status of Women (CSW), United Nations Headquarters, New York.
- Benchmarking visit to the Kingdom of Morocco on Best Practice on Gender Responsive Budgeting, sponsored by UN Women.
- Benchmarking visit to South Africa Financial and Fiscal Commission on fiscal aspect of devolved governance.
- Leadership Integrity and Anti-corruption to Contribute to Effective Governance in Kenya, held in Australia.

3.4.13.1. Annual Devolution Conferences

The OCOB participated in all Annual Devolution Conferences that marked very important milestones in the country's calendar of events. The conferences provided platform through which all stakeholders in Devolution engaged and

provided feedback to their County Governments on matters of policy, law, accountability, good governance and service delivery. The conferences also provided a platform for citizens to share and explain how devolution has transformed their lives.

During the conferences, the OCOB participated in a high – level Session on **Resourcing Counties for Efficient Service Delivery**. The discussion revolved around examining the roles and responsibilities of State institutions in enhancing adequate resourcing of county governments. During the session, the Controller of Budget encouraged County Governments to ensure equity, fairness and cost effectiveness in delivering services to the public.



FCPA Agnes Odhiambo, CBS, with OCOB staff at the 5th Annual Devolution Conference, in Kakamega County

3.4.13.2. Participation in the 62nd Commission on Status of Women Conference

The OCOB has developed several partnerships with stakeholders on issues relating to gender mainstreaming in an effort to institutionalize a gender responsive approach to public financial management and tracking across all sectors of public expenditure.

The Controller of Budget was part of the Government of Kenya’s delegation that participated in the 62nd Session of the Commission on the Status of Women (CSW), which was held in New York from 12th to 23rd March 2018. The theme of the conference was **“Challenges and Opportunities in Achieving Gender Equality and the Empowerment of Rural Women and Girls”** and it offered a platform for participants to deliberate on issues that support and institutionalize

a gender-responsive approach to public financial management including Gender Responsive Budgeting (GRB) and tracking across all sectors of public expenditure.

The conference also included negotiations of the outcome document and high – level interactive dialogues, general discussions and several side events by state delegations and civil society organizations to deliberate and brainstorm on several pertinent issues. In this regard, the Controller participated as a panellist in several side events organized by the Kenya delegation.



FCPA Mrs. Agnes Odhiambo in New York during the 62nd CSW Session

3.4.13.3. Other International Conferences and Workshops

The OCOB staff attended several international conferences and seminar on public finance management matters. Representatives from the OCOB attended a two – week international workshop in Australia, titled **Strengthening Leadership Integrity and Anti-corruption to Contribute to Effective Governance in Kenya**.

Participants were drawn from different institutions which form part of the National Integrity System in Kenya. These included the Office of the Auditor General, the Office of the Controller of Budget, the Kenya Law Reform Commission; the Office of the Attorney General’s Department of Justice, and the Public Service Commission. OCOB was represented by the Deputy Controller of Budget, Mr. Stephen Masha and the Director of Legal Affairs, Ms. Selina Iseme.

Participants were exposed to the Australian integrity systems and how various institutions collaborate in fulfilling their roles while providing checks and balances at the same time. The programme entailed participants attending workshops

facilitated by experts at the Griffith University and holding discussions with practitioners at various institutions. The institutions visited included; Crime and Corruption Commission, Integrity Commissioner, the Queensland Office of the Auditor General, the Public Service Commission, the Ombudsman, Parliament, the Parliamentary Budget Office, and the Courts, among others.

3.5. Research and Development

The Research and Planning Sub-Programme seeks to provide evidence-based policy recommendations on budget implementation by participating and providing advice on the planning and budgeting process. The following are key activities and achievements accomplished under the Sub-Programme over the reporting period.

3.5.1. Baseline Revenue Analysis Survey

The OCOB signed a Memorandum of Understanding with the Kenya Institute for Public Policy Research and Analysis (KIPPRA) to conduct a Baseline Revenue Analysis Survey. The main objective of the study was to analyse revenue performance in the counties with a view to improve public financial management across counties and in turn enhance budget implementation.

The study sought to establish whether Counties were collecting more or less local revenue compared to the defunct Local Authorities as well as to evaluate the County Governments' revenue management systems and performance with a view to address the factors affecting budget implementation in the Counties and make feasible policy recommendations to enhance budget execution. The report has since been finalised and disseminated to key stakeholders and the public.

