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KENYA NATIONAL ASSEMBLY

TENTH PARLIAMENT – THIRD SESSION (2009)

THE BUDGET COMMITTEE

REPORT ON EXAMINATION OF:

- a) THE MACRO-ECONOMIC ISSUES INFLUENCING THE 2009/10 BUDGET**
- b) THE ESTIMATES OF 2009/10 FOR THE FOLLOWING VOTES:-**
 - i) VOTE 29 – THE KENYA NATIONAL ASSEMBLY**
 - ii) VOTE 28 – KENYA NATIONAL AUDIT OFFICE**

Clerk's Chambers
Parliament Buildings
NAIROBI

July, 2009



1. PREFACE

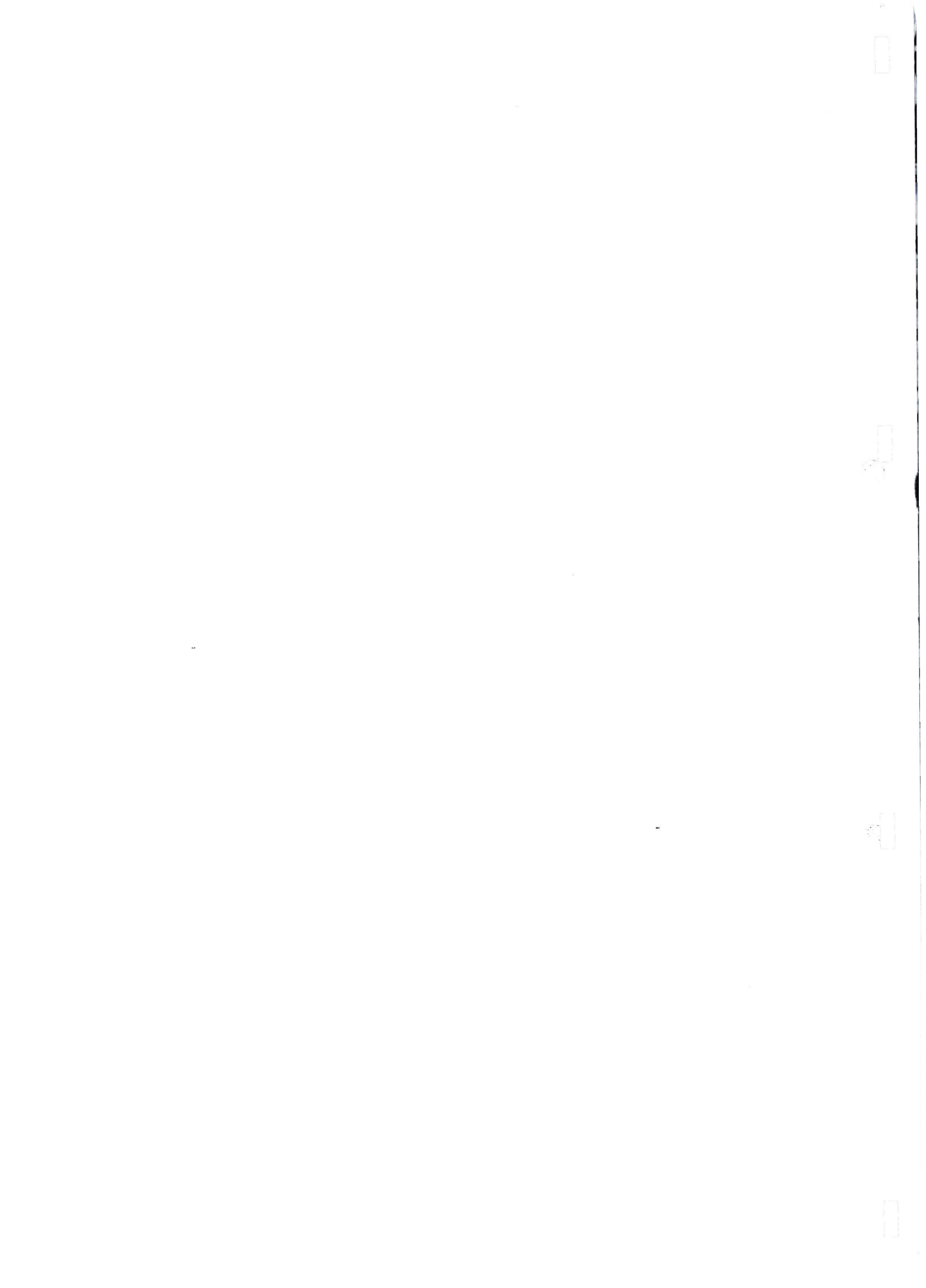
Mr. Speaker, sir,

The budget committee is established under the standing orders 190. The committee is mandated to

- (a) examine Budget Policy Statement presented to the House and shall report to the House, what, if any, economies should be made consistent with the proper carrying into effect of the policies implied in or by such Statement and estimate; and**
- (b) evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays.**

The Budget Committee is further given legal backing under the *Fiscal Management Act, 2009*. The Act provides that the Budget Committee shall provide general direction and impetus in the realization of the objectives of this Act;

- (a) study all economic and budgetary questions falling within the competence of the National Assembly and transmit its recommendations thereon to the Assembly;
- (b) study or consider any specific question or matter referred to it by the National Assembly and transmit its recommendations thereon to the Assembly;
- (c) subject to this Act and any other written law, take policy decisions for the efficient and harmonious functioning of the Budget Office;
- (d) ensure adherence by the Minister and public entities to the broad principles of prudent fiscal management;
- (e) examine all reports relating to fiscal and economic performance tabled in the National Assembly by the Minister, including the budget policy statement, annual estimates of expenditure and the various compliance reports and report to the Assembly what improvements of form or substance, if any, should be made to those reports so as to achieve



optimum value for the money foregone, received or spent on the target objectives of public entities; and

(f) be the link between the Budget Office and the National Assembly.

The Budget Committee comprises of the following members

The Hon. Elias Mbau, M.P. – Chairman
The Hon. Prof. Margaret Kamar, M.P. – Vice Chairman
The Hon. Martin Otieno Ogindo, M.P.
The Hon. Emilio Kathuri, M.P.
The Hon. Nelson Gaichuhie, M.P.
The Hon. Mohamed D. Yakub, M.P.
The Hon. George Thuo, M.P.
The Hon. Nemesyus Warugongo, M.P.
The Hon. Moses Lessonet, M.P.
The Hon. Danson Mungatana, M.P.
The Hon. Alfred Wekesa Sambu, M.P.
The Hon. John Mbadi, M.P.
The Hon. John Mututho, M.P.
The Hon. Abdul Bahari, M.P.
The Hon. Omari Mbwana Zonga, M.P.

In addition all, Chairpersons of Departmental Committees are ex-officio members of the Budget Committee.

The Committee oversees the macro-economic issues influencing the entire budget and also scrutinizes the following Votes;

- i) The Kenya National Assembly
- ii) The Kenya National Audit Office

Mr. Speaker Sir, in doing so, the Committee held several meetings with the following relevant ministries/offices:

1. Ministry Of Finance
2. Kenya National Audit Office
3. Kenya National Assembly

Mr. Speaker Sir,

Pursuant to Standing Order 152, the Committee commenced on the scrutiny of the printed Estimates of the Kenya National Audit Office, the Kenya National Assembly and the entire Estimates for 2009/10 and the Medium Term once the Estimates had been laid in the House by the Minister for Finance on 10th June 2009.

In considering the Estimates, the Committee held meetings with the Minister for Finance, the Vice-Chairperson, Parliamentary Service Commission and the Controller and Auditor General. The Minister was accompanied by his Permanent Secretary while the Vice Chairman, Parliamentary Service Commission was accompanied by the Clerk. All of those met, including the Controller and Auditor General were accompanied by various senior officials from their Ministries/Departments. In total the Committee held 4 sittings to consider the Estimates. The Committee was also briefed and assisted in its functions of scrutiny of the Estimates by its secretariat the Budget Office. The minutes of these meetings are appended to this report.

