

FINANCIAL RESOURCE MANAGEMENT

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Objectives

- Describe financial management
- Describe budgeting
- Describe Health care financing
- Describe budgeting in Kenya

AREAS

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- The role of parliament
- Treasury the controller and auditor general in public financial management
- Sources of health care financing
- Financial accounting systems and mechanisms

- Accounting documents
 - imprest,
 - vouchers,
 - per diem,
 - facility improvement fund (fif),
 - salary,
 - allowances,
 - vote books,
- Budget types

Financial Management definition

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- ❖ Financial management is defined as a series of activities designed to allocate resources and plan for the efficient operation of an organization.
- ❖ The overall goal of financial management is to meet the total financial needs of an organization.
- ❖ A major component of financial management is budgeting

BUDGETING

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- Budgeting can be defined as a process of planning and controlling future operations by comparing actual results with planned expectations.
- Planning because it first involves reviewing established goals and objectives of the organization
- Controlling is the process of comparing actual results with those projected in the budget

AFTER BUDGETING

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- After budgeting process, you come up with a budget. A budget is a quantitative statement usually written in monetary terms of plans and expectations over a specified period of time.
- It can also be defined as a plan for identifying expected resource expenditures as well as sources of funding or revenue.

- The budget process in any organization will depend on the mission, structure and culture of an organization as much as will depend on formalized mechanical steps involved in budget preparation and use

1. WHY OVERSIGHT?

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- The key functions of Parliamentary Oversight as outlined in the *Tools for Parliamentary Oversight*, published by the Inter-Parliamentary Union, can be described as follows -
 - ✓ to detect and prevent abuse, arbitrary behaviour, or illegal and unconstitutional conduct on the part of the government and public agencies. At the core of this function is the protection of the rights and liberties of citizens

- ✓ to hold the government to account in respect of how the taxpayers' money is used.
- ✓ It detects waste within the machinery of government and public agencies.
- ✓ Thus it can improve the efficiency, economy and effectiveness of government operations

- ✓ to ensure that policies announced by the government and authorized by parliament(legislature) are actually delivered.
- ✓ This function includes monitoring the achievement of goals set by legislation and the government's own programmes ;
- ✓ and to improve the transparency of government operations and enhance public trust in the government.

2. THE MANDATE OF THE SENATE

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The mandate of the Senate is derived from various provisions of the Constitution-

- Article 1 of the Constitution provides as follows-
 - **All sovereign power belongs to the people of Kenya** and shall be exercised only in accordance with this Constitution.
 - The people may exercise their sovereign power either directly or through their democratically elected representatives.

....cont'

- Sovereign power under this Constitution is delegated to the following State organs, which perform their functions in accordance with this Constitution-
 - **Parliament** and the legislative assemblies in the county governments;
 - **The national executive** and the executive structures in the county governments; and
 - The judiciary and independent tribunals.

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- The sovereign power is exercised at-
 - **The national level;** and
 - The county level.

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- Article 94 of the Constitution in providing for the role of Parliament makes reference to the legislative mandate of both Houses of Parliament in the following terms-
 - (1) The legislative authority of the Republic is derived from the people and, at the national level, is vested in and exercised by Parliament.
 - (4) Parliament shall protect this Constitution and promote the democratic governance of the Republic.

(5) No person or body, other than Parliament, has the power to make provision having the force of law in Kenya except under authority conferred by this Constitution or by legislation.

- On the legislative mandate of the Senate in particular, Article 96 of the Constitution provides as follows-
 - (1) The Senate represents the counties, and serves to protect the interests of the counties and their governments.

....cont'

- (2) The Senate participates in the law-making function of Parliament by considering, debating and approving Bills concerning counties, as provided in Articles 109 to 113.

