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THE NATIONAL ASSEMBLY

THIRTEENTH PARLIAMENT – FOURTH SESSION – 2025
DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING

DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING

REPORT ON:
THE CONSIDERATION OF
THE PUBLIC FINANCE MANAGEMENT (AMENDMENT) BILL, 2024 (NATIONAL ASSEMBLY BILLS NO. 2 OF 2024)

NATIONAL ASSEMBLY RECEIVED
18 FEB 2025
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LIST OF ABBREVIATION

JCPAK	Institute of Certified Accountants of Kenya
MP	Member of Parliament
OAG	Office of the Auditor-General
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
SRC	Salaries and Remuneration Commission

ANNEXURES

Annexure 1: Adoption Schedule

Annexure 2: Minutes

Annexure 3: The Public Finance Management (Amendment) Bill, 2024 (National Assembly Bills No. 2 of 2024)

Annexure 5: Advertisement inviting the public to submit memoranda on the Bill

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Annexure 8: Memoranda by stakeholders

CHAIRPERSON'S FOREWORD

This report contains the proceedings of the Departmental Committee on Finance and National Planning on the consideration of the Public Finance Management (Amendment) Bill, 2024 (National Assembly Bills No. 2 of 2024), sponsored by the Hon. Kuria Kimani, CBS, MP. The Bill was published on 19th January, 2024. It was read a First Time on 9th April, 2024 and was then committed to the Committee for consideration and tabling of report to the House pursuant to Standing Order 127.

The principal object of the Bill is to amend the Public Finance Management Act, Cap. 412A. It proposes to reduce the time for submission of financial statements by public entities from three months after the end of a financial year to one month after the end of a financial year. This will ensure that the Office of the Auditor-General has adequate time to carry out required audits and prepare the required reports.

In compliance with Article 118(b) of the Constitution and Standing Order 127(3), the Clerk of the National Assembly placed an advertisement in the print media on 16th April 2024, inviting the public to submit memoranda by way of written statements on the Bill.

In addition, the Clerk of the National Assembly vide letter Ref. No.NA/DDC/F&NP/2024/101 dated 17th September April 2024 invited key stakeholders to submit views on the Bill and attend a public participation forum on 25th September, 2024. The memoranda were to be received on or before 15th April, 2024 at 5.00 pm (East African Time). By the close of the submission deadline, the Committee had received four memoranda.

On behalf of the Departmental Committee on Finance and National Planning and pursuant to the provisions of Standing Order 199(6), it is my singular honour to present to this House the Report of the Committee on its consideration of the Public Finance Management (Amendment) (No2.) Bill, 2024 (National Assembly Bills No. 26 of 2024). The Committee is grateful to the Offices of the Speaker and Clerk of the National Assembly for the logistical and technical support accorded to it during its consideration of the Bill.

Finally, I wish to express my appreciation to the Honourable Members of the Committee and the Committee Secretariat who made invaluable contributions towards the preparation and production of this report.

It is my pleasure to report that the Committee has considered the Public Finance Management (Amendment) Bill, (National Assembly Bills No. 2 of 2024) and wish to report to this August House with the recommendation that the House approves the Bill with amendments.

HON. CPA KURIA KIMANI, CBS, M.P.

CHAIRPERSON, DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING

Report of the Departmental Committee on Finance and National Planning on the Consideration of The Public Finance Management (Amendment) Bill, 2024 (National Assembly Bills No. 2 of 2024)



ACKNOWLEDGMENT

The Committee extends its sincere gratitude to the Office of the Speaker of the National Assembly and the Clerk of the National Assembly for their invaluable logistical and technical support throughout its sittings. Their assistance facilitated the Committee's deliberations and ensured the smooth progress of its work.

The Committee especially acknowledges and appreciates the participation of all stakeholders and members of the public who diligently submitted their comments on the Bill. Their insights and contributions have enriched the Committee's understanding of the various perspectives on the proposed measures.

Further, the Committee wishes to express its heartfelt appreciation to the Honourable Members of the Committee and the dedicated Committee Secretariat whose commitment, expertise and collaborative efforts were instrumental in preparing and producing this report. I particularly commend the Secretariat for their diligent work that enabled the Committee to fulfill its constitutional mandate by providing a thorough analysis of the Bill to the Committee.

On behalf of the Departmental Committee on Finance and National Planning and pursuant to Standing Order 199 (6), it is both a privilege and an honor to present to the House, the Report of the Departmental Committee on Finance and National Planning on its Consideration of the Public Finance Management (Amendment) Bill, (National Assembly Bills No. 2 of 2024). The Committee trusts that this report will serve as a valuable resource for informed debate and decision-making by the members of this House.

CHAPTER ONE

1.0 PREFACE

ESTABLISHMENT OF THE COMMITTEE

1. The Departmental Committee on Finance and National Planning is one of the fifteen Departmental Committees of the National Assembly established under **Standing Order 216 (5)** whose mandate is as follows:

- i. *To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;*
- ii. *To study the program and policy objectives of Ministries and departments and the effectiveness of their implementation;*
- iii. **To study and review all the legislation referred to it;**
- iv. *To study, access, and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;*
- v. *To investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House;*
- vi. *To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order No. 204 (Committee on Appointments);*
- vii. *To examine treaties, agreements and conventions;*
- viii. *To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;*
- ix. *To consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and*
- x. *To examine any questions raised by Members on a matter within its mandate.*

1.2 MANDATE OF THE COMMITTEE

2. In accordance with the Second Schedule of the Standing Orders, the Committee is mandated to consider, public finance, monetary policies, public debt, financial institutions (excluding those in securities exchange), investment and divestiture policies, pricing policies, banking, insurance, population revenue policies including taxation and national planning and development.

3. In executing its mandate, the Committee oversees the following government Ministries and Departments:

- i. State Department of National Treasury;
- ii. State Department of Economic Planning;
- iii. Commission on Revenue Allocation; and
- iv. Office of the Controller of Budget; and