The key findings from the study included the following:

- i. National government allocation to the counties constitute about 89 per cent of the total County Government resources;
- ii. Counties have a large number of revenue streams (about 150), but only 10 streams contribute to about 90 per cent of county local revenue;
- iii. Counties do not have clear mechanisms for setting local revenue targets and identifying viable revenue streams;
- iv. Counties have inadequate revenue management systems and regulatory framework;
- v. Levels of effective public participation are inadequate;
- vi. Inadequate technical capacity among revenue collectors;

- vii. There is weak link between revenue performance and county service delivery;
- viii. Counties have weak revenue administration and revenue data management systems; and
- ix. It is a misleading notion that the counties are collecting less revenue compared to the defunct local authorities.

The study recommended the need for counties to promote transparency, accountability and flexibility in their revenue generation framework. Counties should also consider broad but efficient options on revenue sources that counter overreliance on national government allocations and the thinly spread yet ineffective revenue streams. The options should also be localised taking into consideration individual county comparative advantages.

3.5.2. Monitoring Framework for Budget Implementation

Monitoring and Evaluation is an important phase in the budgeting cycle as it is essential in assisting planners, policy makers and implementers acquire the information and understanding necessary for making informed decisions about programme operations. It identifies the most valuable and efficient use of resources. It is critical for developing objective conclusions regarding the extent to which programmes can be said to be successful or not.

The OCOB has a monitoring framework in place to monitor implementation of budget of the national and county government programmes and projects. The framework enables OCOB to effectively advise both Executive and the Legislature on budget implementation matters.

In line with its core mandate, the Office of the Controller of Budget monitored the implementation of selected projects in all the 47 county governments. This exercise was carried out in the months of May and June 2015 and involved monitoring a sample of projects implemented during the 2013/14 and 2014/15. The objectives of the monitoring exercise were to identify the selected projects and programmes on the ground and determine the implementation status of the projects. The exercise was carried out successfully and monitoring reports were shared with the respective counties.

In 2015/16, the OCOB undertook a monitoring exercise in all the 47 counties to ascertain the status of implementation of programmes and projects based on the approved 2014/15 budgets. The main objective of the monitoring exercise was to provide information on the implementation status of planned projects and programmes and an assessment of the achievement of outputs and outcomes

as a result of the implementation of the programmes as provided for in the respective county budgets.

A sample of projects and programmes was selected from a list of projects undertaken by the county governments. Projects were selected on the basis of their importance, budgetary allocation and implementation timelines. Projects with considerable budget allocations (above Kshs.2 million) were selected for the monitoring exercise. Other criteria considered included absorption rates, implementation time lags and others were selected based on the challenges highlighted in the quarterly budget implementation review reports prepared by the OCOB.

Monitoring reports were prepared and shared with the respective counties. These reports highlight valuable information to guide counties in strategic planning, allocation of resources among competing needs and ensure improved implementation of approved programmes and projects for improved service delivery to the benefit of the public.

From the monitoring exercise, it was established that all the counties were making good progress in provision of services to the public. There are improvements in a number of sectors namely: Health, Water and Sanitation, Infrastructure and Roads, Education particularly the Early Childhood Development centres and Youth Polytechnics, Trade, Investment and Industrialisation, and the Agriculture, among others.

3.5.3. Strategic Plan 2018 – 2022

Over the reporting period, the OCOB implemented its First Strategic Plan (2013 – 2017). The expiry of the plan period necessitated the development of Second Strategic Plan (2018 – 2022) that will guide OCOB in the next five years. The Second Strategic Plan builds on lessons learnt over the past implementation of the first one. In addition, the strategic plan is aligned to Vision 2030, Medium Term Plan III and Big Four Agenda.

The Strategic Plan will also facilitate prioritisation and allocation of resources during the plan period. In addition, the Strategic Plan will facilitate monitoring, evaluation and reporting of OCOB performance.

In order to perform the constitutional functions, the OCOB outlined the following key strategic pillars and responding strategic objectives in the 2018 – 2022 Strategic Plan:

Strategic Pillar 1: Authorisation of withdrawals from Public Funds

Strategic Objective: To ensure timely approvals of withdrawals from Public Funds

Strategic Pillar 2: Advise on budgeting and budget implementation

Strategic Objective: To ensure provision of quality advise on budgeting and budget implementation

Strategic Pillar 3: Budget implementation reporting

Strategic Objective 1: To produce accurate and timely budget implementation reports

Strategic Objective 2: To enhance public access to government budget implementation information

Strategic Pillar 4: Institutional capacity

Strategic Objective 1: To enhance operational efficiency

Strategic Objective 2: To attract and retain productive and motivated human resource

Strategic Objective 3: To strengthen the legal and regulatory framework

Strategic Objective 4: To enhance organisational image and visibility

Strategic Objective 5: To enhance good governance

3.5.4. Online Library Services

The Office enlisted online library services through subscription to International Online Databases, updated the Online Public Access Catalogue (OPAC) and provided remote access to the library resources for staff based in the 47 counties. The Office also subscribes to several magazines such as The Economist, Time, Kenya Law Monthly and Kenya Gazette weekly Notices to enhance legal, socio-economic and administrative information and updates for the staff. These services will enhance access to a wide pool of information resources for use in the decision – making process.