- (3) The Senate determines the allocation of national revenue among counties, as provided in Article 217, and **exercises oversight over national revenue allocated to the county governments.**

- The Courts have also given guidance in trying to unravel the mandate of the Senate. The former Chief Justice Willy Mutunga in the Supreme Court's Advisory Opinion, *Reference No. 2 of 2013, Speaker of the Senate & Anor. Vs The Attorney General & Anor*, recognized the pivotal role of the Senate by giving a background on the evolution of devolution in Kenya. He stated-

[182]The current devolution provisions in Chapter 11 of the new Constitution are a *major shift from the fiscal and administrative decentralisation initiatives* that preceded it. *It encompasses elements of political, administrative and fiscal devolution.* There is a *vertical and horizontal dispersal of power that puts the exercise of State power in check.* Importantly, the Constitution has created a *Senate, an institution that enjoys direct legitimacy and a popular mandate,* commanding it to be the *protector of devolution.*

3. THE MANDATE OF COUNTY ASSEMBLIES

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The mandate of the County Assemblies is likewise derived from various provisions of the Constitution-

- **Article 1** of the Constitution provides as follows-
 - **All sovereign power belongs to the people of Kenya** and shall be exercised only in accordance with this Constitution.
 - The people may exercise their sovereign power either directly or through their democratically elected representatives.

- Sovereign power under this Constitution is delegated to the following State organs, which perform their functions in accordance with this Constitution-
 - Parliament and **the legislature assemblies in the county governments;**
 - The national executive and **the executive structures in the county governments;** and
 - The judiciary and independent tribunals.

- The sovereign power is exercised at-
 - The national level; and
 - **The county level.**
- **Article 185** makes reference to the legislative authority of the County Assemblies-
 - (1) The legislative authority of a county is vested in, and exercised by, its county assembly.

- (2) A county assembly may make any laws that are necessary for, or incidental to, the effective performance of the functions and exercise of the powers of the county government under the Fourth Schedule.
- (3) A county assembly, while respecting the principle of the separation of powers, may exercise oversight over the county executive committee and any other county executive organs.**

(4) A county assembly may receive and approve plans and policies for—

(a) the management and exploitation of the county's resources; and

(b) the development and management of its infrastructure and institutions.

- **Article 226(2) on the** accounts and audit of public entities provides as follows-

(2) The accounting officer of a national public entity is accountable to the National Assembly for its financial management, and **the accounting officer of a county public entity is accountable to the county assembly for its financial management.**

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4. WHAT IS THE DIFFERENCE?

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- From the foregoing therefore it is evident that the Constitution confers expressly on the Senate the power to exercise oversight over national revenue allocated to county governments. However a further consideration of the provisions of Article 94(4) of the Constitution indicates that Parliament (consisting of the Senate and the National Assembly) has a wider role of *“protecting the Constitution and promoting the democratic governance of the Republic”*.

- In discharging its oversight function therefore, the Senate does not simply concern itself with the question of the prudent (or imprudent) use of public funds, but goes further to inquire, determine and where appropriate intervene for purposes of *“protecting the Constitution and promoting democratic governance”*. In carrying out this task the Senate and its committees are guided by the national values and principles of governance set out in Article 10(2) of the Constitution as follows-

- patriotism, national unity, sharing and devolution of power, the rule of law, democracy and participation of the people;
- human dignity, equity, social justice, inclusiveness, equality, human rights, non-discrimination and protection of the marginalised;
- good governance, integrity, transparency and accountability; and
- sustainable development.

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- The oversight role of the Senate does not only involve oversight over county governments and other agencies in the devolution structure but also involves oversight over the conduct of certain state officers. For instance under the Constitution, the National Assembly is designated as the indictment chamber in the process of the impeachment of a President while the Senate is designated as the trial chamber in the process of impeachment of the President. Similarly, in the event of the impeachment of a Governor, the respective County Assembly is typically the indictment chamber while the Senate is the trial chamber. In both instances, the Senate determines whether the conduct of the particular state officer necessitates removal from office.

- While the mandate of the Senate and County Assemblies may broadly be similar because of the nature of Legislatures, the jurisdiction is different, with the mandate of the Assemblies being confined to the relevant County.

5. EXPERIENCES AND CHALLENGES OF THE SENATE IN RELATION TO OVERSIGHT IN THE 11TH PARLIAMENT

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In the 11th Parliament the Senate discharged its oversight mandate through its law-making and investigatory powers. Some of the experiences and challenges are shared below-

- **Oversight through Legislation**

The Senate in undertaking its oversight role through legislation, passed the following critical pieces of legislation-

- The County Governments (Amendment) No. 2 Bill of 2014(now an Act);
- The Public Appointments (County Assembly) Approval Act;
- County Assembly Services Act;
- The Office of County Attorney Bill, Senate Bills No.37 of 2014(lapsed in the National Assembly); and
- The Impeachment Procedure Bill, Senate Bills No. 8 of 2016(lapsed in the National Assembly).