The Committee, after scrutiny of the Estimates, recommends that the various amounts requested under the various votes as per recommendations by various Departmental Committees and under votes R 29 and R 28 be approved.

Mr. Speaker Sir,

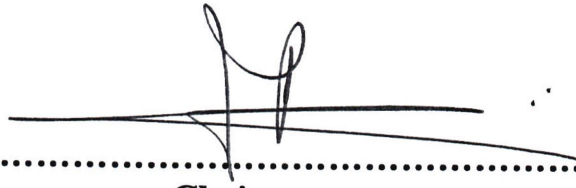
The Committee wishes to sincerely thank the Offices of the Speaker and the Clerk of the National Assembly for the necessary support extended to it in the execution of its mandate. The Committee further wishes to thank the Minister for Finance; the Controller and Auditor General and the Vice-Chairman, Parliamentary Service Commission for providing cooperation during the examination of the 2009/2010 Estimates. As Chairman, I take this opportunity to thank all the Members of the Committee, who despite having the challenge of not only examining several votes in the estimates, but also scrutiny of the entire budget and associated macro-indicators, have endeavored and succeeded in accomplishing this demanding task with commendable dedication, endurance and sacrifice.

The Committee wishes to record its appreciation to the Budget Office for the assistance and guidance that it has accorded this Committee. They have been able to not only serve this Committee, which is a statutory obligation, but also all other Departmental Committees.

Mr. Speaker Sir,

On behalf of the Budget Committee, I now have the honour and pleasure to present its Report and Recommendations relating to the 2009/2010 Financial Estimates for the Kenya National Assembly, the Kenya National Audit Office and the Macro-economic issues influencing the Budget, to the House for debate and adoption.

Thank You.



Signed

Chairman
Hon. Elias Mbau, MP

Date: 29/07/09

1.0 THE MACRO-ECONOMIC ISSUES INFLUENCING THE 2009/10 BUDGET

1. Assumptions Underpinning the Budget for 2009/10

A) Gross Domestic Product (GDP)

Due to the continued impact of the financial crisis, Treasury expects the GDP of the country to grow at 3.1 percent before increasing to 5.2 percent and 6.4 percent in 2010/11 and 2011/12 respectively. Revenue is expected to remain around 22-23 percent of GDP over the same period.

The Committee observed that in view of the current drought which has severely impacted many parts of the country with adverse effects on agriculture and the prevailing political environment the projected growth may not be attainable. It further noted that the strategies that the Minister is adopting to turn around the economy are also weak.

B) Monetary Policy

The committee observed that a lot of emphasis has been put on the level of inflation to be attained in the 2009/10. It is expected that inflation will come down to single digit level desirably to at least 5% levels from double digit figures in financial year 2008/09.

The Committee observed that this has been a pursuit of Treasury for the last 3 financial years and has not yet been attained. More importantly, the overall inflation rate, which has a profound impact on purchasing power, has been on the rise in the last financial year, driven mainly by increase in food prices due to seasonal factors and since these are still prevailing, it is not feasible the overall inflation rate will reduce significantly and have a positive impact on the lives of the populace.

C) Public Debt

The Committee observed that as much as the total debt for Kenya is considered sustainable according to IMF Debt Sustainability Analysis (DSA), it is still a burden. The Committee is concerned of the high level of loans borrowed to finance recurrent type of expenditures as is attested by many Ministerial Development budgets as well as the overall recurrent budget. The Committee observed that the current level of fiscal deficit is likely to lead to a further accumulation of debt. Indeed, over the last two financial years, the Ministry of Finance has been resorting to financing the

deficit from local borrowing as opposed to external borrowing especially in an environment of liberalized interest rates regime.

D) Financing of the FY 2009/10 deficit

The Committee is concerned of the high deficit and the financing mechanisms the Minister has adopted. The total government expenditure for the financial year 2009/10 is Kshs.865,619,934,799. In addition, the financial statement provides Kshs.2,000,000,000 for Contingency bringing the total expenditure to Kshs.867,619,934,799. The Minister proposes to finance these expenditures as follows

• Ordinary revenues	Kshs	522,767,471,165
• Appropriations In Aid	Kshs	46,126,825,670
• External Resources	Kshs	103,765,102,530
• Privatization Proceeds	Kshs	6,000,000,000
• Refinancing	Kshs	2,500,000,000
• Debt roll Over	Kshs	76,506,000,000
• Italian Debt/Swap	Kshs	456,000,000
• New Domestic Borrowing	Kshs	109,500,000,000
Grand Total	Kshs	867,621,399,365
• Statistical Discrepancy*	Kshs	(1,426,526); - * this may be due to rounding off of figures in the Financial Statement.

The Committee observes that the budget deficit is too wide and that the Minister will have an uphill task to raise such enormous funds from the domestic economy (both in ordinary revenue as well as in domestic borrowing). It therefore calls for prudence in the utilization of resources. The Minister also needs to review the macro framework as it seems that he is substituting external borrowing or external financing with domestic borrowing. Hard times require hard decisions. It is better to postpone the expenditures than to finance activities that are recurrent in nature with very expensive resources. In addition, the Financial Statement includes an allocation for Civil Contingency Fund of kshs 2,000,000,000 yet the Ministry of Finance already has this allocation in the estimates.

E) Economic Stimulus

An amount of Kshs.22,330,000,000 has been set aside as economic stimulus. This is provided for in the following Ministries.

Ministry	Amounts
Ministry of Finance	2,000,000,000
Ministry of regional Development Authorities	1,600,000,000
Office of the Deputy Prime Minister and Ministry of Local Government	1,800,000,000
Ministry of Education	9,335,000,000
Ministry of Public Health and Sanitation	5,740,000,000
Ministry of Industrialization	735,000,000
Ministry of Fisheries Development	1,120,000,000
Total	22,330,000,000

The committee is concerned over the modalities of disbursement and why some sectors were not considered and finally why it is not tied to the CDF framework of disbursement and monitoring.

F) Structure of the Budget

The Committee is concerned with the structure of the budget which makes it difficult to understand. The structure of the budget can either enhance the understanding of the budget or decisions made based on the information in the documents. It is important that all budget documents take into consideration the needs of the various stakeholders in particular the legislature. Decisions related to the structure of the budget in particular the coding and the classification can have far reaching consequences as they affect the interpretation of the information contained in the documents as was the case in the recent Supplementary Estimates for 2008/09 and other years.

The Estimates of revenue and expenditure have been prepared using the Government Financial Statistics (GFS) framework of economic classification. Whereas it meets the requirements for standardization of financial statistics as well as promotes accounting requirements, it still falls short of the requirements of legislators. The recurrent budget estimates would have been enhanced if there was information at aggregate item level, either sector or ministry wise. There is therefore need to start working on providing actual expenditure of the previous

year as a means of making one understand the performance of the budget of the previous year versus the allocations.

On the development budget estimates, as much as it meets the requirements of GFS, it does not adequately provide information related to projects as would be necessary for decision making. The credibility of the scrutiny of the budget would be enhanced if the development budget estimates included a project list that shows the total costs of the projects latest actual as well as geographical distribution.

G) Creation of Special Reserves:

The committee is concerned over the number of items that have been opened in the estimates for budget reserve and contingency. Under the budget estimates of the Ministry of Finance there are two items as follows

- Budget reserve with Kshs 2,000,000,000
- Civil Contingency Reserve Kshs 2,000,000,000

In addition another Kshs 2,000,000,000 is provided under the financial statement.