3.5.5. Collaborative Ventures

The OCOB acknowledges the important role of collaborative ventures with other stakeholders as key to formulation of sound policy framework to guide operations and improve the quality of service to the public.

The OCOB also participated in several stakeholder forums with Parliamentary Committees; MDAs and private sector with a view to foster a dynamic dialogue with all stakeholders on public finance matters. Such collaborative ventures are essential in enabling the OCOB deliver on its mandate effectively.

3.5.5.1. Collaborations with Kenya National Bureau of Statistics (KNBS)

The OCOB is a member of the Sector Statistical Committee (SSC) established by the KNBS. The SSC comprises of representatives from MDAs as well as county governments. The SSC was established to pioneer the development of a National Statistical System (NSS) that would provide a reliable statistical system to produce the necessary data for the design, implementation and monitoring of national development policies and programmes. The OCOB is an active stakeholder in an effort to improve the quality of financial information as well as macro-economic and social data.

In addition, the collaboration between OCOB and KNBS aims at developing a National Strategy for the Development of Statistics (NSDS) that will provide a comprehensive and unified framework for enhancing statistical capacity across the entire national statistical system (NSS) in the country. Under the same collaboration, OCOB together with other stakeholders, are spearheading the development of Governance, Peace and Security data in the Country through the African Union Commission (AUC) project through the Strategy for the Harmonisation of Statistics in Africa (SHaSA). During the 2015/16 the OCOB participated in the review of the administrative data indicators and data collection instrument.

OCOB has also partnered with KNBS and other MDAs in an effort to develop a National Statistical System that will streamline flow of information among MDAs and other government spending entities.

3.5.5.2. Collaboration with UN Women on Gender Responsive Budget

OCOB partnered with key stakeholders such as UN Women to ensure budgets are responsive to issues affecting women and the youth. In this respect, the OCOB together with other Public Finance Management institutions with support from UN Women undertook a benchmarking study visit to the Kingdom of Morocco to learn more on Gender Responsive Budgeting.

The OCOB in collaboration with the UN Women Kenya Office undertook a scoping analysis of the public finance processes, programmes and funding for Gender Responsive Budgeting (GRB) in Kenya. The objective of the study was

to identify the entry points for deepening Gender Responsive Budgeting within the Public Finance Management Reforms (PFMR) in Kenya.

As one of the entry points for deepening Gender Responsive Budgeting within the Public Finance Management Reforms (PFMR) in Kenya, the National Treasury included in the 2016/17 BPS a requirement that all budgets be prepared using Gender Responsive Budget framework and presentation of the targets, indicators and beneficiaries should reflect gender dis-aggregated data that will be achieved during the implementation of the budget.

Office together with Council of Governors and with support from UN Women carried out training of County Officials from all the 47 Counties and OCOB's County Budget Coordinators on Gender Responsive Budgeting.

3.5.5.3. Other Collaborative Ventures

The OCOB partnered and collaborated with other key stakeholders on public finance management matters. Some of initiatives are listed below.

- i. Participated in the development and drafting of laws and regulations such as COB Act, Judiciary Fund regulations, and various County legislations;
- ii. Collaborated with stakeholders and bodies on matters of public finance such as development of templates for financial reporting through the PSASB and caucus for the Chairs of Constitutional Commissions and Independent Offices;
- iii. Membership in multiagency committees and councils including IBEC, taskforce on anti-corruption, Interagency Technical Team on County Assets and Liabilities, Committee on assumption of governor's office and the Summit; and
- iv. The OCOB also provides vital information to the EACC to aid in evidencing corruption investigations.



Controller of Budget with members of the fourm for Chairpersons and Holders of Independent Offices.

3.5.6. Special Reports

The OCOB prepares special reports on request from the legislature or on its own volition on issues of national interest in compliance with Article 252 (1) (a). During the 2015/16, OCOB prepared special reports for the Parliamentary Oversight Committees on various issues and on matters of policy to address budget implementation challenges and achievements to facilitate informed debates and discussions in Parliament.

Some of the special reports prepared included:

- i. The Report on County Governments Budget and Expenditure Analysis by Sector, 2014/15; and
- ii. The Statement on Pending Bills in County Governments, 2014/15 both submitted to the Senate Committee on Finance, Commerce and Budget.