1.3 COMMITTEE MEMBERSHIP

4. The Departmental Committee on Finance and National Planning comprises of the following Members:

Chairperson

Hon. CPA Kuria Kimani, CBS, MP
Molo Constituency

UDA Party

Vice-Chairperson

Hon. (Amb). Benjamin Langat, CBS, MP
Ainamoi Constituency

UDA Party

Hon. (Dr). Adan Keynan, CBS, MP
Eldas Constituency

Jubilee Party

Hon. Andrew Okuome, MP
Karachuonyo Constituency

ODM Party

Hon. David Mwalika Mboni, MP
Kitui Rural Constituency

Wiper Party

Hon. CPA. Joseph Oyula, MP
Butula Constituency

ODM Party

Hon. Joseph K. Makilap, MP
Baringo North Constituency

UDA Party

Hon. Umul Ker Kassim, MP
Mandera County

UDA Party

Hon. CPA Julius Rutto, MP
Kesses Constituency

UDA Party

Hon.(Dr.) Shadrack Ithinji, MP
South Imenti Constituency

Jubilee Party

Hon. Paul K. Biego, MP
Chesumei Constituency

UDA Party

Hon. Joseph Munyoro, MP
Kigumo Constituency

UDA Party

Hon. Dr. John Ariko Namoit, MP
Turkana South Constituency

ODM Party

Hon. Mohamed S. Machele, MP
Mvita Constituency

ODM Party

Hon. George Sunkuyia, MP
Kajiado West Constituency

UDA Party

1.4 COMMITTEE SECRETARIAT

5. The following staff facilitate the Committee:

Mr. Benjamin Magut
Principal Clerk Assistant /Head of Secretariat

Ms. Jennifer Ndeto
D/Director, Legal Service

Mr. Salem Lorot
Legal Counsel I

Mr. James M. Macharia
Media Relations Officer I

Ms. Peninnah Simiren
Legal Counsel II

Ms. Winfred Kambua
Clerk Assistant III

Mr. George Ndenjeshe
Fiscal Analyst III

Mr. Benson Kamande
Clerk Assistant III

Ms. Nelly W.N Ondieki
Research Officer III

Mr. Benson Muthuri
Serjeant-At-Arms

Ms. Joyce Wachera
Hansard Officer III

CHAPTER TWO

2.0 OVERVIEW OF THE PUBLIC FINANCE MANAGEMENT (AMENDMENT) BILL, 2024 (NATIONAL ASSEMBLY BILLS NO. 2 OF 2024)

2.1 BACKGROUND

6. The Public Finance Management (Amendment) Bill, 2024 (National Assembly Bills No. 2 of 2024), is sponsored by Hon. Kuria Kimani, CBS, MP. The Bill was published on 19th January, 2024. It was read a First Time on 9th April, 2024 and was then committed to the Committee for consideration and tabling of report to the House pursuant to Standing Order 127.

2.2 SUMMARY OF LEGAL PROVISIONS

7. The principal object of the Bill is to amend the Public Finance Management Act, Cap. 412A ("the principal Act"). It proposes to reduce the time for submission of financial statements by public entities from three months after the end of a financial year to one month after the end of a financial year. This will ensure that the Office of the Auditor-General has adequate time to carry out required audits and prepare the required reports.

8. The Bill also proposes to establish the Public Sector Accounting Standards Board as a body corporate.

9. Clause 2 of the Bill seeks to amend section 23(1) of the principal Act to provide that, "Not later than one month (*instead of three months*) after the end of each financial year, the National Treasury shall prepare and submit to the Auditor-General financial statements for that year in respect of the Contingencies Fund."

10. Clause 3 of the Bill seeks to amend section 24(10) (b) of the principal Act to reduce the time for submission of financial statements by the administrator of a national public fund from three months after the end of a financial year to one month after the end of a financial year.

11. Clause 4 of the Bill seeks to amend section 68 of the principal Act—

- to reduce the time for submission of financial statements to one month after the end of a financial year

- to include Auditor-General as one of the entities that the accounting officer shall submit a copy of report on actions taken to implement recommendations made in Controller of Budget's report as adopted by the National Assembly
 - to provide a penalty for non-compliance of the preceding obligation as provided for in section 199 of the Act (imprisonment- 5 years; fine- 10 million)
12. Clause 5 of the Bill seeks to amend section 80(4) of the principal Act to reduce the time for submission of financial statements and summaries by the National Treasury to the Auditor-General and a copy to the Controller of Budget and the Commission on Revenue Allocation from four months after the end of a financial year to two months after the end of a financial year.
13. Clause 6 of the Bill seeks to amend section 81(4) of the principal Act to reduce the time for submission of financial statements by the accounting officer for the entity from three months after the end of a financial year to one month after the end of a financial year.
14. Clause 7 of the Bill seeks to amend section 82(3) and (4) of the principal Act to—
- reduce the time for submission of account by the receiver of revenue for the national government from three months after the end of a financial year to one month after the end of a financial year
 - reduce the time for submission of report by the receiver of revenue for the national government on all waivers and variations of taxes, fees or charges granted by the receiver or collector during that year from three months after the end of a financial year to one month after the end of a financial year
15. Clauses 8, 9, 10,11,12,13,14, and 15 of the Bill similarly seeks to amend various sections of the principal Act to reduce the time for submission of financial statements by different public entities from three months after the end of a financial year to one month after the end of a financial year.
16. Clause 16 seeks to amend section 192 of the principal Act to provide for the Public Sector Accounting Standards Board as a body corporate and which shall be a successor of the existing Board.

17. Clause 17 of the Bill seeks to amend section 193 of the principal Act by deleting subsection (5) which provides that, "The National Treasury shall provide secretariat services to the Board and assign or appoint such support staff as may be necessary for the Board to effectively perform its functions".

18. Clause 18 of the Bill seeks to amend section 194(1)—

- to provide for the following additional functions for the Public Sector Accounting Standards Board—
 - to prescribe a framework for implementation of accrual accounting in Government
 - to prescribe a risk management framework
- to provide for a three-year transition period from the date of commencement of the Act for the framework for implementation of accrual accounting

19. Clause 19 of the Bill seeks to insert new sections 195A (*providing for chief executive officer of the Board*), 195B (*providing for recruitment of staff of the Board*), 195C (*providing for the common seal of the Board*), 195D (*providing for funds of the Board*), 195E (*providing for the financial year of the Board*), 195F (*providing for annual estimates of the Board*), 195G (*providing for the accounts and audits of the Board*).

20. Clause 20 of the Bill seeks to amend the Second Schedule to the principal Act to provide for transitional mechanisms due to the proposed amendment seeking to make the Public Sector Accounting Standards Board a successor to the existing Board. Therefore, the following are transitioned:

- (a) All the rights, duties, obligations, assets and liabilities of the Public Sector Accounting Standards Board existing at the commencement of the Act
- (b) The administrative directions made by the former Public Sector Accounting Standards Board or by the Cabinet Secretary which were in force immediately before the commencement of the Act

CHAPTER THREE

3.0 PUBLIC PARTICIPATION AND STAKEHOLDER ENGAGEMENT ON THE BILL

3.1 LEGAL FRAMEWORK ON PUBLIC PARTICIPATION

21. Article 118 (1)(b) of the Constitution provides that:

"Parliament shall facilitate public participation and involvement in the legislative and other business of Parliament and its Committees."

22. The National Assembly Standing Order 127 (3) and (3A) stipulates that:

*"(3) The Departmental Committee to which a Bill is committed shall **facilitate public participation on the Bill** through an appropriate mechanism including-*

(a) inviting submission of memoranda;

(b) holding public hearings;

(c) consulting relevant stakeholders in a sector; and

(d) consulting experts on technical subjects.