The Committee observes that the proposal to create special reserves in Treasury will give line ministries a leeway to run back any time they have financial problems. In addition, some ministries could come up with unplanned projects.

RECOMMENDATIONS

- i) The Ministry of Finance should utilise loans for development purposes as opposed to the current scenario whereby some of the resources are spend on recurrent expenditure.
- ii) To enhance credibility of scrutiny of the budget, the Ministry of Finance should urgently review the structure of the budget both recurrent and development so as to ensure summary expenditures are provided as well as project details.
- iii) The Minister for Finance should review the Civil Contingency Fund Act to raise the amount of CCF to the level the Ministry requires instead of opening too many items that mean the same.
- iv) To further enhance transparency of the budget, the Minister for Finance should table on a quarterly basis details of activities or projects that have been issued with funds from the Civil Contingency Fund (CCF).

2. REPORT ON EXAMINATION OF ESTIMATES FOR THE YEAR 2009/2010:

2.0 KENYA NATIONAL ASSEMBLY (VOTE 29)

2.1 Introduction

2. The Kenya National Assembly is a unique institution in the country and is charged with the responsibility of making laws and ensuring good governance.
3. The National Assembly's activities therefore revolve around oversight of the executive, as well as amending laws and introduction of new legislation. This happens both in the Select and Departmental Committees as well as in the main House.
4. In order to achieve this the National Assembly is currently embarking on the following major activities;
 - Modernization and refurbishment of the Chamber
 - Equipping of Committee rooms so as to introduce electronic voting
 - Digitization of the Hansard
 - Establishment of the Parliamentary Training Institute to cater for short courses and workshops
 - Provision of adequate office space – the Commission is undertaking to put up a new, State-of-the-art building to satisfy this need
5. The National Assembly is also an affiliate to various international institutions which also require budgetary provisions in form of subscriptions and they are the Commonwealth Parliamentary Association (CPA), Inter-Parliamentary Union (IPU), the African Caribbean Pacific, European Union (ACP-EU), the Pan African Parliament and the East African Legislative Assembly (EALA).

2.2 Allocations for the Financial Year 2009/2010-R 29

6. The Gross Recurrent Estimate of the Kenya National Assembly for the Financial Year 2009/2010 increased from Kshs 6,782,455,550 in 2008/09 to Kshs. 7,688,893,530 in 2009/10 reflecting an increase of Kshs. 906,437,980. The Committee was informed that although the increase in allocation was welcome, it was still short of the requested amount from Treasury by kshs 1,195,851,003. In addition the National Assembly expects to raise Appropriations-in-Aid (AIA) of kshs 3 million this financial year.
7. The Table below provides a comparative summary of the estimates for 2008/09 and 2009/10 budget:-

Vote 29 – National Assembly

Sub-Vote		2008/2009 (Net approved)		2009/2010 (Gross Estimates)		Change	
		Recurrent	Development.	Recurrent	Development.	Recurrent	Devevelopment.
290: General Admin. & Planning	Gross	6,782,455,550	-	7,688,893,530	-	906,437,980	-
	A-in - A	3,000,000	-	3,000,000	-	0	-
	Net	6,779,455,550	-	7,685,893,530	-	906,437,980	-
Total	Gross	6,782,455,550	-	7,688,893,530	-	906,437,980	-
	A-in- A	3,000,000	-	3,000,000	-	0	-
	Net	6,779,455,550	-	7,685,893,530	-	906,437,980	-

Source: Printed Estimates 2009/2010

2.2.1 Recurrent Expenditure (R.29)

8. Examination of Heads, by the Committee, under Vote R. 29 was as follows:-

i) Head 880: Office of the Clerk

Total proposed expenditure: Kshs. 2,651,574,910

The Committee noted that there was an increase under Item 3110300 on the refurbishment of buildings from Kshs 1,000,000 to Kshs 410,000,000 in 2009/10. This was attributed to the intended refurbishment of the Chamber

to allow for extra seating capacity of up to 300 Members and the introduction of electronic voting.

The Committee is agreeable to the proposal by the Parliamentary Service Commission that a sum not exceeding Kshs. **2,651,574,910** be allocated to the vote for the expenditure proposed on the items under Head 880

ii) Head 881: Legislative

Total proposed expenditure: Kshs 5,034,818,620

The Committee emphasized the need for an increment in the allocation for servicing the various Committees was not sufficient since the new Standing Orders have resulted in 28 Committees not to mention adhoc Committees which may be constituted and add to that number.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 5,034,818,620** be allocated to the vote for the expenditure proposed on the items under Head 881.

RECOMMENDATIONS

- i) That the proposal by the Minister to withdrawal from the Consolidated Fund a sum of Kshs. **7,688,893,530** (seven billion, six hundred and eighty-eight million, eight hundred and ninety three thousand, five hundred and thirty) for Recurrent Expenditure under the Kenya National Assembly, be approved.
- ii) That the Kenya National Assembly be allowed to raise Kshs. **3,000,000** (three million) as Appropriations-in-Aid to finance its operations.
- iii) That a review be done on the allocations to other areas of the Vote 29 with a view to identifying savings to be re-allocated to items for Committee's services.
- iv) That the Budget Committee should further review the two major projects of refurbishment and broadcasting in order that the Committee may be fully satisfied with the entire cost of these programmes.
- v) That the Minister adheres to the provisions of the Parliamentary Service Commission (PSC) Act and urgently gazettes the National Assembly Fund.

3.0 KENYA NATIONAL AUDIT OFFICE – VOTE 28

3.1 Introduction

The gross allocation for the office for the financial year amounts to **Kshs.1.437 billion** as compared to a provision of **Kshs.1.408 billion** for the financial year 2008/09.

3.2 Allocations for the Financial Year 2009/2010-R 28

9. The Gross estimates of the Kenya National Audit Office for the Financial Year 2009/10 amounts to Kshs 1,437,025,910 as compared to gross provisions of Kshs 1,408,000,000 in 2008/09, reflecting an increase of Kshs. 29,025,910. The Vote also expects to collect appropriations-in-aid of kshs 85,720,000 this financial year.
10. The Table below provides a comparative summary of budgets for The estimates for 2008/09 2009/10:-

VOTE 28 Kenya National Audit Office

Sub-Vote		2008/2009 (Net approved)		2009/2010 (Gross Estimates)		Change	
		Recurr.	Dev.	Recurr.	Dev.	Recurr.	Dev.
280: Audit Services	Gross	979,107,556	-	1,024,262,197	-	45,154,641	-
	A-in-A	10,700,000	-	10,720,000	-	20,000	-
	Net	968,407,556	-	1,013,542,197	-	45,134,641	-
281: Audit Services Corporation		428,892,444	-	412,763,713	-	16,128,731	-
		62,000,000	-	75,000,000	-	13,000,000	-
		366,892,444	-	337,763,713	-	29,128,731	-
Total	Gross	1,408,000,000	-	1,437,025,910	-	29,025,910	-
	A-in-A	72,700,000	-	85,720,000	-	13,020,000	-
	Net	1,041,107,556	-	1,099,262,197	-	58,154,641	-

Source: Printed Estimates 2009/2010

3.2.1 RECURRENT EXPENDITURE – R-28

11. Examination of Heads, by the Committee, under Vote R. 28 was as follows:

i) Head 875 :-Central Government

Total proposed expenditure: Kshs. 835,447,544

The Committee noted that there was allocation intended for additional employment of additional staff to the Kenya National Audit Office to mitigate the critical inadequate capacity of the Office. However, the Committee noted that a clear timetable on these recruitments was necessary in order that the exercise may be executed swiftly and appropriately.

The Committee is agreeable to the proposal by the Controller and Auditor General that a sum not exceeding **Kshs. 835,447,544** be allocated to the head for the expenditure proposed on the items under Head 875.

ii) Head 876:-Local Government

Total proposed expenditure: Kshs. 188,814,653

The Committee noted that the allocation for employee compensation had decreased this financial year, despite this department being chronically short of staff and subsequently having a backlog of audits under its jurisdiction.