CHAPTER FOUR

4 Challenges and Recommendations

This chapter presents the internal challenges that affected the OCOB in implementing its mandate.

4.1. Weak Legal Frame Work

The available legal framework is inadequate. The Controller of Budget Act, 2016 is inconsistent with the Constitution of Kenya on the contents of budget implementation reports. For example, it restricts the Controller of Budget from including information on revenue in the report.

Recommendation: The OCOB in collaboration with other stakeholders should hasten enactment of the Controller of Budget Regulations to guide implementation of the Act in line with provisions in the Constitution.

4.2. Inadequate Budget Allocation

Inadequate budgetary allocation affects all other public entities; however, there are some areas the OCOB has not been funded in order to deliver on its constitutional mandate. For example, on our public sensitisation role, the OCOB is required to organise public sensitisation on budget making and implementation processes for the Public.

The OCOB is often enjoined as party to court cases involving budgeting and the implementation of the budgets. This ends up in high legal representation costs.

Recommendation: OCOB should lobby Parliament to consider increasing the budget so as to deliver on all the mandates as is required on public sensitisation. The OCOB is likely to be involved in many court cases given that the Public is now gaining more knowledge on their rights in aspects of public finance, therefore adequate funding for legal fees should be availed.

4.3. Inconsistent Reporting Timelines

Article 228 (6) of the Constitution of Kenya, 2010 requires the Controller of Budget to submit to each House of Parliament a report on the implementation of the budgets of the national and county governments every four months. Although the Constitution provides that the Controller of Budget submits the reports every four months, Section 9 (1) of the Controller of Budget Act, 2016

limits the period within which the Controller should submit the reports to thirty days after the end of the quarter.

The OCOB relies on financial and non – financial reports prepared by the national and county governments to prepare the Budget Implementation Review reports but verifies the same using data obtained from IFMIS. The timelines between submission of OCOB reports to Parliament and when National Government and County Governments submit quarterly financial and non – financial reports to OCOB are too close.

Recommendation: There is need to review the legal framework on budget implementation reporting to ensure there is uniformity in the statutory reporting timelines for both national and county governments entities to accord OCOB adequate time to prepare and submit budget implementation reports to Parliament on time.

4.4. Ineffective Public Sensitisation Frameworks

The OCOB is required to disseminate information to the Public on budget implementation at both levels of government in accordance with Section 39 (8) PFM Act, 2012. Despite this constitutional requirement, there is no clear framework on how it should be institutionalised and implemented. The process has not been anchored in law and the policy on Public Participation developed by the Ministry of Devolution has not been concluded. As a result, the OCOB has not conducted public sensitisation effectively.

Recommendation: In order to effectively sensitise the Public as one of the mandates of the OCOB, there is need for Parliament to expedite the passing of the Public Participation Bill into law for standardisation and institutionalising public participation procedures.

4.5. Failure to Report on Achievements of Programmes and Projects

The Controller of Budget is required to report on the achievements of programmes and projects by MDAs as stipulated in Section 9 (2) of the Controller of Budget Act, 2016. The OCOB developed and shared a format to capture this information. Despite this, some MDAs and County Governments failed to present information on programme and project achievements.

Recommendation: All Accounting Officers should ensure that, the reports submitted to the Controller of Budget contain sufficient information on achievements of programmes and projects as set out in the Programme Based Budgetary framework. This will promote transparency and accountability in use of public funds.

4.6. Inadequate Office Space and Dysfunctional Elevators at Bima House

The OCOB is currently occupying two floors at Bima House, Treasury Annex and the current office space is not adequate to accommodate the staff establishment as well as storage space for library and registry offices.

Access to the office by the staff, government officials and the general public is severely affected by dysfunctional elevator that operates intermittently. Out of the four, only one is functioning albeit intermittently

Recommendation: There is need for additional office space to facilitate storage of files and accommodate staff adequately. There is also need for urgent replacement of the elevators.

4.7. Lack Data Management and Storage System

The OCOB lacks a Central Data Management and Retrieval System (CDMRS) for data storage and management of information, both at the headquarters and County Budget Coordinators' offices. Lack of automated registry system to facilitate storage, archiving and retrieval of office documents increases the risk of inefficiencies and information accessibility especially considering that the OCOB is a new establishment and all records must be made available for use by staff and other stakeholders.

Recommendation: The office should expedite automation of its operations

CHAPTER FIVE

5 Key Issues in Overseeing Budget Implementation

This chapter presents issues that the Office identified during overseeing budget implementation at both levels of government. Further recommendations are made regarding the proposed interventions to address the issues.

