

OFFICE OF THE CONTROLLER OF BUDGET



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# ANNUAL REPORT

FOR THE YEAR 2023/2024





REPUBLIC OF KENYA


OFFICE OF THE CONTROLLER OF BUDGET  
*Promoting Prudent Utilization of Public Funds*



# ANNUAL REPORT

## FOR THE FINANCIAL YEAR 2023/2024

MARCH, 2025

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 24 JUL 2025	DAY: Thur.
TABLED BY:	Leader of Majority
CLERK-AT-THE-TABLE:	Tracy Chebet

*Prepared and submitted in accordance with Article 254(1)*

*of the Constitution*

## VISION



A country where public funds are utilised prudently and efficiently

## MISSION



To oversee the implementation of all Government budgets through the timely authorisation of withdrawals from public funds and ensuring prudent and efficient use of public finances by monitoring, evaluating and reporting in accordance with the law.

## CORE VALUES



**Independence:** We execute our constitutional mandate firmly and without fear or favor

**Transparency and Accountability:** We are committed to promoting transparency in our work and shall be accountable for our decisions

**Integrity:** We shall uphold honesty, fairness and professional ethics in all our undertakings

**Professionalism:** We shall adhere to best practices, professional standards and ethics to continuously improve service delivery

**Teamwork:** The staff work as one team and will collaborate with stakeholders to realize our mandate

**Creativity and Innovativeness:** We are a learning organisation committed continuously improving our processes to deliver value to our stakeholders.

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## ABBREVIATIONS AND ACRONYMS

AHL	Affordable Housing Levy
BIRR	Budget Implementation Review Reports
BROP	Budget Review Outlook Paper
BPS	Budget Policy Statement
CIDP	County Integrated Development Strategy
COB	Controller of Budget
CRF	County Revenue Fund
CFS	Consolidated Fund Services
CFSP	County Fiscal Strategy Paper
FIFO	First-in-First-Out
IBEC	Intergovernmental Budget and Economic Council
OSR	Own Source Revenues
SHIF	Social Health Insurance Fund
MDAs	Ministries, Departments and Agencies
NSSF	National Social Security Fund
PPADA	Public Procurement and Asset Disposal Act
TADAT	Tax Diagnostic and Assessment Tool

## MESSAGE FROM THE CONTROLLER OF BUDGET



FCPA Dr. Margaret Nyakang'o, CBS  
**CONTROLLER OF BUDGET**

I am pleased to present the Annual Report and Financial Statements for the Controller of Budget (CoB) for the financial year (FY) 2023/24. This report fulfils Article 254(1) of the Constitution, which requires each Commission and holder of an Independent office to submit a report to the President and Parliament at the end of each financial year. The report details the activities, financial statements and achievements recorded by the CoB in delivering the constitutional mandate during the Financial Year 2023/24.

The CoB plays an important role in monitoring and reporting on the implementation of government programmes and national and county government activities. The office has continued to work with stakeholders to ensure timely authorisation of requests for withdrawals from public funds. Towards this end, the CoB has developed guidelines to ensure faster processing of requests for withdrawals from the county revenue funds in consultation with county government officials. Further,

the office is at an advanced stage to ensure complete automation of the process.

The CoB, through the Quarterly Budget Implementation Review Reports, has continued to report to Parliament on budget implementation progress at the national and devolved governments in line with Article 228(6) of the Constitution. The reports are also available to members of the public through the official website at [www.cob.go.ke](http://www.cob.go.ke). I therefore urge members of the public to use these reports to monitor the use of public funds.

To get first-hand information on the implementation of government programmes, the office monitored and evaluated programmes implemented by the county governments. While several counties have made significant progress in implementing their development plans, some gaps remain. For instance, there are still incomplete or unused projects around the counties due to factors ranging from inadequate budgets to poor workmanship. Going forward, county governments should put in place strong monitoring and evaluation units to ensure the projects are completed.

Internally, the CoB continues to grapple with the twin challenges of inadequate budgets and a limited workforce to deliver on its mandate effectively. Due to budgetary limitations, the office has been unable to monitor and evaluate national government projects. We will, therefore, continue to engage with the National Treasury for additional support to our activities as we embark on the journey of rebranding the office.