The Committee is agreeable to the proposal by the Controller and Auditor General that a sum not exceeding **Kshs. 188,814,653** be allocated to the department for the expenditure proposed on the items under Head 876.

iii) Head 719:- Statutory Boards and Corporations

Total proposed expenditure: Kshs. 412,763,713

The Committee is agreeable to the proposal by the Controller and Auditor General that a sum not exceeding **Kshs. 412,763,713** be allocated to the Ministry for the expenditure proposed on the items under Head 719.

OBSERVATIONS

The Committee noted the following about the Kenya National Audit Office from its discussions with the Controller and Auditor General;

- i. Inadequate Capacity:** The office of the Controller and Auditor General (CAG) lacks the adequate capacity to enforce sound financial management at all levels in government. The office lacks specialized e.g. forensic audit personnel to carry out the task of auditing technical government investments. The office also lacks financial resources to train personnel and to carry out its mandate effectively.
- ii. Delays in Audit Reports:** Perhaps because of the limited capacity at the CAGs office, its reports have delayed sometimes for months.
- iii. Ineffectiveness in Internal Controls:** While the CAGs office is mandated to perform both the audit and control functions, it only performs the audit function.
- iv. Audit Report Status:** The committee was further concerned that of the three heads within KENAO's purview Central Government, Local Government and Statutory Boards and Corporations audit reports lag behind and are not timely and thus observed needed up scaling in terms of updating the audit reports.

RECOMMENDATIONS

- i) That the proposal by the Minister to withdrawal from the Consolidated Fund a sum of Kshs. **1,437,025,910** (one billion, four hundred and thirty seven million, twenty five thousand, nine hundred and ten) for Recurrent Expenditure under the Kenya National Audit Office be approved
- ii) That the Kenya National Audit Office be allowed to raise Kshs. 85,720,000 (eighty five million, seven hundred and twenty thousand) as Appropriations-in-Aid to finance its operations

- iii) That the functions of the Controller and Auditor-General be demarcated so that there may be a Controller who is different from the Auditor-General in order that both of these functions may be carried out more effectively.

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

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Annex of Minutes

Annex1.

**MINUTES OF THE THIRD SITTING OF THE BUDGET COMMITTEE
HELD ON TUESDAY, 30th JUNE 2009 IN COMMITTEE ROOM 5TH
FLOOR, CONTINENTAL HOUSE, PARLIAMENT BUILDINGS AT
10.00 AM**

PRESENT:

The following Members of the Committee were present:-

The Hon. Elias Mbau, M.P. - Chairman
The Hon. Martin Otieno Ogindo, M.P.
The Hon. Emilio Kathuri, M.P.
The Hon. George Thuo, M.P.
The Hon. Moses Lessonet, M.P.
The Hon. Danson Mungatana, M.P.
The Hon. Alfred Wekesa Sambu, M.P.
The Hon. John Mbadi, M.P.
The Hon. Abdul Bahari, M.P.

ABSENT WITH APOLOGY:

The Hon. Mohamed D. Yakub, M.P.
The Hon. Prof. Margaret Kamar, M.P.
The Hon. Nemesyus Warugongo, M.P.
The Hon. Nelson Gaichuhie, M.P.

ABSENT WITHOUT APOLOGY:

The Hon. Omari Mbwana Zonga, M.P.
The Hon. John Mututho, M.P.

IN ATTENDANCE

Ms. Phyllis Makau
Mr. Fredrick Muthengi
Mr. Gichohi Mwaniki
Mr. Peter Kitheka

KENYA NATIONAL ASSEMBLY

Principal Budget Officer
Budget Officer
Parliamentary Intern
Parliamentary Intern

MIN. NO.13/2009**PRAYERS**

The meeting was opened with a word of prayer by The Hon. Danson Mungatana, M.P.

MIN. NO.14/2009
MINUTES**CONFIRMATION OF THE PREVIOUS**

The Minutes of the previous meeting (First sitting – 2009) held on Tuesday 23rd June 2009 were proposed by the Hon. John Mbadi, M.P. and seconded by the Hon. Martin Ogindo, M.P. Consequently the minutes were confirmed by the members present as true reflection of the meeting's deliberations and signed by the Chairman.

Additionally, the minutes of the second sitting (Special Meeting – discussing Vote on Account) held on Wednesday 24, June 2009 were also confirmed as true reflection of deliberations of the meeting and signed by the chairman.

MIN. NO.15/2009**MATTERS ARISING**

The Hon. Members observed that with regard to notice to meetings, the written notice posted to their pigeonholes' was not enough and it was necessary that on eve of the meeting, a reminder via SMS was necessary. In addition, any apology communicated to the clerk to the committee shall be deemed to have reached the chairman. The sender of the SMS should categorically indicate his/ her full names in the SMS. The minutes should reflect the true position whether the member was absent with apology or without apology without generalizing all cases of absence as absent with apology.

Further, the members raised the issue of observance of Standing Orders provisions particularly S.O. 167 with regard to adjournment for lack of quorum, and S.O. 169 regarding failure to attend meetings. The affected member(s) should be notified well in advance before the lapse of the fourth consecutive meeting.

MIN. NO.14/2009
FINANCE

ISSUES TO RAISE WITH MINISTER FOR

Members were informed that the secretariat had received a letter from Treasury late the previous day on 29th June 2009 requesting that the meeting with the finance minister be deferred by at least a week to give Treasury ample time to prepare adequately for the meeting. This communication was also shared with the Chairman.

As result, the Members were taken through the issues to discuss with the minister for finance as follows;

- i. Forensic Audit – Agreed that this matter was to be pursued by the committee and not vice versa. Secretariat to update the Terms of Reference and share with the committee.
- ii. Operationalisation of the Fiscal Management Act, 2009:- The Act
- iii. provides that the minister, on recommendations of Budget committee to prepare regulations and rules within three months after coming into force of this Act. The committee agreed to engage the minister on the same
- iv. The Financing of the 2009/10 Budget: the Secretariat to provide more details.
- v. The Structure of the Budget and Coding: Members were informed that GFS does not adequately provide information related to projects as would be necessary for decision making particularly under development expenditures. Thus the credibility of the scrutiny of the budget could be more enhanced and transparent by including a summary list of projects with additional information such as,
 - Total cost of the estimated cost of the projects
 - Cumulative actual to the end of June
 - Balance required to finalize the project
 - Any other details to support the estimates

To this effect, Members agreed that all communications and correspondence plus any other material briefings should also be circulated to all members in their files.

MIN. NO.15/2009

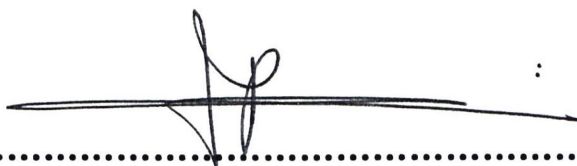
ANY OTHER BUSINESS

- a) The budget committee is very critical in the management of this country's resources and needed to be impartial and objective in its dealing with Treasury without prejudice of being seen as protective and defensive to Treasury.
- b) Government is the sleeping giant thus the committees need to be the driving engines particularly in their oversight roles.
- c) Committee need to oversee the implementation of the budget accordingly. Also need to engage the minister on the clarity on the implementation of economic stimulus for the constituencies

MIN. NO.16/2009

ADJOURNMENT

There being no other business the meeting was adjourned at 12.40pm till Tuesday, 7th July 2009 at 10.00 am.