(3A) The Departmental Committee shall take into account the views and recommendations of the public under paragraph (3) in its report to the House."

3.2 MEMORANDA RECEIVED ON THE BILL

23. Pursuant to the aforementioned provisions of law, the Clerk of the National Assembly placed an advertisement in the print media on 8th March 2024 inviting the public to submit memoranda by way of written statements on the Bill. Further, the Clerk of the National Assembly vide letter Ref. No. NA/DDC/F&NP/2024/101 dated 17th September, 2024 invited key stakeholders to submit views on the Bill and attend a public participation forum on 25th September 2024 respectively.

24. The Committee received memoranda from the Office of the Auditor-General, the Office of the Attorney-General, the Institute of certified Public of Kenya (ICPAK), and the Coast Regional Budget Hub. The memoranda are annexed to this report as Annexure 8.

3.3 SUBMISSIONS FROM THE PUBLIC

OFFICE OF THE AUDITOR-GENERAL

Clause 2

25. The Office of the Auditor-General agreed with the proposed amendment.

26. The Auditor-General, in justification for the proposed amendment, stated that the Bill recognizes the important oversight role played by the Office of the Auditor-General and that it proposes to remedy the challenges in the execution of audit and ensure that the Office has adequate time to carry out required audits and prepare the required reports for submission to Parliament and the County Assemblies.
27. The Auditor-General further stated that, in addition, the proposed amendments are aligned to the Framework of Professional Pronouncements for International Organisation of Supreme Audit Institutions. The International Auditing Standards Principle 1 (INTOSAI-P 1) recommends that either the law or the Supreme Audit Institution (for individual cases) shall set time limits for furnishing information or submitting documents and other records including the financial statements to the Supreme Audit Institution.
28. Further, the OAG stated that the International Auditing and Assurance Standards Board, in its Framework for Audit Quality, has noted that the financial reporting timetable is one of the critical environmental factors that affect the relevance, timeliness and reliability of financial reports and therefore the quality of audit.

Committee Observation

The Committee noted the OAG's submissions. However, the Committee proposed that the clause be amended to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA (ICPAK)

29. The Institute of Certified Public Accountants of Kenya proposed that the clause be amended by deleting the words "one month" and substituting therefor the words "two months".
30. ICPAK stated that one month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

Committee Observation

The Committee agreed with the stakeholder.

Clause 3

OFFICE OF THE AUDITOR-GENERAL

31. The Office of the Auditor-General agreed with the proposed amendment.

Committee Observation

The Committee noted the OAG's submissions. However, the Committee proposed that the clause be amended to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA (ICPAK)

32. The Institute of Certified Public Accountants of Kenya proposed that the clause be amended by deleting the words "one month" and substituting therefor the words "two months".

33. The justification for the proposed amendment was that one month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

Committee Observation

The Committee agreed with the stakeholder.

Clause 4

OFFICE OF THE AUDITOR-GENERAL

34. The Office of the Auditor-General agreed with the proposed amendment.

Committee Observation

The Committee noted the OAG's submissions. However, the Committee proposed that the clause be amended to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA (ICPAK)

35. The Institute of Certified Public Accountants of Kenya proposed that the clause be amended by deleting the words "one month" and substituting therefor the words "two months".

36. The justification for the proposed amendment was that one month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

Committee Observation

The Committee agreed with the proposed amendment.

Clause 5

OFFICE OF THE AUDITOR-GENERAL

37. The Office of the Auditor-General agreed with the proposed amendment.

Committee Observation

The Committee noted the OAG's submissions.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA (ICPAK)

38. The Institute of Certified Public Accountants of Kenya proposed that the clause be amended by deleting the words "one month" and substituting therefor the words "two months".

39. The justification for the proposed amendment was that one month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

Committee Observation

The Committee noted stakeholder's comments and recommended that the clause be amended to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill.

Clause 6

OFFICE OF THE AUDITOR-GENERAL

40. The Office of the Auditor-General agreed with the proposed amendment.

Committee Observation

The Committee noted the OAG's submissions. However, the Committee proposed that the clause be amended to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA (ICPAK)

41. The Institute of Certified Public Accountants of Kenya proposed that the clause be amended by deleting the words "one month" and substituting therefor the words "two months".

42. The justification for the proposed amendment was that one month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

Committee Observation

The Committee agreed with the proposed amendment.

Clause 7

OFFICE OF THE AUDITOR-GENERAL

43. The Office of the Auditor-General supported the proposed amendment.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA (ICPAK)

44. The Institute of Certified Public Accountants of Kenya proposed that the clause be amended by deleting the words "one month" and substituting therefor the words "two months".

45. The justification for the proposed amendment was that one month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

Committee Observation

The Committee agreed with the proposed amendment.

Clause 8

OFFICE OF THE AUDITOR-GENERAL

46. The Office of the Auditor-General agreed with the proposed amendment.

Committee Observation

The Committee noted the OAG's submissions. However, the Committee proposed that the clause be amended to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA (ICPAK)

47. The Institute of Certified Public Accountants of Kenya proposed that the clause be amended by deleting the words "one month" and substituting therefor the words "two months".

48. The justification for the proposed amendment was that one month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

Committee Observation

The Committee agreed with the proposed amendment.

Clause 9

OFFICE OF THE AUDITOR-GENERAL

49. The Office of the Auditor-General agreed with the proposed amendment.

Committee Observation

The Committee noted the OAG's submissions. However, the Committee proposed that the clause be amended to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA (ICPAK)

50. The Institute of Certified Public Accountants of Kenya proposed that the clause be amended by deleting the words "one month" and substituting therefor the words "two months".

51. The justification for the proposed amendment was that one month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

Committee Observation

The Committee agreed with the proposed amendment.

Clause 10

OFFICE OF THE AUDITOR-GENERAL

52. The Office of the Auditor-General agreed with the proposed amendment.

Committee Observation

The Committee noted the OAG's submissions. However, the Committee proposed that the clause be amended to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA (ICPAK)

53. The Institute of Certified Public Accountants of Kenya proposed that the clause be amended by deleting the words "one month" and substituting therefor the words "two months".

54. The justification for the proposed amendment was that one month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

Committee Observation

The Committee agreed with the proposed amendment.

Clause 11

OFFICE OF THE AUDITOR-GENERAL

55. The Office of the Auditor-General agreed with the proposed amendment.

Committee Observation

The Committee noted the OAG's submissions. However, the Committee proposed that the clause be amended to provide for time for submission of

financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA (ICPAK)

56. The Institute of Certified Public Accountants of Kenya proposed that the clause be amended by deleting the words "one month" and substituting therefor the words "two months".

57. The justification for the proposed amendment was that one month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

Committee Observation

The Committee agreed with the proposed amendment.