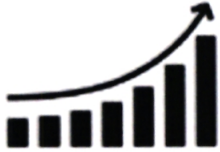
I, therefore, take this opportunity to thank all our stakeholders for the continued support of our work and to members of the public for continuously using our reports to keep our elected leaders accountable for how they use public funds.

Finally, I thank all my staff for their dedication and commitment to ensuring we delivered on our mandate during the year under review.

## KEY ACHIEVEMENTS FOR FY 2023/2024



The OCoB received and processed 8,652 requests for approval for withdrawals of funds in FY 2023/24 which amounted to Kshs.452.23 billion.



The OCoB produced 10,500 copies of the Quarterly Budget Implementation Review Reports (BIRRs) for the National and County Governments. The reports were distributed to Parliament, County Assemblies and other stakeholders.



The OCoB attained 34.79% of the procurements awarded to the Youth, Women and PWD in compliance with the PPAD, Act 2015.



The OCoB conducted a Media Engagement Forum in Nairobi County in line with Section 39(8) of the PFM Act, 2012.



The OCoB conducted a Public Participation Forum in Nakuru County in line with Section 39(8).



The OCoB participated in the Huduma Day celebrations at KICC hosted by the Commission on Administrative Justice.



The OCoB was awarded 1<sup>st</sup> runners-up in the IPSAS Fire Award for the FY2023/24

# 1. CHAPTER ONE

## 1.0. Establishment, Mandate, And Composition Of The Office Of The Controller Of Budget

### 1.1. Establishment and Mandate of the Controller of Budget

The Controller of Budget (CoB) is an independent office established under Article 228 of the Constitution of Kenya, with the core mandate of overseeing the implementation of the budgets of the National and County Governments by authorising withdrawal from public funds. The CoB is also mandated to prepare, publish and publicise statutory reports, conduct investigations based on its own initiative or on a complaint made by a member of the public, and conduct alternative dispute resolution. The CoB advises Parliament when funds transfer to State organs or any other public entities have been stopped by the minister in charge of Finance.

### 1.2. Functions and Roles of the Controller of Budget

The Controller of Budget promotes prudent and efficient financial management of public funds and equitable release of resources while improving transparency and accountability in the budget implementation process. Specifically, the roles of the Controller of Budget are as follows:

#### i) Oversight Role

This role involves overseeing the implementation of the budgets of both National and County Governments by monitoring the use of public funds in-year and reporting to Parliament on how the funds have been utilised. The Controller of Budget oversees and regularly monitors the utilisation of public funds released to spending units.

#### ii) Controlling Role

The controlling function involves authorising withdrawals from Public Funds, including the Equalization Fund (Article 204), the Consolidated Fund (Article 206), and the County Revenue Funds (Article 207) of the Constitution of Kenya. Before authorising any withdrawal, the Controller of Budget must first be satisfied that the withdrawal is permitted by law, as per Article 228 (5) of the Constitution of Kenya, 2010. The Controller of Budget ensures the timely approval of withdrawals from Public Funds.

#### iii) Reporting Role

The Controller of Budget prepares quarterly, annual and special reports to the Legislature and the Executive on budget implementation matters of the National and County Governments as provided by law under Article 228 (6) of the Constitution of Kenya, 2010. These reports are published and widely publicised.

#### iv) Advisory Role

The Controller of Budget advises Parliament on financial matters where a Cabinet Secretary has stopped transferring funds to a State organ or public entity. Article 225 (7) of the Constitution of Kenya provides that the suspension of funds can only be lifted or sustained after the Controller of Budget reports to Parliament. The Controller of Budget also advises government entities on improving budget implementation.

**v) Investigation Role**

Under Article 252 (1) (a) of the Constitution, the Controller of Budget can conduct investigations on budget implementation matters on their own initiative or following a complaint from a member of the public.

**vi) Conciliation, Mediation, and Negotiation Role**

The Controller of Budget may under Article 252(1) (b) of the Constitution of Kenya, undertake conciliation, mediation and negotiation. This role may involve resolving conflicts concerning budget implementation between County and National Government entities or within the Counties.