Signed

Chairman, Hon. Elias Mbau, MP

Date 29/07/09

Annex 2

**MINUTES OF THE FOURTH SITTING OF THE BUDGET
COMMITTEE HELD ON TUESDAY, 7TH JULY 2009 IN COMMITTEE
ROOM 5TH FLOOR, CONTINENTAL HOUSE, PARLIAMENT
BUILDINGS AT 10.00 AM**

PRESENT:

The following Members of the Committee were present:-

The Hon. Elias Mbau, M.P., Chairman

The Hon. Martin Otieno Ogindo, M.P.

The Hon. Emilio Kathuri, M.P.

The Hon. Nelson Gaichuhie, M.P.

The Hon. Nemesyus Warugongo, M.P.

The Hon. Moses Lessonet, M.P.

The Hon. John Mbadi, M.P.

The Hon. Alfred Wekesa Sambu, M.P.

The Hon. George Thuo, M.P.

The Hon. Prof. Margaret Kamar, M.P.

The Hon. Danson Mungatana, M.P.

The Hon. Mohamed D. Yakub, M.P.

The Hon. Chrysathus Okemo, M.P – Chair, Finance, Planning and Trade
Committee

The Hon. Jeremiah Kioni, M.P- Chair, Defense and Foreign Relations
Committee

The Hon. David Koech, M.P. - Chair, Education, Research and Technology

The Hon. Omari Mbwana Zonga, M.P.

ABSENT WITH APOLOGY:

The Hon. Abdul Bahari, M.P.

The Hon. John Mututho, M.P.

IN ATTENDANCE

Ms. Phyllis Makau

Mr. Fredrick Muthengi

Mr. Martin Masinde

KENYA NATIONAL ASSEMBLY

Principal Budget Officer

Budget Officer

Budget Officer

IN ATTENDANCE

MINISTRY OF FINANCE

The Hon. Uhuru Kenyatta
Joseph Kinyua, CBS
Justus Nyamunga
P.B.Ngugi
Kubai Khasiani
H. Sirima

Deputy Prime Minister and Minister for Finance
Permanent Secretary, Treasury
Director, economic affairs department
Director, Budget Supplies Department
Deputy Director, Budget Supplies Department
Deputy Director, Debt Management Department

AGENDA

1. Prayers
2. Confirmation of Previous Minutes
3. Matters Arising
4. Meeting With Minister For Finance
5. Any Other Business
6. Date of the Next Meeting

MIN.NO. 17/2009 PRAYER

The meeting was opened with a word of prayer.

MIN.NO. 18/2009 CONFIRMATION OF THE PREVIOUS MINUTES

The Chairman called the meeting to order and the minutes of the previous meeting /third sitting held on **30 June 2009** were confirmed as a true reflection of the previous meeting subject to minor amendments. In his opening remarks, the Chairman pointed out that committee deliberations are now open to members of public as well as press and as such this meeting was open to public.

MIN. NO.19/2009 MATTERS ARISING

- a) **Issues for Discussion with the Minister for Finance:** This was part of previous meeting agenda and was discussed as a recap and building consensus among the committee.
- b) **Work plan:** This was circulated and agreed that it will be discussed during the next meeting.

- c) **Issues to Discuss with the Minister for Finance:** Members went through a list of issues that needed clarification from the Minister for Finance. Specifically, emphasis was laid on the following issues:
- i. **Forensic Audit:** The chair reiterated the need to resolve the issues of forensic audit. Some members alluded that the issue was being handled by jointly by the Budget Committee and Finance, Planning and Trade Committee. It was later resolved that the Budget and Finance, Planning and Trade committees will consult and come out with clear way forward.
 - ii. **Financing the Budget Deficit:** Members emphasized the need for the Minister to explain how he is going to finance the deficit without necessarily creating inflationary pressures. Moreover, Members also raised the issue of the ballooning public debt. Indeed, it had hit the Kshs.1 Trillion mark, thus, signaling worrying trends.
 - iii. **Creation of Special Reserves:** Members felt that the proposal to create special reserves in Treasury will give line ministries a leeway to run back any time they have financial problems. In addition, some ministries could come up with unplanned projects.
 - iv. **Devolved funds:** The issue on the mode of operation and mechanism of channeling the resources to devolved units under the economic stimulus for constituencies needed clarification from the Minister.
 - v. **Equitable Allocation of Resources:** There were concerns with regard to the criteria used for resource allocation. Members raised concerns on the manner in which resources are allocated with no regard to differences in levels of development across regions.

**MIN. NO.20/2009 DISCUSSIONS WITH THE MINISTER FOR
FINANCE**

The chair introduced the members and requested the Minister for Finance to introduce the team members of Treasury officials. The chair further emphasized that the purpose of the meeting was to explore ways of partnering with Treasury on matters of prudent financial management thereby enabling efficient delivery of services to the citizens. To this end, the main purpose of the meeting was to

shed light on how the Budget for 2009/010 Financial Year was going to be actualized in terms of outputs and outcomes.

The chair also re-emphasized the role of the budget committee in scrutinizing the budget with the view to ensuring that limited resources are allocated efficiently and targeted towards efficient service delivery.

The following issues were raised:

1. Members raised the issue of less funds being channeled under the CDF framework. The statutory rate is 2.5% of total ordinary revenues forecast for the Financial Year. In response, the Minister said that although the allocation for CDF is based on 2.5% of ordinary revenues, the computation of ordinary revenue excludes some items such as investment income and this explains the variance in figures. It was proposed that the CDF percentage be based on the recent Audited Government accounts.
2. On Operationalizing of the ***Fiscal Management Act of 2009***, specifically focusing on developing rules and regulations the Minister alluded that there are considerable steps the Treasury has undertaken. Among them is to revise the budget calendar to take cognizance of the law. In addition, the Ministry had contacted the IMF under the EastAfricac Programme to provide expertise in drafting the regulations. It was suggested that the Parliamentary Budget Office liaises with Treasury over the issue.
3. Members also sought to know the impact of the ballooned deficit on interest rates and inflation. In response, the Minister stated that the borrowing levels envisaged over the year is sustainable and will not crowd out private sector investment since a recent Debt Sustainability (DSA) analysis gave the debt situation in Kenya a clean bill of health. The debt to GDP ratio in NPV terms currently stands at 32% which is below the risk threshold of 40%. It is important to note that the debt in Kenya should not be compared to HIPC countries since they recently received debt forgiveness. In addition, industrialized countries such as UK have debt to GDP levels as high as 150%. Moreover, the debt situation in Kenya has also been exposed to stress testing which includes scenarios such as devaluation, dampened economic growth etc the results have been favorable. On the domestic front, the ratio of TB bills to T bonds is 30:70 and therefore this does not pose any risk of

- refinancing. Lastly, the Government has prepared a debt management strategy which will guide borrowing over the medium term.
4. Members sought to know the status of adopting a user friendly structure of coding of the budget items. The Minister responded that the Government has adopted Program Based Budgeting which will give clear picture of the outcomes and outputs. It is envisaged that this will be fully implemented in the 2010/011 budget. The advantage with Program Based Budgeting is that one can reallocate resources within a programme but not across the programmes. To further operationalise this, 300 officers have been on the new framework.
 5. On mechanisms on how the devolved funds are going to be spend, the minister reiterated that, first, the basis of the economic stimulus is to plough money and jumpstart the economy. Secondly, the monies allocated for the stimulus package has not been curved from the line ministries. The resources have been availed through cutting back non-priority expenditure. To make sure the money archives its intended purpose, the Treasury has formed a team to foresee the implementation dubbed “the Economic Stimulus Implementation Framework”. Lastly, Sensitization on the implementation framework is on-going.
 6. There were concerns from with regard to equity in allocation of the Fiscal Stimulus Money. The Minister responded that the money allocated was not underpinned by poverty levels as this a pertinent political issue.
 7. Members asked whether the CDF model could be adopted to allocate under the *Kazi Kwa Vijana (KKV)* initiative. The Minister responded that the KKV is managed through line ministries and was basically meant as a 6 months stop gap measure. The office of the Prime Minster can shed more light.
 8. Concerns were also raised with regard to escalating prices of essential commodities. In his response, the minister said that in a liberalized economy, the Government should be a facilitator. The long term solution to problem of high prices is to tackle supply side bottlenecks, especially from the standpoint of Agriculture.
 9. Members were concerned as to why some items being put under the Ministry of Finance and yet they belong to line ministries. This includes money for

IDP, Railway modernization and Agenda 4 Issues. The Minister said that the money was put under the Ministry because it's not clear on the cost details. For instance, the money for emergency power will go directly to KENGEN in case of an emergency, the money for IDPs will be channeled immediately the framework is decided on.