A. National Government

5.1. Delays in Release of Funds by the National Treasury

The Office noted failure by the National Treasury to release exchequer issues to MDAs in a timely manner over the years, which occasioned low absorption of development budgets and also resulted in pending bills. Increased pending bills not only affect the suppliers of goods and services but also interfere with resource allocation in the MTEF budget because priority is given to existing commitments.

Recommendation: The National Treasury should endeavour to release funds to MDAs in a timely manner in line with their cash flow projections and procurement plans to ensure seamless implementation of planned programmes.

5.2. Timing of Supplementary Budgets

Over the period from 2011/12 through 2017/18, the National and County Treasuries prepared Supplementary Budgets, which were approved in fourth quarters of the respective financial years. While budget revision is permitted under Article 223 of the Constitution and Sections 44 and 135 of the PFM Act, 2012 the timing of Supplementary Budgets should allow sufficient time for implementation of activities. When supplementary budgets are approved towards the end of the financial year, implementation of activities by the MDAs is likely to be affected. Over that period, a number of planned activities were not implemented at both the National and County Governments that resulted into huge pending bills.

Recommendation: The OCOB recommends that Parliament and County Assemblies should consider and approve budget revisions in good time to allow for timely implementation of activities to benefit the public.

5.3. Delay in Submission of Reports by MDAs to OCOB

Section 83 of the PFM Act, 2012 requires Accounting Officers to submit quarterly reports on financial and non – financial performance of the entity to the Cabinet Secretary responsible for the entity and the National Treasury with copies to the Controller of Budget. Further, not later than forty – five days following the end of each quarter, the National Treasury consolidates the quarterly reports for submission to among other, the Controller of Budget.

Some MDAs did not submit their quarterly reports on financial and non-financial performance promptly for the office to finalise its Quarterly Annual Budget Implementation Review Reports in time.

Recommendation: All MDAs should submit financial and non – financial reports by 10th of the month following end of each quarter to facilitate timely reporting by the OCOB on budget implementation.

5.4. Non-Disclosure of Appropriations-In-Aid in the IFMIS Generated Reports

The National Treasury has prescribed the IFMIS for use by all national government and county government entities in line with Section 12 (1) (e) of the PFM Act, 2012. The system adequately captures transfers to the MDAs and expenditure by the MDAs.

However, IFMIS is not always updated to capture Appropriations-In-Aid (A-I-A) generated by the MDAs. Therefore, financial reports generated from the system may be incomplete and could lead to overstated expenditure compared to exchequer issues. This affects the accuracy of the reports generated by the OCOB for the MDAs.

Recommendation: The National Treasury should ensure that A-I-A generated by MDAs is captured and disclosed in the IFMIS reports. This will ensure completeness of the financial reports.

5.5. Accounting for Expenditure of Capital Transfers

Semi-Autonomous Government Agencies are financed through capital transfers from parent ministries. The transfers are treated as expenditure by the ministries when transferred. This accounting treatment is likely to lead to overstatement of expenditure by the ministries since transferred amounts are programmed and spent by the SAGAs over the year.

Recommendation: The Public Sector Accounting Standards Board should review this matter and develop guidelines in line with international best practice. This will ensure that capital transfers to SAGAs are appropriately accounted for to avoid overstatement of expenditure by the Ministries and enhance the accuracy of the quarterly Budget Implementation Review Reports by the Controller of Budget.

5.6. IFMIS Functionality

The National Treasury prescribed IFMIS for processing of financial transactions in line with Section 12 (1) (e) of the PFM Act, 2012. The use of IFMIS enhances fiscal transparency, accountability and improves efficiency in public financial management.

MDAs experienced delays in uploading of procurement plans and budgets onto IFMIS. The delay in uploading the plans and budgets onto the IFMIS affected the implementation of planned activities by the county governments and MDAs hence the implementation of the work plans. IFMIS connectivity challenges affected approval of procurement requests and payments. In addition, many suppliers are not conversant with IFMIS e – procurement module hence experience difficulties in submitting bids on-line. This has affected timely procurement of goods and services by the MDAs.

Further, IFMIS does not support own-source revenue collection by the Counties. It also does not support processing and reporting A-I-A generated revenue and expenditure. This limits its effectiveness and affects the accuracy of budget implementation data reported by the OCOB

Recommendation: The National Treasury should put in place robust IFMIS capacity and infrastructural support mechanisms for both national and county government.

The National Treasury should ensure that adequate mechanisms are put in place at the beginning of each financial year to upload procurement plans and budgets onto the IFMIS to ensure timely implementation of planned activities.

In order to enhance functionality of IFMIS, an appropriate framework should be developed in consultation with the Public Sector Accounting Standards Board on the capture and reporting on A-I-A revenue, expenditure and own source revenue generated by County Governments.