Clause 12

OFFICE OF THE AUDITOR-GENERAL

58. The Office of the Auditor-General agreed with the proposed amendment.

Committee Observation

The Committee noted the OAG's submissions. However, the Committee proposed that the clause be amended to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA (ICPAK)

59. The Institute of Certified Public Accountants of Kenya proposed that the clause be amended by deleting the words "one month" and substituting therefor the words "two months".

60. The justification for the proposed amendment was that one month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

Committee Observation

The Committee agreed with the proposed amendment.

Clause 13

OFFICE OF THE AUDITOR-GENERAL

61. The Office of the Auditor-General agreed with the proposed amendment.

Committee Observation

The Committee noted the OAG's submissions. However, the Committee proposed that the clause be amended to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA (ICPAK)

62. The Institute of Certified Public Accountants of Kenya proposed that the clause be amended by deleting the words "one month" and substituting therefor the words "two months".

63. The justification for the proposed amendment was that one month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

Committee Observation

The Committee agreed with the proposed amendment.

Clause 14

OFFICE OF THE AUDITOR-GENERAL

64. The Office of the Auditor-General agreed with the proposed amendment.

Committee Observation

The Committee noted the OAG's submissions. However, the Committee proposed that the clause be amended to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA (ICPAK)

65. The Institute of Certified Public Accountants of Kenya proposed that the clause be amended by deleting the words "one month" and substituting therefor the words "two months".

66. The justification for the proposed amendment was that one month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

Committee Observation

The Committee agreed with the proposed amendment.

Clause 15

OFFICE OF THE AUDITOR-GENERAL

67. The Office of the Auditor-General agreed with the proposed amendment.

Committee Observation

The Committee noted the OAG's submissions. However, the Committee proposed that the clause be amended to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill.

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA (ICPAK)

68. The Institute of Certified Public Accountants of Kenya proposed that the clause be amended by deleting the words "one month" and substituting therefor the words "two months"

69. The justification for the proposed amendment was that one month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

Committee Observation

The Committee agreed with the proposed amendment.

Clause 16

OFFICE OF THE AUDITOR-GENERAL

70. The Office of the Auditor-General supports the proposed amendment.

Committee Observation

The Committee noted the OAG's submissions.

THE OFFICE OF THE ATTORNEY-GENERAL AND DEPARTMENT OF JUSTICE

71. The Attorney-General submitted as follows—

72. Section 86 of the Public Finance Management Act, on establishment of state corporations, provides as follows—

1. A state corporation may be established...only with the prior approval of the Cabinet, which approval may be given only after taking into account any recommendations made by the National Treasury regarding the financial implications of establishing or dissolving the corporation.
2. Regulations shall prescribe the criteria to be used in establishing...state corporations and the regulations shall be tabled in Parliament for approval.

73. Regulation 215 of the Public Finance Management (National Government) Regulations, 2015, provides, in part, and among other requirements, that—

(2) A state corporation may be established only with the prior approval of the cabinet, with reference to a legislation enacted to govern the establishment, management and dissolution of such government commercial enterprises.

74. Sub-regulation (3) requires that in order to establish a state corporation or a subsidiary of a state corporation, the following shall be met—

- (a) the responsible Cabinet Secretary shall submit a written business case to the Cabinet Secretary, with detailed justification for establishing the state corporation or the subsidiary;
- (b) the business case in paragraph subparagraph (a) shall be informed by a feasibility assessment of the proposed state corporation or the subsidiary for the purpose of ascertaining—
 - (i) the economic and financial viability of establishing the state corporation;
 - (j) whether the proposed activity cannot be conducted through an existing corporation or the parent department;
 - (k) whether or not there is need to establish a new corporation;
 - (l) the functions and objective that its establishment is supposed to attain;
 - (m) how the activities of the proposed corporation will fit in the department's legislative mandate and medium-term strategy, and aid the realization of the objectives of the programmes associated with that department;
 - (n) how it shall impact the fiscal position of the government; and
 - (o) the amount of government share.

75. The Office of the Attorney-General therefore proposed that the criteria for establishment of State Corporation, as set in law, must be adhered to when amending the Act to create the Public Sector Accounting Standards Board as a body corporate.

Committee Observation

The Committee noted the submission by the Office of the Attorney-General and Department of Justice and made the following observations:

- (a) The clause seeks to amend section 192 of the Public Finance Management Act, Cap. 412A to provide for the Public Sector Accounting Standards Board as a body corporate and which shall be a successor of the existing Public Sector Accounting Standards Board;
- (b) The Committee appreciates the import and safeguards that section 86 of the Public Finance Management Act, Cap. 412A, and regulations 214 and 215 of the Public Finance Management (National Government) Regulations, Legal Notice 34 of 2015, which provide for the procedure, guiding principles and criteria for establishment of a state corporation;
- (c) However, the Committee was of a different view that establishing the Public Sector Accounting Standards Board as a body corporate was not in conflict with section 86 of the Public Finance Management Act, Cap. 412A, and regulations 214 and 215 of the Public Finance Management (National Government) Regulations, Legal Notice 34 of 2015, and in any case, another provision of the same statute could provide otherwise as long as they were not unconstitutional;
- (d) The basis for the amendment was to make the Board independent and to strengthen it and is in line with the Government's movement from cash to accrual accounting in Government.

Clause 17

OFFICE OF THE AUDITOR-GENERAL

76. The Office of the Auditor-General supports the proposed amendment.

Committee Observation

The Committee noted the OAG's submissions.

Clause 18

OFFICE OF THE AUDITOR-GENERAL

77. The Office of the Auditor-General supports the proposed amendment.

Committee Observation

The Committee noted the OAG's submissions.

Clause 19

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA (ICPAK)

78. The Institute of Certified Public Accountants of Kenya proposed that clause 19 be amended in the proposed new section 195A by deleting subsection (2) and substituting therefor the following new subsection—

"(2) A person shall be qualified for appointment as a chief executive officer, if the person—

- (a) has a degree in accounting or finance from a university recognized in Kenya;
- (b) is a certified member in good standing with the professional body regulating Accountants;
- (c) has at least ten years knowledge and experience in the relevant field;
- (d) has served in a position of senior management for a period of at least five years; and
- (e) meets the requirements of chapter six of the constitution

79. The justification for the proposed amendment was that this was in line with the Mwongozo Code of Governance and is best practice observed by other state agencies.

Committee Observation

The Committee agreed with the stakeholder and further recommended that paragraph (a) be amended to include "economics" and "or related field" in order to expand the eligible academic qualifications as long as they are related.

OFFICE OF THE AUDITOR-GENERAL

80. The Office of the Auditor-General agreed with the proposed amendment but recommended that the proposed new section 195G (2) be amended by replacing "three months" with "one month".