10. On whether the 2009/010 budget was fully financed, the Minister confirmed that the 2009/010 is fully financed and there was no financing gap.

11. Members sought to know the percentage of debt going towards development purposes and the breakdown of the debt and who the Government is paying. The Treasury promised to provide the information.

MIN. NO.21/2009

ANY OTHER BUSINESS

The Members were informed that there was need forge good working relations with Treasury. The chair emphasized the need for more engagement, which is an important ingredient towards ensuring prudent financial management of public resources.

MIN. NO.22/2009

ADJOURNMENT

There being no other business the meeting was adjourned at 2.15 pm till Tuesday, July 14, 2009 at 10.00 am.

Signed


Hon. Elias Mbau, Chairman

Date

29/07/09

Annex 3

**MINUTES OF THE FIFTH SITTING OF THE BUDGET COMMITTEE
HELD ON TUESDAY, 14th July 2009 IN OLD CHEMBERS,
PARLIAMENT BUILDINGS AT 10.00 AM**

PRESENT:

The following Members of the Committee were present:-

The Hon. Elias Mbau, M.P. – Chairman
The Hon. Prof. Margaret Kamar, M.P. - Vice chairman
The Hon. Martin Otieno Ogindo, M.P.
The Hon. Emilio Kathuri, M.P.
The Hon. Nelson Gaichuhie, M.P.
The Hon. Mohamed D. Yakub, M.P.
The Hon. Moses Lessonet, M.P.
The Hon. Alfred Wekesa Sambu, M.P.
The Hon. John Mututho, M.P.
The Hon. Omari Mbwana Zonga, M.P.

ABSENT WITH APOLOGY:

The Hon. Abdul Bahari, M.P.
The Hon. John Mbadi, M.P.

ABSENT

The Hon. George Thuo, M.P.
The Hon. Nemesys Warugongo, M.P.
The Hon. Danson Mungatana, M.P.

IN ATTENDANCE

Ms. Phyllis Makau
Mr. Fredrick Muthengi
Mr. Peter Kitheka

KENYA NATIONAL ASSEMBLY

Principal Budget Officer
Budget Officer
Parliamentary Intern

KENYA NATIONAL AUDIT OFFICE

1. John Kagundu
2. Dennis Kariuki
3. Gregory K Kiteme

AGENDA

1. Prayers
2. Confirmation of Previous Minutes
3. Matters Arising
4. **Workplan Programme**
5. **Briefing on the Budget for KENAO and KNA by the Budget Office.**
6. Any Other Business
7. Date of the Next Meeting

MIN. NO.23/2009 Prayers

The Chairman called the meeting to order at 10.30am and led with a word of prayer.

MIN. NO.24/2009 Confirmation of Previous Minutes and Matters Arising

Considering that the committee commenced business a bit late and had a heavy task ahead meeting with Kenya national Audit Office's Budget it was unanimously agreed that the **Confirmation of Previous Minutes and Matters Arising** be deferred to next meeting.

MIN. NO.25/2009 Briefing on the Budget for KENAO and NA by the Budget Office.

The members were taken through the two votes of Kenya National Audit Office (KENAO) and Kenya National Assembly(KNA) based on the based on this year's estimates. Several issues were raised to be followed with the respective accounting officers when they appear before the committee on 17 July 2009. These included;

A. The Kenya National Audit Office (KENAO) 2009/10 Estimates

The gross allocation for the office for the financial year amounts to **Kshs.1.437 billion** as compared to a provision of **Kshs.1.408 billion** for the financial year 2008/09.

- iv. Inadequate Capacity:** The office of the Controller and Auditor General (CAG) lacks the requisite capacity to enforce sound financial management at all levels in government. The office lacks qualified and well motivated personnel to carry out the task of auditing technical government investments. The office also lacks financial resources to train personnel and to carry out its mandate effectively.
- v. Delays in Audit Reports:** Perhaps because of the limited capacity at the CAGs office, its reports have delayed sometimes for months. The delay hampers the operation of other watchdog bodies using its report particularly the Public Investments Committee (PIC) and Public Accounts Committee (PAC).
- vi. Ineffectiveness in Internal Controls:** While the CAGs office is mandated to perform both the audit and control functions, it only performs the audit function. This renders the office highly ineffective in the reduction of wastage of public resources as its reports always come after the finances have been misused.
- vii. Audit Report Status:** The committee was further concerned that of the three heads within KENAO's purview Central Government, Local Government and Statutory Boards and Corporations audit reports lag behind and are not timely and thus observed needed up scaling in terms of updating the audit reports.

Recommendation: Overall, KNAO needs to be strengthened (human resources and operating facilities) to enable it produce audit reports on time or within reasonable time for the parliamentary committees to deliberate on and make recommendations. This will help to check financial irregularities in public accounts management.

B. Kenya National Assembly Estimates 2009/10

The gross estimate for Financial Year 2009/10 is **Kshs.7.688 billion** as compared to a provision of **Kshs.7.248 billion** in Financial Year 2008/09. The increase is mainly on account of provision of salaries for recruitment of additional staff, increased capital for housing mortgage and car loan for Members of Parliament and staff, capital transfer to the special interest groups and refurbishment of buildings.

MIN. NO.26/2009 WORKPLAN PROGRAMME

The members were taken through the work plan programme based on the parliamentary calendar after which the following observations were made:-

- The Budget Committee in conjunction with the Finance, Planning and Trade Committee to organize a post- budget workshop scheduled for this coming August.
- A Meeting between the Budget office Staff and the technical staff from the Ministry of Finance to be held with a view to chat the way forward for operationalisation of the Fiscal Management Act.
- The committee plans to have three (3) to (4) external study tours probably in New Zealand, Canada or US Congress and within in the African region perhaps in Rwanda or South Africa at the end of the year.
- Early next year, The Budget Committee will carry out a midterm review of the budget upon which discussions and workshops will be organized involving all the departmental committees.
- It was observed that the Reports from Committee's Study tours in Germany and Uganda be provided to the members before they could embark on the coming study tours.
- Local /Domestic study tour for the committee was proposed to inspect at least a project funded by the Consolidated Fund Services (CFS).
- A brief for the Consolidated Fund Services be done after which the Budget Committee will meet the Minister for Finance over the CFS 2009/10 Budget. Consequently, the committee resolved to meet with the Minister for Finance over the CFS Estimates. Hence the secretariat should write the letter to the Minister for finance to this effect through the Permanent secretary informing him of his meeting with the Budget committee.

MIN. NO.27/2009

ANY OTHER BUSINESS

1. Agreed that absent members should also indicate their reasons of being absent/ away.
2. Need to harmonize meetings with other clerks to give allowance to members as opposed to holding meetings concurrently particularly for those members who serve multiple committees.
3. Members emphasized the need to strengthen secretariat given the marvelous work it has demonstrated across all committee in their budget scrutiny works. Moreover, now that there is legal backing for the parliamentary budget office, there is need to form a sub committees to tackle specific matters in the committees endeavors.
4. Regarding the Forensic Audit, it should be noted that legislature has an upper hand in forensic audit as opposed to Controller and Auditor General taking the lead in the exercise. Parliament to develop the Terms of Reference (TOR) with help of Budget Office. All that the Controller needs to do is to give access to government information.