B. County Governments

5.7. Low Own-Source Revenue Collections

Article 209 (3) of the Constitution allows counties to impose property rates, entertainment taxes, and any other tax authorised by an Act of Parliament. Over the years, counties have continued to underperform in own-source revenue collection as pointed out in CBIRRs, which negatively affected implementation of planned activities and also resulted in pending bills.

Recommendation: There is need for counties to review their own source revenue collection mechanisms and strategies, including outsourcing revenue collection to the Kenya Revenue Authority (KRA) in order to achieve the set targets and fund the planned activities. Further, the county own source revenue targets should be realistic and based on previous revenue trends. In order to increase potential, counties should consider putting in place specific legislations on various revenue streams and the automation of revenue collection.

The multi – agency task force on County Revenue Management Systems should put in place strategies of establishing and implementing His Excellency, The President’s directive on need for a single revenue collection platform.

5.8. Use of Own-Source Revenue at Source

Article 207 of the Constitution requires that all money received by or on behalf of the County Government shall be paid into the County Revenue Fund except money reasonably excluded by an Act of Parliament. This includes own-source revenue generated by the counties in line with Article 209(3) of the Constitution.

Despite the above requirement, some counties continued to use own-source revenue at source, which is contrary to the law.

Recommendation: There is need for counties to develop appropriate mechanisms to ensure that all own-source revenue collections are deposited into the County Revenue Fund accounts in line with the law.

5.9. Strained Relationship between the County Executive and the Assembly

Cases of strained relationships between the County Executive and Assembly continue to be reported. Notable cases included Makueni, Embu and currently, Taita – Taveta counties. The disagreements affect conducive working environment that lead to delayed planning and budgeting processes. This subsequently leads to delayed service delivery to the citizenry.

Recommendation: There should be concerted effort by the National Government institutions responsible for capacity development to continuously sensitise both arms of government on their constitutional roles.

5.10. Increasing Pending Bills

As at June 2018, a total of **Kshs.108.41 billion** was reported as pending bills by the counties. These bills were attributed to failure by the Counties to effectively manage the procurement function, overstatement of own sources of revenues and subsequent underperformance on collections coupled with the delay by the National Treasury to disburse funds to the counties in a timely manner. Increased pending bills not only affect the suppliers of goods and services but also interfere with resource allocation in the MTEF budget because priority is given to existing commitments.

Recommendation: County governments should develop realistic own-source revenue target and also align procurement plans and cash flow projections to avoid unfunded commitment. In addition, the National Treasury should make an effort to disburse the equitable share of revenue in line with the approved disbursement schedule as provided in the annual CARA.

5.11. Increasing Expenditure on Personnel Costs

Section 107 of the PFM Act, 2012 requires the County Treasury to enforce fiscal responsibility principles. Further, Section 107 (2) (c) of the Act mandates the County Executive Committee Member for Finance to prescribe through regulations, a percentage of expenditure on wages and benefits for the public officers as a percentage of the County government's total revenue which should be approved by the County Assembly. Over the years, counties continued to overspend on personnel emoluments over and above the recommended thresholds.

Recommendation: County governments should ensure that personnel expenditure is kept at sustainable levels. In order to address this challenge, counties should rationalise their staffing levels to address the escalating personnel emolument costs. There is need for county governments to ensure that expenditure on personnel emoluments is contained at sustainable levels and in compliance with Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 that caps expenditure on wages and benefits at 35 per cent of a county's total revenue.

5.12. Inadequate Administration and Reporting on County Public Funds

Section 116 of the PFM Act, 2012 allows Counties to establish County Public Funds, which should be managed by an Administrator. The Administrators are required to ensure preparation and submission of quarterly financial reports of Funds to the County Treasury and the Controller of Budget in line with Section 168 of the PFM Act, 2012. The OCOB observed that the reporting and administration of County Public Funds has continued to be inadequate. There was lack of autonomy in the administration of the County Public Funds from other county operational accounts. In some counties, the County Treasuries did not appoint an Administrator to oversee operations of the established Funds.

Recommendations: County Public Funds should be managed in compliance with requirements of Section 116 PFM Act, 2012.

5.13. Lack of Effective Monitoring and Evaluation Frameworks

Over the last eight years, it was observed that a number of County Governments did not establish project management teams and delivery units to enhance monitoring and evaluation during the budget implementation. This compromised implementation of development budgets.