**vii) Enforcement of Budgetary Ceilings Role**

The Constitution of Kenya and the Controller of Budget Act 2016 confer upon the Controller of Budget the power to enforce budget ceilings on National and County Government expenditures as approved by Parliament. The ceilings include the allocation of at least 30 per cent of total budgeted spending to development, ensuring that personnel emoluments expenditures are less than 35 per cent of the total revenue for National and County Governments, and ensuring that there is an equitable allocation of nationally raised income between the two levels of governments.

**viii) Monitoring and Evaluation Role**

Section 5(b) of the CoB Act (2016) provides that in the performance of their functions under Articles 228 (4) to (6) and Article 252 of the Constitution, the Controller of Budget shall ensure prudent and efficient use of public funds by monitoring, evaluating, reporting and making recommendations to the National and County Governments on measures to improve budget implementation. Monitoring and evaluating budget implementation is a core function in the budget execution. It involves checking progress and achievements to address challenges identified in the Budget Implementation Review Reports and provide mitigating measures to improve the realisation of budgeted outcomes.

**ix) Public Sensitization Role**

Section 39 (8) of the Public Finance Management Act, 2012 requires the Controller of Budget to provide information to the public on budget implementation at both levels of Government. Article 35 of the Constitution of Kenya provides that the public has the right to access any information held by the State. The Controller of Budget ensures that the public can access comprehensive, understandable, credible and timely information on budget implementation. In discharging these functions, the Controller of Budget is guided by other pieces of legislation such as the Public Finance Management Act, 2012; Public Officer Ethics Act, 2003; Leadership and Integrity Act, 2012; Public Service (Values and Principles) Act, 2015; The Ethics and Anti-Corruption Commission Act, 2011; Occupational Health and Safety Act, 2007; and Fair Administrative Action Act, 2015.

**1.3. Organisation Structure**

**1.3.1. Staff Establishment**

The CoB has 159 staff members, 113 of whom are based at the headquarters and 46 at the county government level. The staff composition by gender and designation is shown in Table 1. As of June 2024, there were 97 and 62 male and female staff members, representing 61% and 39%, respectively.

**OFFICE OF THE CONTROLLER OF BUDGET**  
Annual Report For The Financial Year 2023/2024

**Table 1: Staff Composition by Designation, Gender**

S/No.	Designation	Male	Female	No. of Officers
1	Controller of Budget	-	1	1
2	Deputy Controller of Budget	1	-	1
3	Directors	1	1	2
4	Chief Manager	7	3	10
5	Managers	3	3	6
6	Principal Officers	6	1	7
7	Senior Internal Auditor	-	1	1
8	Personal Assistant	-	1	1
9	County Budget Coordinators	42	4	46
10	Internal Auditors	4	3	7
11	Accountant	1	3	4
12	Senior Administrative Assistant	-	3	3
13	Assistant Managers	2	2	4
14	Senior Fiscal Analyst	1	3	4
15	Senior ICT	1	-	1
16	Monitoring and Evaluation Officer	1	-	1
17	Assistant Monitoring and Evaluation Officer	1	-	1
18	Fiscal Analyst	5	4	9
19	Registry Officer	1	-	1
20	Public Relations & Communications Officer	-	1	1
21	Human Resource Officer	-	2	2
22	Supply Chain Officer	-	1	1
23	Research Officer	1	1	2
24	ICT Officer	-	1	1
25	Legal Assistant	-	1	1
26	Administrative Assistant	-	5	5
27	Administration Officer	1	-	1
28	Assistant Accountant	1	1	2
29	Librarian	1	-	1
30	Accounts Assistant	1	-	1
31	Customer Care Assistant	-	2	2
32	Clerical Officer	-	6	6
33	Telephone Operator	-	1	1
34	Senior Drivers	2	-	2
35	Drivers	9	1	10
36	Senior Support Staff	-	2	2
37	Support Staff	2	4	6
38	Office Assistant	1	-	1
39	Transport Assistant	1	-	1
<b>Total</b>		<b>97</b>	<b>62</b>	<b>159</b>

Source: COB

The distribution of staff by ethnicity and gender is shown in Table 2.