Cont'

- In undertaking this role, the Senate faced challenges through Court Suits such as-
- ***Council of Governors Vs. the Senate, the National Assembly and 47 Senators -Constitutional Petition No.381 of 2014***
 - ✓The Council of Governors challenged the County Governments (Amendment) Act, 2014(the Sang' Bill) for undermining county governments and usurping the powers of County Assemblies by including members of Parliament in the County Development Boards.
 - ✓The High Court declared the Act unconstitutional.

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Council of Governors v Senate ,Petition Number 187 of 2015

Brief facts of the case

In this matter, the Petitioner moved to court following the Senate purporting to investigate the legality of the Kiambu County Finance Act, 2014 through a letter dated 6th May, 2015 addressed to the Kiambu County Government.

Determination of the Court

- The Court found merit in the petition and declared that per Articles 6(2), 209 and 10 of the Constitution, the Senate cannot scrutinise the process and legality of a county legislation. Thus a permanent injunction was granted restraining the Senate from considering the process and legality of county legislation.

Oversight by Committees

- At the conclusion of consideration of a matter through a Committee, the committee reports back to the Senate (plenary) on its findings and the recommendations made in the report would form the basis of policy direction and recommendations made by the Senate to the relevant government agency involved.
- The Senate in undertaking its oversight role through Committees considered a number of issues-

Petitions

- A number of Petitions were tabled before the Senate, however, some faced challenges prohibiting a smooth conclusion of the Petitions.
 - An example was a petition by the Senator of Vihiga County, Sen. George Khaniri presented on 25th February, 2016 and referred to the Finance Committee. The petition arose from issues that accrued from a resolution by the Vihiga County Assembly

Cont'

- The Governor, in response to the various summons to appear before the Committee, averred that the Senate was acting ultra vires in purporting to sit on appeal on matters that had been considered and voted on by the Vihiga County Assembly. The Governor further averred that the Senate had original but not appellate jurisdiction and could not set aside the determination of a County Assembly.

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- The Committee however proceeded to prosecute the matter as the right of Kenyan citizens to petition public authorities and Parliament is a right conferred by the Constitution.

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County Public Accounts and Investments

- The County Public Accounts and Investments Committee and the Finance Committees of the Senate faced a myriad of challenges in the discharge of their mandates. The following cases attest to this-
- *Council of Governors & 6 others v Senate, Petition No. 413 of 2014*

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Brief facts of the case

- The Petitioner sued the Senate on the basis of the constitutionality of summons issued in August 2014 to certain governors by the Senate's Sessional Committee on County Public Accounts and Investments.

Determination of the Court

- The Court held that it is proper, legal, and constitutional for Members of the Executive Committee responsible for finance and the Chief Officers responsible for finance to appear before the Senate or any of its Committee to answer on County Government finances and to generally provide information that helps the Senate to undertake its oversight functions as stipulated in Article 96 of the Constitution.

Cont'

Wycliffe Ambetsa Oparanya & 3 others v Director of Public Prosecutions & another , Constitutional Petition Number 561 Of 2015

Brief facts of the case

- According to the Petitioners, the decision of the Senate to summon Governor Wycliffe Oparanya to answer questions on the Auditor General's report without giving the County Assembly the opportunity to examine the report and make its conclusions in the first instance undermines the legislative and oversight powers of the County Assembly

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Determination of the Court

- The Court held that the Senate cannot exercise its powers under Article 96 of the Constitution in a manner that cripples the oversight mandate of the County Assemblies in violation of the provisions of Articles 6(2) and 189 (1) of the Constitution.

- It was also determined that the Senate is bound by the provisions of Article 189 (1) of the Constitution to perform its functions and exercise its powers in a manner that respects the functional and institutional integrity as well as the constitutional status and institutions at the County level.

Cont'

International Legal Consultancy Group v Senate & Clerk of the Senate , Constitutional Petition Number 8 of 2014

Brief facts of the case

- In this matter, the Petitioner filed a petition in February 2013 which challenged the decision of the Senate to summon 9 County Governors and County Executive Members responsible for finance to appear before it and produce various documents and respond to various issues with regard to county finance and fiscal management within their counties.

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The Petitioner stated that the Senate cannot scrutinize county expenditures in the same way the committees and general assemblies of the County legislatures can. The Petitioner thus concluded that the Senate's power is limited to oversight over national agencies which manage national revenue allocated to counties such as the National treasury.