Recommendation: Section 103 (3) of the PFM Act, 2012 identifies the County Executive Committee member for finance as the Head of the County Treasury. The responsibilities of the County Treasury include among others; monitoring, evaluation and overseeing the management of public finances and economic affairs of the County government as provided for under Section 104 (1) of PFM Act, 2012. In order to ensure effective project implementation, County Treasuries should establish strong project management teams and delivery units to enhance monitoring and evaluation of development projects.

5.14. Late Submission of Reports

Section 166 (4) of the PFM Act, 2012 requires the County Treasury to prepare and submit consolidated financial and non – financial reports of all county government entities to the County Assembly, Office of the Controller of Budget, Commission on Revenue Allocation and the National Treasury, not later than one month after the end of each quarter. The OCOB noted that during the reporting period, some county treasuries delayed in submitting their financial reports leading to delay in the preparation of County Budget Implementation Review Reports (CBIRR) and subsequent delay in oversight by the oversight institutions.

Recommendation: County Governments should ensure timely preparation and submission of quarterly reports on financial and non – financial information in line with Section 166 of the PFM Act, 2012. Further, the Public Sector Accounting Standards Board should issue quarterly reporting templates for financial and non – financial information and induct county accounting officers on their use.

5.15. Delayed Approval of Budget Documents

OCOB observed that there were delays in the preparation and approval of key documents that govern the MTEF processes including the County Integrated Development Plans (CIDPs), Annual Development Plan and the County Fiscal Strategy Paper. Delays in the approval of these documents by the County Assemblies negatively affects the budget timelines provided under Section 117 and 126 of the PFM Act, 2012 and subsequently leads to delays in approval of exchequer releases which impact negatively on the overall budget implementation.

Recommendation: County governments should ensure adherence to the budget timelines as stipulated in the PFM Act, 2012 on the submission and approval of budget and planning documents. Concerted capacity building efforts to the County Assemblies on their roles in planning and budgeting remains a continuous priority.

5.16. Inadequate Internal Audit Arrangements

The OCOB noted that some counties were yet to establish Internal Audit departments and Audit Committees. In other counties, the Audit Committees have been established but are not fully operational while the internal audit departments remained ineffective resulting in weak internal control systems as depicted in the Auditor General reports.

Recommendation: County governments should establish effective Internal Audit Departments and Internal Audit Committees in line with Section 155 of the PFM Act, 2012 and Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015, in order to put in place reliable internal control systems for enhanced transparency and accountability in the management of public resources. The OCOB further recommends that the Internal Auditor General Department (IAGD) should remain steadfast in supporting development of capacities of internal audit arrangements for county governments.

There is need to conduct a study on functionality of internal audit arrangements in all counties. The study will make recommendations that will ensure that the internal audit departments and internal audit committees are functional as envisaged in the PFM Act, 2012.

5.17. Operationalisation of County Budget and Economic Forums

Section 137 of the PFM Act, 2012 requires each County Government to establish County Budget and Economic Forum (CBEF) to provide means for consultation on matters pertaining to budgeting and financial management at the County level. The OCOB noted that, some counties, were yet to establish the CBEFs while in others, they were not fully operationalised.

Recommendation: County Governments should comply with Section 137 of the PFM Act, 2012 by establishing the County Budget and Economic Forums. It may be necessary to undertake a study of functionality of CBEFs across all the counties. The study will make important recommendations on actions to be taken to ensure the CBEFs are established and operationalised.

5.18. Capacity Constraints

Inadequate capacities at both the County Executives and Assemblies continue to be experienced with regard to planning, budgeting and budget execution. The impact of low capacities that have manifested over the past years include; disconnect between planning and expenditure frameworks; unrealistic costing of programmes and projects; inconsistencies and delays in financial and non-financial reporting.

On the legislature, the County Assemblies make decisions in approving plans and budgets which are subsequently contested by the Executives. Further, they have been reported to interfere with executive functions as opposed to discharging meaningful oversight on budget implementation. Some of these

capacity difficulties have also been signified by poor adherence to the deadlines set in the Constitution and the PFM Act, 2012 due to lack of necessary expertise to prepare legally required or stated documents along the planning and MTEF processes.

Transition years also pose significant capacity challenges when new governors take office. As stipulated in the CGA, 2012 the Chief Officers and members of the County Executive Committee exit office when the governors who appointed them leave. This has remained a challenge considering that the incoming governors tend to appoint new members of the Executive Committee and Chief Officers. There is also a tendency of the incoming governors to sack or transfer serving staff already equipped with specific capacities. This trend has also led to disruption in implementation of directives and advisories from the OCOB.

Recommendation: There should be continued and coordinated capacity building strategies for county treasuries through focused training of staff on the planning, budgeting and budget execution to improve operational efficiency of county governments. The National Government should issue direction to counties on management of staff during transition years. This may require amendments to the CGA, 2012 to allow the Chief Officers to continue in office after the appointing governors exit office. This is to ensure that the planning, budgeting and budget execution functions are not impaired to the extent of affecting roles of the OCOB.