81. The justification for the proposed amendment was that the Public Sector Accounting Standards Board has voluntarily been preparing and submitting financial statements within one month after the end of the financial year.

Committee Observation

The Committee noted the OAG's submissions. However, the Committee proposed that the clause be amended to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill.

Clause 20

OFFICE OF THE AUDITOR-GENERAL

82. The Office of the Auditor-General agreed with the proposed amendment.

Committee Observation

The Committee noted the OAG's submissions.

GENERAL COMMENTS

THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA (ICPAK)

83. The Institute of Certified Public Accountants of Kenya (ICPAK) proposed the following new proposals:

(a) New provision to amend the Public Finance Management Act on the qualification and appointment of Heads of Financial Reporting Units
The justification for the proposed amendment was to provide the necessary technical expertise in the development of financial statements.

(b) New proposal to amend the Public Finance Management Act to provide strict timelines for the process of considering the audited financial statements as submitted by the Auditor-General.

The justification for the proposed amendment is that Article 203(3) of the Constitution grants National Assembly the mandate to receive and approve most recent audited accounts of revenue for purposes of revenue share. However, this process has delayed in most cases.

In addition, the proposed amendment seeks to support prompt closure of the audit process and equitable distribution of resources at the two levels of government. For instance, the Institute noted that the last audited accounts of 2020/21 were the reference point for the Division of Revenue Bill 2024, which might not be a true reflection of the total national government collection.

- (c) The Auditor-General should increase interim audits to reduce what needs to be audited by the end of the financial year. This will ensure faster audits and reduced reporting time by the OAG.
- (d) Devolve fully the Office of the Auditor-General and have independent County Auditor-Generals with complete operational independence from any other office and with a defined budget to ensure the same. This will ensure the Office of the Auditor-General can handle National Government financial statements in a timely manner, which have a bearing on revenue determination and allocation;
- (e) Implement this proposal of the devolution of the OAG in a phased manner to assure success and provide the required resources. In this period, the changes should be delinked from the sanctions in section 199 of the PFM Act, 2012.
- (f) Ensure implementation of a fully integrated organization-wide reliable financial reporting system in all Ministries, State Departments, Agencies, state corporations, Independent Offices and commissions to facilitate real time reporting and also ensure effective consolidation of the Government entities' financial reports and monthly accounts closings. All public entities will need to be fully automated to comply with the proposed timelines.
- (g) Ensure fully the implementation of the accrual accounting system which has already been initiated by the National Treasury for all public entities.

Committee Observation

The Committee noted the ICPAK's submissions with appreciation. However, some of the proposals were administrative and others went beyond the scope of the Bill but are worth consideration in future.

OFFICE OF THE AUDITOR-GENERAL

84. The Office of the Auditor-General proposed the following additional amendments not contained in the Bill:

- (a) Amendment of section 68(4) of the Public Finance Management Act by inserting the words "or the Auditor-General under Article 229(7) of the Constitution" immediately after the word "Constitution".

The justification for the proposed amendment is that section 68(4) of the Public Finance Management Act is only concerned with the

recommendations in respect of a report submitted by the Controller of Budget. It is silent on the responsibility of Accounting Officers in implementing the Parliament's recommendations in respect of a report submitted by the Auditor-General.

Committee Observation

The Committee agreed with the proposed amendment.

- (b) Amendment of section 149(3) of the Public Finance Management Act by inserting the words "or the Auditor-General under Article 229(7) of the Constitution" immediately after the word "Constitution".

The justification for the proposed amendment is that section 149(3) of the Public Finance Management Act is only concerned with the recommendations in respect of a report submitted by the Controller of Budget. It is silent on the responsibility of Accounting Officers in implementing the Parliament's recommendations in respect of a report submitted by the Auditor-General.

Committee Observation

The Committee agreed with the proposed amendment.

- (c) Amendment of section 149(3) of the Public Finance Management Act by inserting a new subsection 3A immediately after subsection 3—
"(3A) An Accounting Officer who does not implement the recommendations made under subsection (3) shall be liable to the penalty provided for under section 199."

The justification for the proposed amendment is that it seeks to introduce sanctions on non-implementation of recommendations made in section 3. This will make the section consistent with the sanctions introduced in the proposed section 68(4A) of the Bill. Non-implementation of parliamentary recommendations is not currently part of offences listed in section 196, 197 and 198.

Committee Observation

The Committee agreed with the proposed amendment.

- (d) Amendment of section 149(3)(b) by inserting the words "and Auditor-General" immediately after the word "County Treasury".

The justification for the proposed amendment is that it seeks to empower the Auditor-General as one of the recipients of the report on actions taken to implement the recommendations made in a relevant committee of the County Assembly in respect to a report submitted by the Controller of Budget or the Auditor-General.

Committee Observation

The Committee agreed with the stakeholder.

- (e) Amendment of section 165(4) of the Public Finance Management Act by substituting "two months" with "one month" and inserting the words "Auditor-General" immediately after the words "county assembly".

The justification for the proposed amendment is that it will reduce the timeline for submission of the financial statements from three months to one month. The report should also be submitted to the Auditor-General for audit purposes. This is consistent with section 82(4) of the Public Finance Management Act which also requires similar reports for the national government to be submitted to the Auditor-General. The Act does not indicate what the County Assembly will do with the report. The waivers should already have been authorized by an Act of Parliament or county assembly legislation.

Committee Observation

The Committee agreed with the stakeholder.

COAST REGIONAL BUDGET HUB

85. The Coast Regional Budget Hub supported the Bill in its entirety and proposed the following:

86. To enhance operational efficiency and transparency, the national and county treasuries should invest in automated financial management systems that facilitate real-time data collection, processing, and reporting. This will reduce the manual workloads and make it easier to meet tighter deadlines. Additionally, training staff to efficiently use these tools will help ensure that

financial statements are accurate, even within a shortened timeframe. However, this will come with additional costs.

87. Review, and, if necessary, adjust the timelines for other financial reporting requirements, such as annual reviews and ministries and departmental reporting, to avoid overlap or bottlenecks. Further, there is need to establish a coordinated calendar for all financial reporting processes to ensure that the one-month deadline aligns smoothly with the other reporting tasks.

88. While accountability is crucial, introduce tiered penalties based on the severity of the offence or providing clearer guidance on compliance expectations to ensure fairness and reduce fear of excessive punishment for minor infractions.

89. To mitigate the risks associated with acquiring, holding or disposing of assets, it is crucial to establish strong internal governance frameworks for the PSASB. This includes implementing internal controls, clear policies on asset management, and strict financial reporting standards.

Committee Observation

The Committee noted with appreciation the submissions by the Coast Regional Budget Hub. The Committee further noted that the proposals were administrative.