Cont'

Determination of the Court

- In its judgement, the High Court held that the Senate can summon Governors, County Executive Members of Finance and County Accounting Officers to appear before it and answer to questions on County Government finances in so far as the National revenue allocated to the respective county is concerned, but such power should not be exercised in an arbitrary and capricious manner.

- The Court also held that the Senate's power of oversight under Article 96(3) is limited to National revenue allocated to the County Governments.

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Sources of Government Finance

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- Government Revenue can be classified into two main categories namely recurrent and development revenue
- **Recurrent Revenue:** This refers to finances needed to pay for the operating costs of running the government services. The main sources of this revenue are; Fines and fees; Taxes e.g. VAT, P.A.Y.E., Duties e.g. custom duty, excise duty; Investment revenue etc.
- **Appropriation in Aid:** Appropriation in Aid is a particular form of revenue that the Treasury allows an accounting officer to collect and use in addition to amounts issued from the exchequer.

Development Revenue

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- These refer to finances needed to implement development programmes and projects.
- The main sources of development revenue are:
 - Sale of non strategic assets e.g. sale of government owned business organizations (privatization of parastatals);
- Grants from friendly governments, institutions and individuals;
- Loans-these may be borrowed locally (domestic) through sale of treasury bonds and treasury bills or from external lenders (donors).

Sources of health care financing

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- The way a health system is financed is a key determinant of the population well-being.
- In Kenya the major financier of health care is the government with the resources from the exchequer through the ministry of health. Others may include private insurances, non- governmental organizations, out of pocket.

National Hospital Insurance Fund

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- In attaining independence in 1963, the Government of Kenya (GoK) stated its commitment to eradicating poverty, illiteracy and promoting good health. Towards achieving the latter, the Government pursued a policy of “free health services” in Government health facilities.
- To compliment this, National Hospital Insurance Fund (NHIF / Fund) was established in 1966 through an Act of Parliament Cap. 255 of the laws of Kenya, as a Government department within the Ministry of Health

Functions of the fund

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- The functions of the Fund, as outlined in the National Hospital Insurance Fund Act No. 9 of 1998, Laws of Kenya, are to:
 - I. Register and receive all contributions and other payments.
 - II. Make payments out of the Fund to declared hospitals.
 - III. Set criteria for the declaration of hospitals and to accredit them.
 - IV. Regulate contributions payable to the Fund, the benefits and other payments to be made out of the Fund.
 - V. Protect interests of contributors to the Fund.
 - VI. Advise the Government on the national policy to be followed with regard to national health insurance and to implement all Government policies relating thereto.

Management Accounting

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- **Responsibilities**

- Provide university-wide management reports and analysis
- Assist units in preparing management reports
- Preparation and analysis of reserve reporting
- Oversee capital budgeting, deferred maintenance and debt needs

- **Major Projects**

- College/School needs assessment
- Development of management reporting and presentation to campus constituents

- **Challenges**

- Defining, creating, automating management reports to meet all needs
- Dissemination of information in formats acceptable to deans, department heads, financial managers, etc.

Information Systems Support

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- Responsibilities

- Programming, tech support for finance and human resource systems
- Desktop/server support for Business Office & other administrative units
- Liaison with central information technology
- Production support –data entry, print, imaging financial documents



- Major Projects
 - Banner reporting
 - Budget development system
 - Converting AS400 data and systems
- Challenges
 - Prioritizing to meet needs of all users in current climate of new systems
 - Constantly changing IT environment

Accounting documents

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- **Imprest**

- What is imprest system and what's the point with the [Imprest funds](#)? The creation of the imprest petty cash account comes from the United Kingdom. The main feature is Imprest **petty cash system**. What are the **system** main advantages and why is it worth using it? As it was stated below the maximal **petty cash** amount is \$100 so you can spend only what you have and replenish the sum you've spent – that is \$90

- An imprest account is an advance of cash or a-- bank account, with a balance and cheque book facility, which is made available to various establishments to enable them to make certain types of payment.

What are the different types of imprest account?

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- There are two types of Imprest accounts:
 - Cash imprest account
 - Bank account imprest account
- What are the responsibilities of the Imprest Account Holder?
 - The imprest account holder is the person responsible for all the monies in the account and for ensuring that it is run correctly in accordance with approved procedures.