5.19. MTEF Approach

Budgeting process at the county government level is well defined in the PFM Act, 2012. Over the past years, the practice by both the Executive and Legislature arms have endeavoured to adhere to specific provisions of the law, but for compliance purposes. Approaching the budget calendar from an MTEF perspective is yet to be entrenched at county level as it is at the national government.

This approach ensures that each year, county departments review their financial and non-financial performance for the past three years on annual rolling basis; and subsequently project development priorities for the next three years.

On review of past performance, MTEF approach ensures that non-financial performance information on each programme and sub-programme is analysed against actual results and translated into financial information to show how much resources were actually used against the budget provisions. The past performance also provides critical analysis of ongoing programmes and projects that would require continued funding over the medium term. Pending bills resulting at the end of the financial year are also listed for the purpose of providing a basis of allocating resources in the upcoming financial year so that they are settled.

The projections on development programmes and projects for the coming three years is made realistic and dependent on past performance thus making proposals realistic and programme – based.

This approach remains a challenge at the county government level owing to inexistent or malfunctioning institutional capacities including CBEFs and Sector Working Groups (SWGs). Not approaching budgeting from MTEF perspective has led to stalled projects, long outstanding pending bills, unrealistic revenue projections, unrealistic budget proposals and costing, disconnected linkages across plans, budgets and budget implementation, rampant supplementary budgets and misplaced development priorities. Unrealistic costing of budgets provides basis of overstating estimates in projects and programmes that subsequently culminate in both wasteful expenditure and corruption.

Recommendation: There is need to ensure that the budget preparation circulars issued by County Treasuries give clear instructions on approaching budgeting from an MTEF perspective through SWGs; and departments must prepare elaborate MTEF sector reports.

5.20. Timing of the Budget Cycle

The PFM Act, 2012 prescribes budget cycles for both levels of government that span from 1 July to 30 April annually. The National Treasury is required to prepare and submit the BPS by 15 February to Cabinet and subsequently to Parliament for approval. Parliament is required to approve the BPS not later than fourteen days after submission.

Likewise, County Treasuries are required to prepare and submit the CFSP by 28 February to the respective County Executive Committees and subsequently to county assemblies for approval. County Assemblies are required to approve the CFSPs not later than fourteen days after submission.

Both the BPS and CFSPs provide broad strategic priorities over the medium – term and they provide fiscal frameworks and expenditure ceilings. The BPS is a national fiscal framework and the CFSPs must align to it as provided for in Section 117 (2) of the PFM Act, 2012.

The timings as stipulated in the PFM Act, 2012 continue to pose challenges at the county government level. The fact that Parliament is required to approve BPS by 28 February does not afford county governments an opportunity to align their strategic objectives to the BPS considering that they are supposed to submit the CFSP to assembly on the same date.

Recommendation: There is need to regulate the timings of both the PBS and the CFSPs to ensure county governments align their priorities to the national fiscal framework.

5.21. Delays in Release of Equitable Share of Revenue to Counties

Over the past years, the National Treasury has delayed releasing funds to county governments contrary to the cash disbursement schedule approved by the Senate. In some cases, funds are released towards the end of the financial year with no time left for programme implementation. This has affected implementation of development projects and programmes.

Recommendation: The National Treasury should ensure that funds are released to County Governments in accordance with the Disbursement Schedule approved by the Senate.

CHAPTER SIX

6 Outstanding Issues

The following issues remain outstanding and consideration should be made to accomplish them

- i. Sensitisation of the Public on the roles of the OCOB;
- ii. Automation of exchequer requisition process;
- iii. Reviewing and strengthening of the legal framework especially the COB Act, 2016 to facilitate effective discharge of OCOB mandate;
- iv. Development of regulations to operationalise the COB Act, 2016;
- v. Develop frameworks for engagement with Parliament and the County Assemblies;
- vi. Development of reward management system and policy;
- vii. Strengthening of complaints handling mechanisms;
- viii. Acquisition of additional office space;
- ix. Improve information sharing by leveraging on communication technology;
- x. Implementation and strengthening of the monitoring and evaluation framework for tracking and monitoring budget implementation; and
- xi. Development/Review of outstanding Policies and Manuals.

Bima House, 12th Floor
Harambee Avenue
P. O. Box 35616 - 00100 Nairobi, Kenya
Tel: +254 (0) 20 318939, 2211056
Fax: +254 (0) 20 2211920
Email: cob@cob.go.ke
Website: www.cob.go.ke