CHAPTER FOUR

4.0 COMMITTEE RECOMMENDATION

90. The Committee having considered the Public Finance Management (Amendment) (No. 2) Bill, 2024 (National Assembly Bills No. 26 of 2024), recommends that the House approves the Bill with amendments as proposed in the schedule.

SIGNED..........DATE.....18/02/2025.....

HON. CPA KURIA KIMANI, CBS, MP
CHAIRPERSON
DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 16 FEB 2025	
DAY: TUE	
TABLED BY:	HON. BENJAMIN LANGAT, MP VICE-CHAIRPERSON, BC ON FINANCE & NATIONAL PLANNING
CLERK OF THE TABLE:	A. SHIBUKO

CHAPTER FIVE

5.0 SCHEDULE OF PROPOSED AMENDMENTS

91. The Committee proposed the following amendments to be considered by the House in the Committee stage:

CLAUSE 2

THAT, clause 2 of the Bill be amended by deleting the words "one month" and substituting therefor the words "two months".

Justification

The proposed amendment seeks to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill. One month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

CLAUSE 3

THAT, clause 3 of the Bill be amended by deleting the words "one month" and substituting therefor the words "two months".

Justification

The proposed amendment seeks to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill. One month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

CLAUSE 4

THAT, clause 4 of the Bill be amended –

(a) by inserting the following new paragraph immediately before paragraph

(a)—

(aa) in the introductory statement by inserting the words "or the Auditor-General under Article 229(7) of the Constitution" immediately after the word "Constitution".

Justification

Section 68(4) of the Public Finance Management Act is only concerned with the recommendations in respect of a report submitted by the Controller of Budget. It is silent on the responsibility of Accounting Officers in implementing the Parliament's recommendations in respect of a report submitted by the Auditor-General.

(b) in paragraph (a) by deleting the words "one month" and substituting therefor the words "two months".

Justification

The proposed amendment seeks to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill. One month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

CLAUSE 6

THAT, clause 6 of the Bill be amended by deleting the words "one month" and substituting therefor the words "two months".

Justification

The proposed amendment seeks to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill. One month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

CLAUSE 7

THAT, clause 7 of the Bill be amended—

(a) in paragraph (a) by deleting the words "one month" and substituting therefor the words "two months";

(b) in paragraph (b) by deleting the words "one month" and substituting therefor the words "two months".

Justification

The proposed amendment seeks to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill. One month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

CLAUSE 8

THAT, clause 8 of the Bill be amended by deleting the words "one month" and substituting therefor the words "two months".

Justification

The proposed amendment seeks to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill. One month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

CLAUSE 9

THAT, clause 9 of the Bill be amended by deleting the words "one month" and substituting therefor the words "two months".

Justification

The proposed amendment seeks to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill. One month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

CLAUSE 10

THAT, clause 10 of the Bill be amended by deleting the words "one month" and substituting therefor the words "two months".

Justification

The proposed amendment seeks to provide for time for submission of financial statements by public entities as two months after the end of the financial year

instead of one month proposed in the Bill. One month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

CLAUSE 11

THAT, the Bill be amended by deleting clause 11 and substituting therefor the following new clause—

Amendment of section
149 of Cap. 412A.

11. The principal Act is amended in section
149—

- (a) in the introductory statement by inserting the words "or the Auditor-General under Article 229(7) of the Constitution" immediately after the word "Constitution";
- (b) in subsection (2) by deleting the words "three months" appearing in paragraph (k) and substituting therefor the words "two months";
- (c) in subsection (3) by deleting paragraph (b) and substituting therefor the following new paragraph—
"(b) submit the report to the county assembly with a copy to the County Treasury, Controller of Budget and Auditor-General."
- (d) by inserting the following new subsection immediately after subsection 3—
"(3A) An accounting officer who does not implement the recommendations made under subsection (3) shall be liable to the penalty provided for under section 199."

Justification

Section 149(3) of the Public Finance Management Act is only concerned with the recommendations in respect of a report submitted by the Controller of

Budget. It is silent on the responsibility of Accounting Officers in implementing the Parliament's recommendations in respect of a report submitted by the Auditor-General.

The proposed amendment to subsection (2) seeks to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill. One month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

The justification for the proposed amendment to subsection (3) (b) is that it seeks to empower the Auditor-General and the Controller of Budget as one of the recipients of the report on actions taken to implement the recommendations made in a relevant committee of the County Assembly in respect to a report submitted by the Controller of Budget or the Auditor-General.

The justification for the proposed new subsection (3A) is that it seeks to introduce sanctions on non-implementation of recommendations made in subsection 3. This will make the clause consistent with the sanctions introduced in clause 4 of the Bill. Non-implementation of parliamentary recommendations is not currently part of offences listed in section 196,197 and 198.

CLAUSE 12

THAT, clause 12 of the Bill be amended by deleting the words "one month" and substituting therefor the words "two months".

Justification

The proposed amendment seeks to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill. One month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

CLAUSE 13

THAT, clause 13 of the Bill be amended by deleting the words "one month" and substituting therefor the words "two months".

Justification

The proposed amendment seeks to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill. One month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

CLAUSE 14

THAT, clause 14 of the Bill be amended by deleting the words "one month" and substituting therefor the words "two months".

Justification

The proposed amendment seeks to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill. One month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

CLAUSE 15

THAT, clause 15 of the Bill be amended by deleting the words "one month" and substituting therefor the words "two months".

Justification

The proposed amendment seeks to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill. One month is not sufficient to submit quality statements to the Auditor-General. The Auditor-General requires enough time to carry out the audit process. Timelines provided in other jurisdictions range between 3-5 months.

CLAUSE 19

THAT, clause 19 of the Bill be amended—

- (a) In the proposed new section 195A by deleting subsection (2) and substituting therefor the following new subsection—

“(2) A person shall be qualified for appointment as a chief executive officer, if the person—

- (a) has a degree in accounting, economics, finance or related field from a university recognized in Kenya;
- (b) is a certified member in good standing with the professional body regulating accountants;
- (c) has at least ten years knowledge and experience in the relevant field;
- (d) has served in a position of senior management for a period of at least five years; and
- (e) meets the requirements of chapter six of the constitution.”

Justification

The proposed amendment seeks to align the subsection to the provisions of the Mwongozo Code of Governance.