- Who can be an authorized signatory?
 - Bank imprests normally need to have two signatures on each cheque and there should be a list of about three or four people who can sign (authorised signatories) the cheques. Signatories should be senior members of staff who are aware of the types of items that will be purchased. The day to day running of the account should be delegated to the account administrator, who may also be one of the signatories, but never a sole signatory.

- How is expenditure charged against my budget?
 - Receipts must be obtained for all expenditure. Each item of expenditure should be recorded on the claim form against the relevant cost centre for expenditure purposes
- How is expenditure reimbursed to the imprest account?
 - Reimbursement claims should be input and authorised on Purchase Ledger when half the imprest advance has been used, or at the end of each month

- What types of payments must not be made via the imprest account?
 - No invoices for repairs or maintenance can be paid out of the imprest account. They must be either forwarded to the Shirehall for payment or, if the establishment has access to Purchase Ledger, entered onto SAMIS. Salary payments and staff expenses **MUST NOT** be paid via the imprest account

- Will the account incur bank charges?
 - No, the Authority's agreement with NatWest Bank precludes any charge for the operation of an imprest account.
- Do imprest accounts need to be reconciled?
 - All imprest accounts need to be reconciled. The reconciliations can be done on excel or manually. The cash imprest reconciliations reconcile to the amount originally advanced. The bank account reconciliations reconcile to the balance per the bank statement

- Can I Set Up Standing Orders and Direct Debits?
 - Standing orders and direct debits should only be set up where there is a clear benefit to the imprest holder in terms of cost (fewer payments, postage saving or resulting discounts) or convenience (fewer payments, not having to complete regular cheque payments, etc)

- What should I do if any imprest money is lost?
 - Any loss of imprest money due to theft or misappropriation is to be reported immediately to the relevant Director of Service and also to Audit Services
- Can an imprest account be overdrawn?
 - Where a bank account is operated, the bank balance should be monitored to ensure that under no circumstances the account goes overdrawn.

- Are there any special security considerations for imprest accounts?
 - Imprest cash and cheque books should be kept secure at all times. Imprest cheques must not be presigned for later use.
- Can income be paid into an imprest account?
 - No income of any type is to be paid into an imprest account.
- What are the liabilities of the imprest account holder?
 - The imprest holder is held responsible for the safe custody and proper operation of the account in line with the instructions issued and may be liable for any losses or misappropriations that may arise.



made available to various establishments to enable them to make certain types of payment such as

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- small cash payments (however, wherever possible payments over £20 should be made by cheque).
- where payment is required with order for certain types of supplier who require payment in return for goods
- where paying promptly by return would secure additional discounts.

- where the ability to offer prompt payment, either on the day or soon afterwards would allow a better price to be obtained for the goods and services provided, rather than an invoice being sent to the Payments Team for payment.
- losses or defaults arising from these transactions will rest with the establishment, as this is not recommended practice

Why do we have imprest accounts?

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- Imprest Accounts give establishment's greater freedom in making certain types of payment.
- It is important that Imprest accounts are not used as a method of bypassing the Authority's financial controls in relation to the ordering and purchasing of goods or materials for use

What are the different types of imprest account?

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There are two types of Imprest accounts:

➤ Cash Imprest Account –

- ✓ which is an advance of cash to an officer out of which expenditure can be met.
- ✓ This type of account is useful if there are only a few transactions and the amounts involved are small.
- ✓ Normally cash imprests are only issued up to £100. If you need more than this you should operate a Bank Account Imprest

➤ **Bank Account Imprest Account –**

- ✓ which is normally set up when the imprest advance is more than £100. It is a bank account at the authority's bank, NatWest, which is set up specifically for the imprest holder.
- ✓ The account has cheque facilities but no paying in facilities

Mandate of the Office of the Controller of Budget (OCOBS)

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❖ The Office of the Controller of Budget (OCOB) is an independent office which was established under Article **228** of the Constitution to oversee the implementation of budgets of both levels of governments.

Role of OCOB

1. Oversight Role

- It involves overseeing implementation budgets by National and county governments
- The Controller of Budget therefore monitors use of funds in-year and reports to Parliament.

2 Controlling Role

- Article 228 (5) empowers the COB to authorize withdrawals from **Public Funds** once satisfied that the said withdrawal is within the law.
- The COB can only approve withdrawals from the County Revenue Fund for budgeted activities.