**Table 2: Distribution of Staff by Ethnicity and Gender**

S/No.	Ethnic Group	No. of officers	Male	Female
1	Kisii	12	6	5
2	Mijikenda	3	2	1
3	Meru	10	3	7
4	Kamba	7	4	3
5	Luo	26	13	13
6	Luhya	26	16	10
7	Bajun	1	-	1
8	Kalenjin	16	12	4
9	Somali	9	6	3
10	Kikuyu	27	16	11
12	Taita	2	1	1
13	Boran	5	5	-
14	Masaai	3	2	1
15	Pokot	1	1	-
16	Chonyi	1	1	-
17	Shirazi	2	1	1
18	Gabra	2	1	1
19	Digo	2	1	1
20	Mbeere	1	-	1
21	Gureeh	1	1	-
22	Teso	1	1	-
23	Turkana	1	1	-

Source: COB

### 1.3.2. Staff Promotions

During the review period, the CoB recruited 20 staff to fill vacant positions within the establishment. This comprised five (5) staff at the management level, thirteen (13) at the technical level and two (2) at the support level. The staff recruitment was informed by the skill-set analysis provided by the Heads of Department after a skills gap review.

### 1.3.3. Welfare Programmes

The CoB has a staff welfare scheme that caters to the welfare of staff. The welfare is voluntary and open to all staff who may wish to be members. It aims to encourage staff to save a portion of their salaries every month for welfare matters and the general welfare of the members by way of assistance, participation, and or contribution to the welfare of the members, especially in times of need.

### 1.3.4. Work Environment

#### Staff Mortgage Scheme

The CoB has a Mortgage Scheme to provide mortgage facilities to staff. The purpose of the scheme is for the employees to:

- Purchase existing residential properties
- Purchase of land and construction,
- Construct, renovate and improve existing residential property or existing plot/land,
- Takeover loans on existing mortgages or equity release on existing property.

The CoB has appointed a committee to process loans from applicants under the CoB Staff Mortgage Scheme Guidelines, 2018. The Staff Mortgage Scheme Administration Committee is responsible for setting up a revolving fund for loan disbursement and supervising the scheme's day-to-day operations. The Housing Finance Corporation (HFCK) and the Kenya Commercial Bank (KCB) administer the Fund.

#### Occupational Health and Safety

The CoB is committed to providing and maintaining safe working conditions, equipment, and systems of work for all employees, visitors, and other persons at or near its operational areas. The CoB has an Occupational Safety and Health Policy aligned with the Occupational Safety and Health Act of 2007 (OSHA).

#### First Aid Kits

The CoB acquired functional First Aid kits and has trained staff. The aim is to ensure first aid is given to staff in the event of minor injuries or accidents before the case is handed over to professional medics. As part of the Kenya government's safety requirements within the work environment, organisations must train at least five staff to handle the kits.

#### Safety Risk Management

The CoB continues to undertake regular risk assessments of its operations to strengthen the controls and prevent disruptions. This entails developing measures to prevent incidents from occurring in the workplace.

The office maintains a risk register that is regularly reviewed for relevance, as the conditions of our workplaces are dynamic. Wherever an incident occurs, the CoB focuses on the protection of life and has put measures to safeguard life and property. These include:

- Adherence to safety designs in the offices,
- Strengthening barriers that reduce the spread of harm,
- Continuous training and awareness programs undertaken to equip staff with skills to detect and appropriately respond to emergencies,
- Disaster recovery and continuity planning to enable the resumption of the operation of critical services as fast as possible.

The CoB has completed the development of the following policies;

- Revised HR Policies and Procedures Manual to address gaps in service and succession management schemes.

## Operational Practices

### Anti-Corruption Issues

The CoB has made remarkable strides in the prevention of corruption and unethical practices, as provided in the Ethics and Anti-Corruption Act (2011). Key achievements include:

- The establishment of the Integrity Committee which aims to institutionalise the anti-corruption initiatives in the operations of the CoB. The committee's mandate is to coordinate, formulate and implement Codes of Conduct and Ethics, Anti-Corruption Policies, Integrity Testing Programmes, Whistle Blowers Protection Systems, Corruption reporting channels, Customer service charters for all Departments, Financial, Procurement, and Human Resource Manuals, Corruption Risk Assessment and Mitigation Plan and Performance.