THE NATIONAL ASSEMBLY
THIRTEENTH PARLIAMENT – FOURTH SESSION - 2025

DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING.
ADOPTION LIST

REPORT ON THE PUBLIC FINANCE MANAGEMENT (AMENDMENT) BILL (NATIONAL ASSEMBLY BILL NO 2 OF 2024)

We, the Members of the Departmental Committee on Finance and National Planning have pursuant to Standing Order 199, adopted this Report and affix our signatures to affirm our approval and confirm its accuracy, validity and authenticity today, **Tuesday, 18th February 2025.**

S/NO.	NAME	SIGNATURE
1.	HON. (CPA). KURIA KIMANI, CBS, MP - CHAIRPERSON	
2.	HON. (AMB). BENJAMIN KIPKIRUI LANGAT, MP – VICE CHAIRPERSON	
3.	HON. DR. ADAN KEYNAN WEHLIYE, MP	
4.	HON. GEORGE SUNKUYIA RISA, MP	
5.	HON. (CPA) JOSEPH MAERO OYULA, MP	
6.	HON. ANDREW ADIPO OKUOME, MP	
7.	HON. DAVID MWALIKA MBONI, MP	
8.	HON. JOSEPH MAKILAP KIPKOROS, MP	
9.	HON. JOSEPH KAMAU MUNYORO, MP	
10.	HON. (CPA) JULIUS KIPLETING RUTTO, MP	
11.	HON. PAUL KIBICHIY BIEGO, MP	
12.	HON. UMUL KER SHEIKH KASSIM, MP	
13.	HON. DR. SHADRACK MWITI ITHINJI, MP	
14.	HON. DR. JOHN ARIKO NAMOIT, MP	
15.	HON. MOHAMED SOUD MACHELE, MP	

MINUTES OF THE 3RD SITTING OF DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING HELD ON TUESDAY, 18TH FEBRUARY 2025 IN COMMITTEE ROOM 17, BUNGE TOWER, AT 10.00 A.M

PRESENT

- | | | |
|--|---|-------------------------|
| 1. Hon. CPA. Kuria Kimani, MP | - | Chairperson |
| 2. Hon. (Amb.) Benjamin Kipkirui Langat, CBS, MP | - | Vice-Chairperson |
| 3. Hon. David Mwalika Mboni, MP | | |
| 4. Hon. George Sunkuyia Risa, MP | | |
| 5. Hon. Andrew Adipo Okuome, MP | | |
| 6. Hon. Joseph Munyoro, MP | | |
| 7. Hon. Umul Ker Sheikh Kassim, MP | | |
| 8. Hon. Joseph Makilap Kipkoros, MP | | |

ABSENT WITH APOLOGY

1. Hon. Mohamed Soud Machele, MP
2. Hon. (Dr.) Shadrack Mwiti Ithinji, MP
3. Hon. (Dr.) Adan Keynan Wehliye, CBS, MP
4. Hon. Julius Kipletting Rutto, MP
5. Hon. CPA. Joseph Maero Oyula, MP
6. Hon. Paul Kibichiy Biego, MP
7. Hon. (Dr.) John Ariko Namoit, MP

COMMITTEE SECRETARIAT

- | | | |
|-----------------------|---|------------------------------|
| 1. Mr. Benjamin Magut | - | Principal Clerk Assistant II |
| 2. Mr. Benson Kamande | - | Clerk Assistant III |
| 3. Ms. Winfred Kambua | - | Clerk Assistant III |
| 4. Mr. Mabut Mutua | - | Legal Counsel II |
| 5. Ms. Nelly Ondieki | - | Research Officer III |
| 6. Ms. Joyce Wachera | - | Hansard Officer |
| 7. Mr. Ian Kinuthia | - | Intern |
| 8. Mr. Allan Kimani | - | Intern, Audio Services |

AGENDA

1. Prayers
2. Preliminaries/Introductions
3. Confirmation of Minutes/Matters Arising
 - a) **Consideration and adoption of the Report on the Public Finance Management (Amendment)(No.2) Bill, 2024 (National Assembly Bills No. 26 of 2024)**
 - b) **Consideration and adoption of the Report on the Public Finance Management (Amendment) Bill, 2024 (National Assembly Bills No. 2 of 2024)**
4. Any other Business

5. Adjournment/Date of the Next Sitting.

MIN No. NA/F & NP/2025/09:

PRELIMINARIES

The meeting was called to order at 10.14 a.m. with a word of prayer by the Hon. Joseph Kamau Munyoro, MP. The Chairperson then invited the meeting to deliberate on the day's agenda.

MIN No. NA/F & NP/2024/010:

CONFIRMATION OF MINUTES

Agenda deferred

MIN No. NA/F & NP/2024/011:

**CONSIDERATION AND ADOPTION OF THE
REPORT ON THE PUBLIC FINANCE
MANAGEMENT (AMENDMENT)(NO.2)
BILL, 2024 (NATIONAL ASSEMBLY BILLS
NO. 26 OF 2024)**

The meeting deliberated at length and agreed on the observations and recommendations contained in Chapter Four and Five of the Report as follows__.

Committee Observations;

The Committee observed as follows:

1. That there was to amend the Public Finance Management Act, Cap. 412A in the sections that provide that CEC for finance to submit to the county assembly the budget estimates, supporting documents, and any other Bills required to implement the budget, except the Finance Bill, by the 30th April in that year.
2. That, public participation is a constitutional imperative; hence, it was not necessary to provide for it in the proposed new section since it was obligatory for public participation to be conducted as the Constitution dictates. Secondly, the sequence provided for in the Bill was proper and that it was logical.
3. That The proposed amendment to subsection 4(f) which sought to replace "tariff arrangements" with "tariff agreements" was necessary since it was providing clarity.

Committee Resolution.

The Report was then adopted having been proposed by Hon. Joseph Makilap Kipkoros, MP and seconded by Hon. David Mboni, MP.

(Comprehensive details of the Committees Observations and Justifications are contained in chapter Four of the Report on the Public Finance Management (Amendment)(No.2) Bill, 2024 (National Assembly Bills No. 26 of 2024)

MIN No. NA/F & NP/2025/012:

**CONSIDERATION AND ADOPTION OF THE
REPORT ON THE PUBLIC FINANCE
MANAGEMENT (AMENDMENT) BILL, 2024
(NATIONAL ASSEMBLY BILLS NO. 2 OF
2024)**

The meeting deliberated at length and agreed on the observations and recommendations contained in Chapter Four and Five of the Report.

Committee Observations;

1. That clause 16 seeks to amend section 192 of the Public Finance Management Act, Cap. 412A to provide for the Public Sector Accounting Standards Board as a body corporate and which shall be a successor of the existing Public Sector Accounting Standards Board;
2. That the import and safeguards that section 86 of the Public Finance Management Act, Cap. 412A, and regulations 214 and 215 of the Public Finance Management (National Government) Regulations, Legal Notice 34 of 2015, which provide for the procedure, guiding principles and criteria for establishment of a state corporation;
3. However, the Committee was of a different view that establishing the Public Sector Accounting Standards Board as a body corporate was not in conflict with section 86 of the Public Finance Management Act, Cap. 412A, and regulations 214 and 215 of the Public Finance Management (National Government) Regulations, Legal Notice 34 of 2015, and in any case, another provision of the same statute could provide otherwise as long as they were not unconstitutional;
4. That the basis for the amendment was to make the Board independent and to strengthen it and is in line with the Government's movement from cash to accrual accounting in Government.
5. That clause 14 be amended to provide for time for submission of financial statements by public entities as two months after the end of the financial year instead of one month proposed in the Bill.