3. Reporting Role

- OCOB prepares quarterly reports on budget implementation and submit to the Parliament. To date, the Office has prepared four county budget implementation review reports.
- These reports track budget implementation by county governments and make recommendations to address challenges/issues affecting budget implementation.

4. Advisory Role

- The COB also gives advice to county governments on issues related to budget implementation e.g. Low absorption of funds, revenue performance, capacity issues, etc. This therefore promotes accountability in the use of financial resources.

5. Investigative Role

- OCOB may conduct investigations on its own motion or on a complaint made by a member of the public with regard to budget implementation.

6. Mediation Role

- OCOB may conduct alternative dispute resolution mechanisms to resolve disputes relating to budget implementation

- PROVISION OF BUDGET IMPLEMENTATION INFORMATION TO THE PUBLIC TO EFFECTIVELY PROVIDE SOCIAL ACCOUNTABILITY AUDIT.
- (PFM Act 2012, Sec. 39(8))
- Other legislations (Articles 232, 249, 252, 254) give the expanded scope for the office.

What is budget implementation

- Review for compliance (Law)
- Execute on the activities in the work plans
- Monitor and report

Why is budget execution important?

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- Budget credibility
- Manage Spending and Revenues to budget
 - support manifestos
 - allow budget to be planning and steering tool
 - promote macro-fiscal discipline
 - reduce opportunities for corruption

- Enable program implementation
 - ✓ assure resources flow to programs
 - ✓ allow budget to be aid to operational efficiency through spending unit advance planning, efficient administration
 - ✓ enable program managers to achieve objective
- Lets look at the Kenya Context- After enactment of the Constitution of Kenya 2010.

PRINCIPLES OF BUDGETING

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- The constitution captured the public finance management reform agenda and established a number of institutions to improve financial management in the country:
 - i) Controller of Budget
 - ii) Auditor General
 - i. Salaries and Remuneration Commission
 - ii. Central Bank of Kenya
 - iii. Commission on revenue allocation etc

- These independent institutions were given wider mandates in the oversight of the financial resources of the country and budget execution.

PRINCIPLES OF BUDGETING

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- **ARTICLE 201 OF THE CONSTITUTION HAS LAID DOWN VERY GOOD AND BASIC PRINCIPLES OF BUDGETING AS FOLLOWS:-**
 - There shall be openness and accountability, including public participation in financial matters.

- The public finance system shall promote an equitable society and in particular
 - i. The burden of taxation shall be shared fairly
 - ii. Revenue raised nationally shall be shared equitably among national and county governments; and
 - iii. Expenditure shall promote the equitable development of the country, including by making special provision for marginalized groups and areas

- The burdens and benefits of use of resources and public borrowing shall be shared equitably between present and future generations.
- Public money shall be used in a prudent and responsible way; and
- Financial management shall be responsible, and fiscal reporting shall be clear.

**THESE PRINCIPLES CAN ONLY BE ACHIEVED IF THE PRINCIPLE
OF GOOD GOVERNANCE IS OBSERVED BY ALL CONCERNED**

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- Remember PFM objectives
 - Aggregate fiscal discipline and in year control
 - Good strategic allocation of resources – pro-growth and pro-poor
 - Operational efficiency – minimizing waste
- Budgets are not just macroeconomic instruments
- They are also the expression and intended implementation of government policies and priorities

- They are also the framework for service delivery
- i.e. money not spent is not (necessarily) money well spent
- Greater recognition now that good budget implementation just doesn't happen automatically
- So we need to focus more on sound budget implementation systems also.
- We also must remember Article 232 of the Constitution on Values and Principles of public service (here the law says it all for budgeting and planning)

Preparation

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- Involvement of ALL STAKEHOLDERS in budget preparation
 - Are they fully involved in the budget preparation?
 - Do they fully participate in setting their budget priorities?
 - Are there adequate legal provisions to allow citizen/stakeholder participation in the budget process? e.g. Constitution, Public Finance Management, Act 2012

Approval

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- Persons who prepare the budgets are technocrats, professionals whereas persons who approve are legislators
 - *Do they have the time, skills and knowledge to interrogate the budget?
(to be able to address technical issues !!!!)*
- Members of Parliament
 - *Will they have adequate capacity, knowledge and commitment to interrogate the budget and approve?*
- If budgets are not properly interrogated, this leads to several problems i.e. skewed allocations of resources and this is a major governance issue.