MIN. NO.28 /2009

ADJOURNMENT

There being no other business the meeting was adjourned at 1.50pm till Friday 17th 2009 at 10.00 am.

Signed

Hon. Elias Mbau, Chairman

Date 29 / 07 / 09

Annex 4

**MINUTES OF THE SIXTH SITTING OF THE BUDGET COMMITTEE
HELD ON FRIDAY, 17TH JULY 2009 IN COMMITTEE ROOM 2ND
FLOOR, CONTINENTAL HOUSE, PARLIAMENT BUILDINGS AT
10.00 AM**

1. MEETING WITH THE KENYA NATIONAL ASSEMBLY

PRESENT:

The following Members of the Committee were present:-

The Hon. Elias Mbau, M.P., Chairman
The Hon. Martin Otieno Ogindo, M.P.
The Hon. Nemesys Warugongo, M.P.
The Hon. John Mututho, M.P.

The Hon. Moses Lessonet, M.P.
The Hon. John Mbadi, M.P.
The Hon. Danson Mungatana, M.P.

ABSENT WITH APOLOGY:

The Hon. Abdul Bahari, M.P.
The Hon. Mohamed D. Yakub, M.P.
The Hon. Omari Mbwana Zonga, M.P.

The Hon. Emilio Kathuri, M.P.
The Hon. Nelson Gaichuhie, M.P.

The Hon. Alfred Wekesa Sambu, M.P.
The Hon. George Thuo, M.P.
The Hon. Prof. Margaret Kamar, M.P.

IN ATTENDANCE

KENYA NATIONAL ASSEMBLY

The Hon. Walter Nyambati Vice-Chairman, Parliamentary Service Commission	
The Hon. Jamleck Kamau Parliamentary Service Commission	
Mr. Patrick G. Gichohi	Clerk, Kenya National Assembly
Mr. P.C. Omolo	Senior Deputy Clerk, Kenya National Assembly
Mr. Clement Nyandiere	Director, Information and Research Services
Mr. Gerald Okola	Director, Administrative Services

Ms. Consolata Munga
Mr. Samuel Obundo
Mr. Paul Onyango

Deputy Director, Committee Services
Principal Accounts Controller
Principal Finance Officer

IN ATTENDANCE

KENYA NATIONAL ASSEMBLY

Ms. Phyllis Makau
Mr. Fredrick Muthengi
Mr. Gichohi Mwaniki

Principal Budget Officer
Budget Officer
Parliamentary Intern

MIN.NO. 29/2009 PRAYER

The meeting was opened with a word of prayer.

MIN. NO.30/2009 CHAIRMAN'S REMARKS

The chair introduced the Members and requested the Clerk to introduce the Kenya National Assembly team. The Chair further emphasized that the purpose of the meeting was to explore ways in which the budget Committee could support the National Assembly in bridging the deficit between what they had requested from Treasury and what was allocated during this financial year's budget.

**MIN. NO.30/2009 PRESENTATION BY THE VICE-CHAIRMAN
PARLIAMENTARY SERVICE COMMISSION**

The Vice-Chairman of the Parliamentary Service conveyed the apologies of the Chairman of the Parliamentary Service Commission for not attending this meeting as he was out of the country on Official duty. He then took the Committee through the strategic plan of the Kenya National Assembly and listed the challenges and achievements of the National Assembly since the current Commission took office. He also enumerated the list of projects which the Parliamentary Service Commission had intended to embark on this financial year. They were;

- Equipping of Committee rooms so as to introduce electronic voting
- Digitization of the Hansard

- Modernization and refurbishment of the Chamber
- Establishment of the Parliamentary Training Institute to cater for short courses and workshops
- Provision of adequate office space – the Commission was undertaking to put up a new, State-of-the-art building to satisfy this need

**MIN. NO.30/2009 PRESENTATION BY THE CLERK, KENYA
NATIONAL ASSEMBLY**

The Clerk took the Committee through this financial year's Kenya National Assembly budget and enumerated the areas that had received less funding than had been anticipated and requested from Treasury by the National Assembly.

He informed the Committee that the National Assembly currently had a total budgetary deficit of kshs 1,195,851,003 and the main areas that were to receive less funding than anticipated were as follows;

- Refurbishment of the Chamber which had received kshs 410 million against a requested kshs 600 million
- Purchase of Hansard equipment, which had received kshs 90 million against a requested kshs 130 million
- Construction of Offices for both Staff and Members which had received kshs 151.7 million against a requested kshs 350 million
- Construction of a walkway connecting the Parliament Buildings which had received kshs 59 million against a requested kshs 32 million
- Catering for the various Select and Departmental Committees which had received kshs 280 million against a requested kshs 350 million.
- Mortgage provision which had received kshs 410 million against a requested kshs 500 million
- Land acquisition – Kshs 70 million had been requested and a token kshs 500,000 was provided for in the estimates although an assurance was

conveyed by treasury that as soon as an agreement had been reached with the seller the complete funding for this would be availed

- Mileage which had received kshs 459 million against a requested kshs 510 million
- Provisions to repair the roof of the Chamber which were allocated kshs 80 million against a requested kshs 30 million
- Provision for constituency offices which were allocated kshs 680 million against a requested kshs 756 million

The Clerk also informed the Committee of the following Challenges the Kenya National Assembly which were affecting the effective implementation of the budget;

- The long time taken in the procurement process
- The slow process of recruitment of staff
- The open nature of Parliamentary calendar which means that sessions may last longer than expected and thereby pushing allowances up
- The potential for the formation of new (ad-hoc) Committees which require additional budgetary provisions

He also explained that in order to reduce on the monetary requirements of the National Assembly and reduce on wastage of resources, the National Assembly was embarking on a shift to maximizing the use of ICT in its operations, i.e. Use of the website and broadcasting for communication, in order to cut costs on paper and stationary – since the Kenya National Assembly was hitherto using upwards of 700 reams of paper a week.

The Clerk also assured the Committee that the capacity of the Research Department, Budget Office and the Legal Department would be boosted in order that Members would be better equipped to discharge their mandates.

MIN. NO.31/2009 ISSUES RAISED BY THE COMMITTEE

The following issues were raised:

12. Members enquired on details of the plans that the Kenya National Assembly had to make economic use of the plot in Karen which was the former speaker's residence and was to be converted into a training institute. The Members also sought to know whether there was any plan by the Kenya National assembly to acquire an official residence for Mr. Speaker and why he was not using this particular residence.

The Kenya National Assembly explained that Mr. Speaker had been prevailed upon by the Parliamentary Service Commission to relinquish the residence since it had considerable size of land that would, in the eyes of the Commission, be better made use of as a training centre. The Committee was also informed that there was a provision of kshs 100 million in this years budget to purchase an official residence for the speaker and that a training policy had been adopted by the Parliamentary Service Commission and it was ready for tabling before the Committee and stated that in 3 year's time, the proposed training centre would be self sufficient and not in need of any further provisions from the Consolidated Fund.

13. The Committee sought to know how where the figures enumerated for construction had been arrived at and whether the Public Relations Department was up to the task in portraying a good image of Parliament in public.

The Members were informed by the Kenya National Assembly that the kshs 600 million for construction was arrived at in consultation with the Ministry of Public Works and several consultants and this figure was to be used to construct facilities that would accommodate up to 300 Members in the Chamber. The Committee was further informed that two new Officers had recently been recruited in the Public Relations department to boost its capacity and effectiveness and they were the Media Relations Officer and the Public Relations Officer.