Committee Resolution.

The Report was then adopted having been proposed by Hon. (Amb.) Benjamin Kipkirui Langat, CBS, MP and seconded by Hon. Andrew Adipo Okuome, MP.

(Comprehensive details of the Committees Observations and Justifications are contained in chapter Four of the Report on the Public Finance Management (Amendment) Bill, 2024 (National Assembly Bills No. 2 of 2024)

MIN No. NA/F & NP/2025/013:

**ADJOURNMENT/DATE OF THE NEXT
MEETING**

There being no other business the meeting was adjourned at 12.00 p.m. The next meeting will be held on notice.

SIGNED: **DATE:**

HON. CPA. KURIA KIMANI, MP
CHAIRPERSON, DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL
PLANNING.



**THE NATIONAL ASSEMBLY
OFFICE OF THE CLERK**

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When replying, please quote

Ref: NA/DDC/F&NP/2024/100

17th September 2024

Dr. Chris K. Kiptoo, CBS
Principal Secretary
The National Treasury
Ministry of National Treasury and Economic Planning
Treasury Buildings
NAIROBI.

FCPA Nancy Gathungu, CBS
Auditor General
Office of the Auditor General
3rd Floor, Anniversary Towers, University Way
NAIROBI.

Hon Shadrack J. Mose
Solicitor General,
State Law Office
Sheria House, Harambee Avenue
NAIROBI

Ms. Mary Mwiti
Chief Executive Officer
The Council of Governors
Delta Corner, 2nd Floor, Opp PWC Chiromo Road, Off Waiyaki Way
NAIROBI

Dear

Ms Mwiti

RE: STAKEHOLDER ENGAGEMENT ON THE PUBLIC FINANCE MANAGEMENT (AMENDMENT) BILL, 2024 (NATIONAL ASSEMBLY BILL NO. 2 OF 2024) AND THE PUBLIC FINANCE MANAGEMENT (AMENDMENT) BILL, 2024 (NATIONAL ASSEMBLY BILL NO. 26 OF 2024) BY THE DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING

The Departmental Committee on Finance and National Planning is established pursuant to National Assembly Standing Order 216 which mandates it *inter alia*, to ***study and review all the legislation referred to it.***

The **Public Finance Management (Amendment) Bill, 2024 (National Assembly Bill No. 2 of 2024)** sponsored by Hon CPA Kuria Kimani, MP and the **Public Finance Management (Amendment) Bill, 2024 (National Assembly Bill No. 26 of 2024)** sponsored by the Leader of Majority Party (*both copies attached*) underwent the First Reading pursuant to Standing Order 127(3) on **Tuesday 9th April 2024** and **Thursday, 19th June 2024** respectively and were committed to the Departmental Committee on Finance and National Planning for consideration and reporting back to the House.

The principal object of the **Public Finance Management (Amendment) Bill 2024 (National Assembly Bill No. 2 of 2024)** is to amend the Public Finance Management Act, 2012 to reduce the time for public entities to submit financial statements to the Office of the Auditor General from three months at the end of the financial year to one month after the end of the financial year. This will ensure the Office of Auditor General has adequate time to audit the statement and prepare the required reports.

The principal object of the **Public Finance Management (Amendment) Bill, 2024 (National Assembly Bill No. 26 of 2024)** is to amend the Public Finance Management Act, 2012 to align the timelines for the passing and consideration of the Finance Bill by the County Assemblies and the National Assembly. Further, the bill seeks to provide for a similar procedure for submission,

Pursuant to the provisions of Article 118(1) (b) of the Constitution of Kenya and Standing Order 127 (3), the Committee hereby invites you for a meeting to make your submissions and comment on the said Bills.

The meeting will be held on **Wednesday, 25th September 2024 in Committee room No 21, 5th Floor, Bunge Tower at 10.00 am.**

You are requested to prepare comprehensive submissions on any presentations you may have on the Bills and email a soft copy to cna@parliament.go.ke on or before the day of the meeting.

The Committee's Liaison Officers for the meeting are **Mr. Benjamin Magut**, who may be contacted on **Tel. No. 0712974966** or **email address: benjamin.magut@parliament.go.ke** ; **Ms. Winfred Kambua** on **Tel. No 0720571777** or **email address winfred.kilonzo@parliament.go.ke** or **Mr. Benson Kamande** of telephone number **0789459387** or **email address: benson.kamande@parliament.go.ke**

Yours



JEREMIAH W. NDOMBI, MBS
For: CLERK OF THE NATIONAL ASSEMBLY

Copy: Hon. CPA John Mbadi Ng'ongo, EGH
Cabinet Secretary
Ministry of National Treasury and Economic Planning
Treasury Buildings
NAIROBI



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When replying, please quote

Ref: NA/DDC/F&NP/2024/101

17th September 2024

Ms. Faith Mony Odhiambo
President, Law Society of Kenya
Lavington, Opposite Valley Arcade,
Gitanga Road
NAIROBI

CPA Dr. Grace Kamau Ph.D
Chief Executive Officer
Institute of Chartered Public Accountants of Kenya (ICPACK)
CPA Center, Ruaraka, Thika road.
NAIROBI

Ms Josephine Nyamai
Coordinator,
Coast Regional Budget Hub
MOMBASA

Dear *Ms. Odhiambo*

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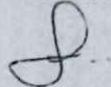
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Yours



JEREMIAH W. NDOMBI, MBS
For: CLERK OF THE NATIONAL ASSEMBLY



The Institute of Certified Public Accountants of Kenya

SUBMISSION

ON

THE PUBLIC FINANCE MANAGEMENT (AMENDMENT) BILL, 2024

September 2024



1. Introduction

The Institute of Certified Public Accountants of Kenya (ICPAK) and draws its mandate from the Accountants of Kenya (Accountants (PAFA) and the International Federation of Accountants (IAFAC), the global Accountancy established in 1978 year. For state corporations, this submission occurs after a quality review is provided to the National Treasury by August 31.

The Public Finance Management (PFM) (Amendment) Bill 2024 proposes to reduce the submission period for financial reports from three months to one month after the end of the financial year. According to the Hansard report for financial year 2021, the Institute notes that the same bill was introduced in 2020 and faced opposition from many offices and branches spread all across the country. The Institute also acknowledges and appreciates that the Departmental Information System (DFIS) had considered its proposal with no objection to amend the timeframe.

- Delays in the release of funds to public entities by the National Treasury.
- Lack of connectivity to the Integrated Financial Management Information System (IFMIS) and report preparation.
- Multiple public entities have offices and branches spread all across the country.