Control

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- **Are there adequate system to track expenditure?**
- **Where there are misuse cases, are investigations carried out on time?
And corrective action taken?**
- **Are there adequate legal frameworks to enforce compliance and impose penalties/sanctions? If you do not budget properly for activities so what?(law)**
- **Do the oversight institutions have adequate capacity? i.e. OCoB (to enforce compliance and with proper legal backing? Alternative methods?)**



Reporting

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- **Are the financial management systems adequate for reporting? Will facilitate quick decisions**
- **Are the reports submitted to oversight institutions on time? i.e. OCoB, Auditor General, Parliament**
- **Does the public have access to information on how resources are utilized? To effectively participate in social audits and hold implementers to account –please not this a requirement in the supreme law.**

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Monitoring of Budget Implementation

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- **Are there adequate M&E frameworks to monitor budget implementation?**
- **Does Parliament have adequate technical and support staff to undertake high level budget assessment/ support to Public Accounts Committee, Public Investment Committee, Finance, Budget Committees? Reports, research, recommendations, advice**
- **Are recommendations of Parliamentary Committees acted upon on a timely basis by the Executive? How is this ensured?**
- **Is there timely action on reports submitted to Parliament by the Controller of Budget? And what are the roles of OCOB in relation to budget implementation process?**



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Observations

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- Inadequate Management Information System (Assets)
- Uncoordinated decentralization – people do not know where to go to for specific actions- *there is no single entity to spear-head the devolution process.*

- Lack of adequate legal framework to manage the devolution process and delays in passing relevant bills
- Inadequate capacity and infrastructure in the counties both physical and human. (mainly Treasury function areas)

- Delay in conducting civic education by various stakeholders e.g. OCoB, Commission on Revenue allocation and Independent electoral and Boundary Commission etc.
- The need for proper coordination among the stakeholders as they carry out civic education to avoid duplication.

- Inadequate Legal framework to fully operationalize the OCoB also lacking (COB Bill with Attorney General)
- Lack of clear monitoring and evaluation framework for government programs and projects. There is limited capacity to conduct Monitoring and Evaluation in all technical areas due to lack of adequate capacity and skills.

- Low absorption of resources by most MDAs . This is a major problem especially with the development fund.
- Delay in release of funds in particular development funds!!!!!!
- Low revenue receipts by National Treasury.
- Non disclosure of Appropriations in Aid

- Not Capturing of information on some donor funded projects
- Inadequate tracking of expenditures on capital transfers.
- Little support for monitoring and evaluation of projects
- Expenditures to non core activities. In some cases are too high

- ❖ Large deviations between approved budget and actual spending
 - Policy and planning undermined
- ❖ Spending above approved levels
- ❖ Cash shortfalls, arrears
 - Sometimes with cash surpluses elsewhere

- ❖ Cash management supporting central treasury needs, but ignoring service delivery needs
 - Project cost increases
 - Undermining program performance
- ❖ Weak internal controls, with waste, fraud and abuse

- ❖ Insufficient record-keeping, inability to audit
- ❖ Untimely reporting, inability to manage spending
- ❖ Insufficient auditing, no self-correction to system

- ❖ Very poor systems for imprest management
- ❖ Mis-procurement of goods and services
- ❖ Budget management issues (Revision)
- ❖ Non compliance with circulars
- ❖ Accumulation of pending bills
- ❖ Unrealistic cash flow projections

- ❖ Unsynchronized procurement plans
- ❖ Unaccounted for transactions
- ❖ Non recording of development AIA
- ❖ Reconciliations of records often not done
- ❖ Non remittances of statutory deductions
- ❖ Inter-vote borrowing

- ❖ No clear work plans or log-frames for activities
- ❖ Project profiles not updated
- ❖ Asset registers not maintained
- ❖ Completed projects not benefiting the intended beneficiaries
- ❖ Audit committees not in place or not effective
- ❖ Delays in provision of required financial information.

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- ❖ We must enhance control over expenditure
- ❖ We must enhance cash management and planning
- ❖ We must be responsive to line ministry and program needs
- ❖ We must know resources are allocated at sector and enforce that.
- ❖ Delays in enacting relevant legislations for enforcement of fiscal discipline.
- ❖ **A POORLY FORMULATED BUDGET CANNOT BE EFFECTIVELY EXECUTED!!!**