14. The Committee also enquired on slow and most often downtime internet facilities in the National Assembly since they were deficient, in the view of the Committee in relation to those available in the private sector. The Committee further requested a comprehensive list of staff in the service of the Kenya National Assembly.

The Kenya National Assembly acknowledged and appreciated the feedback from the Members regarding the wanting internet connection and explained that this was due to a relatively recent surge in demand by about 300%. To mitigate this, services of additional service providers had been acquired and certain websites that took up high bandwidth had been blocked in order that the service was only used for essential matters.

The list of KNA staff requested was also to be provided at the earliest convenience- KNA Staff Bio-data

15. The Committee also enquired on how the Kenya National Assembly intended to make use of kshs 100 million which was additional to what had been requested from treasury as well as what steps the Kenya National Assembly was taking to improve the security of the Members within the precincts of Parliament.

The Committee was informed that the Kenya National Assembly would consult Treasury on the use of the additional funds and acknowledged that security was a significant issue since approximately 10,000 people accessed Parliament buildings on a daily basis and therefore the Commission had made it a priority to take a more incisive look into the entire security arrangement of the National Assembly, through the Security Development Committee of the Commission and would table a report in the House shortly. The Committee further requested the National Assembly to introduce a new sub-head in the vote for Parliament to cater for the Budget Committee and the Budget Office as they were statutory Institutions resulting from *the Fiscal Management Act 2009*.

16. The Committee also enquired on what sports in addition to football, which is under Bunge FC, were being pursued by the National Assembly and whether Parliament was complying with the directive from Treasury on restricting the vehicles used in the government service to an engine capacity of 1800 cc.

The Committee was informed that the only sport currently being supported by the National Assembly was football but there was a possibility of others being added to this list if Members expressed desire that that should be the

case. With regard to engine **Cc** rating the Clerk had written to the Permanent Secretary, Treasury regarding the engine capacity of the vehicles in the service of the National Assembly and specifically the way forward on the vehicles that were using diesel and was awaiting a response.

The Committee was also informed that the Kshs 150,000 that was provided for the Constituency Offices was also subject to the same audits as was all other government funds. Currently KNA had recruited 3 Constituencies Liaison Officers to streamline and coordinate the exercise.

MIN. NO.32/2009

ANY OTHER BUSINESS

The Committee requested the Kenya National Assembly to instruct the legal department of Parliament to commence review of the *Public Procurement and Disposal Act 2005*, with an aim of reporting to the Committee in order that steps could be taken to ease and shorten the procurement process and thereby increase the absorption capacity of government departments of allocated funds.

2. MEETING WITH THE KENYA NATIONAL AUDIT OFFICE

PRESENT:

The following Members of the Committee were present:-

1. The Hon. Elias Mbau, M.P., Chairman
2. The Hon. Martin Otieno Ogindo, M.P.
3. The Hon. Nemesys Warugongo, M.P.
4. The Hon. John Mututho, M.P.
5. The Hon. Moses Lessonet, M.P.
6. The Hon. John Mbadi, M.P.
7. The Hon. Danson Mungatana, M.P.

IN ATTENDANCE **(KENAO)**

Mr. Anthony Gatumbo
Mr. William O Agunda
Mr. Edward H Gikonyo
Mr. John Kagonda
Mr. P.M. Njuguna
Mr. S.M. Muriuki

KENYA NATIONAL AUDIT OFFICE

Controller and Auditor-General
Kenya National Audit Office
Kenya National Audit Office
Kenya National Audit Office
Kenya National Audit Office
Kenya National Audit Office

IN ATTENDANCE

Ms. Phyllis Makau
Mr. Fredrick Muthengi
Mr. Gichohi Mwaniki

KENYA NATIONAL ASSEMBLY

Principal Budget Officer
Budget Officer
Parliamentary Intern

MIN. NO.33/2009

CHAIRMAN'S REMARKS

The chair introduced the Members and requested the Controller and Auditor General to introduce the Kenya National Audit Office (KENAO) team. The Chair explained that this was a follow up meeting from an earlier one in the week where the submissions made and information provided by the Kenya National Audit Office had not been satisfactory according to the Committee. It was therefore the Committee's expectation that that had since been rectified and that this particular meeting would be productive and informative to the Committee on the basis for approval of KENAO's Budget once tabled in the House.

MIN. NO.34/2009

**PRESENTATION BY THE CONTROLLER AND
AUDITOR-GENERAL**

The Controller and Auditor General introduced his team and apologized for the deadlock at the earlier meeting. He then requested the heads of department that he had come with to give a brief summary of a general overview of the operations of their departments as well as their budgetary provisions in the financial year 2009/10, and they proceeded to do this.

MIN. NO.35/2009

ISSUES RAISED BY THE COMMITTEE

The following issues were raised:

- 1. The Committee enquired on whether the increased workload resulting from the new water boards would ultimately result in the procurement of the services of private auditors. The Committee expressed reservations with such a measure observing that it was historically difficult to monitor on the performance and integrity of private auditors.***

The Kenya National Audit Office (KENAO) informed the Committee that the services of private auditors would be sought to offset the lack of capacity of KENAO but a more rigorous process would be used to select these private auditors and in the event they did not perform to the required standards, KENAO would take over the responsibilities hitherto delegated to the private firm. KENAO also noted that its capacity to perform complex audits had been boosted with the introduction of the Specialized Audits Department in the financial year 2005/06, which was achieved with support from the Canadian Controller and Auditor General.

- 2. The Committee requested a Comprehensive list of all the staff in the service of KENAO as well as the proposed timetable for the recruitment of new staff and whether the current remuneration of the staff at KENAO was sufficient to compete with the private sector in attracting qualified personnel.***

KENAO informed the Committee that staff recruitment would commence between March and September of the next calendar year and that the remuneration package offered by KENAO was sufficient to attract competent

personnel. KENAO further assured the Committee that the list of staff would be provided to the Committee by the following Monday.

3. The Committee sought to know who was charged with the responsibility of auditing KENAO. The Committee further enquired on the status of the audit reports of the various local authorities in the country.

KENAO explained that there was currently an arrangement in place where KENAO was audited by Treasury and vice versa but there was currently a proposal tabled by KENAO to have an Accounting Officer appointed in KENAO and the auditing outsourced to a private firm. KENAO also acknowledged that there was need to improve the use of funds by the various local authorities, especially the LATF (Local Authorities Transfer Fund) provision and more scrutiny the use of these funds was required.

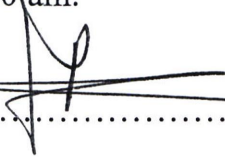
MIN. NO.36/2009 PROGRESS ON THE FORENSIC AUDIT OF THE ANNUAL ESTIMATES RECOMMENDED BY THE JOINT COMMITTEE

The Committee was informed that the law (Public Audit Act) requires that if a forensic report of the central government or of any government entity is to be laid in parliament, only the Controller and Auditor General was mandated to do so. Consequently, the Permanent Secretary, Treasury, had requested the Controller and Auditor-General to carry out the report. The Controller and Auditor-General would then decide whether to carry out the audit himself or whether to outsource it instead and the rules governing such procedures held that the audited entity would meet the costs of the audit, in this case, Treasury. Thereafter, the resulting Audit would be given to the Controller and Auditor General by the contracted firm who would then proceed to own it and present it to the Minister for tabling in the House.

The Controller and Auditor General, however, assured the Committee that he was eager to cooperate with the Committee in bringing this particular audit to a speedy and satisfactory conclusion and that he was not averse to taking the Committee's comments and suggestions into consideration.

MIN. NO.37/2009 ADJOURNMENT

There being no other business the meeting was adjourned at 2.15 pm till Tuesday, July 21, 2009 at 10.00 am.

Signed 

Hon. Elias Mbau, Chairman

Date 29/07/09