### Institutional capacity

The CoB has developed the following policies: an Investigation Policy, a Risk Management Policy Framework, Wealth Declaration Guidelines, a Complaints Handling Policy, and a Code of Conduct and Ethics. These policies are meant to strengthen the institutional capacity to deal with anti-corruption issues.

### Public Education

The CoB has five (5) trained Integrity Assurance Officers and thirteen (13) members of the Integrity Committee. The CoB also trained one hundred (100) staff members on leadership and integrity. The Committee also ensured that the integrity policy, conflict of interest register and gift register were implemented, maintained and operationalised.

### Political Involvement

The CoB is an Independent office established under Article 228 of the Constitution, mandated to oversee the implementation of the budgets of both the National and County Governments by authorising withdrawals from public funds. The CoB's independence is further ensured by the constitutional provisions under Article 249 of the Constitution of Kenya 2010, which stipulates that they are subject only to the Constitution and the law and are not to be directed or controlled by any person or authority. The CoB provides elaborate checks and balances mechanisms that ensure prudent financial management of public resources as envisaged by the law.

## 2. CHAPTER TWO

### 2.0. INSTITUTIONAL AND ADMINISTRATIVE STRUCTURE

#### 2.1. INSTITUTIONAL STRUCTURE

The Controller of Budget (CoB office) has four Directorates and the Department of Internal Audit. The Directorates are headed by Directors who report directly to the Controller of Budget. The Department of Internal Audit is headed by the Chief Internal Auditor, who reports administratively to the Controller of Budget and functionally to the Audit and Risk Committee. The different Directorates and Departments are as listed below:

- a) Directorate of Budget Implementation.
- b) Directorate of Corporate Services.
- c) Directorate of Legal Services.
- d) Directorate of Research, Planning and Knowledge Management.
- e) Department of Internal Audit.

The Directorates and Departments support the delivery of the CoB mandate and functions in accordance with Article 228 of the Constitution. The functions of the different Directorates and Departments are described below.

#### **a) Directorate of Budget Implementation**

The Directorate of Budget Implementation is responsible for the following key functions:

- i) Reporting on the implementation of the National and County Government Budgets.
- ii) Ensuring timely processing of exchequer requests for the National and County Governments' recurrent and development expenditures.
- iii) Monitoring and enforcing budgetary ceilings on National and County Government expenditure.
- iv) Parliamentary Liaison, including the county assemblies at the county level.

The Directorate is divided into National Government, County Governments, and Parliamentary Liaison Departments. The Deputy Controller of Budget oversees the Directorate's day-to-day operations and reports to the Controller of Budget.

#### **b) Directorate of Corporate Services**

The Corporate Services Directorate is headed by the Director, Corporate Services, who reports to the Controller of Budget. The Directorate has five Departments: Finance and Accounting, Information Communication and Technology, Human Resources and Administration, and Public Relations and Corporate Communications.

The Supply Chain Management Department, by statute, reports to the Controller of Budget.

**c) Directorate of Planning, Research and Knowledge Management**

The Directorate is headed by the Director of Research and Planning Services and reports to the Controller of Budget. It ensures strategic leadership in formulating and implementing research and planning policies, systems, and procedures. The Directorate is also charged with monitoring and evaluating the various projects undertaken by the National and County governments to aid the CoB's reporting function.

**d) Directorate of Legal Services**

The Directorate is headed by the Director, Legal Services, who reports to the Controller of Budget. The Directorate is responsible for formulating and implementing strategic legal frameworks for budget implementation and providing expert legal advice to the management. The Directorate is also responsible for the delivery of legal services.

**e) Department of Internal Audit**

The Internal Audit Department is headed by the Chief Internal Auditor, who administratively reports to the Controller of Budget but functionally reports to the Audit and Risk Committee. The Chief Internal Auditor is responsible for implementing and reviewing internal control systems and internal audit policies, systems, and procedures aligned to the Internal Audit Charter and Plans. The Department also provides investigation services, assurance on the public debt, and Pensions and Gratuities requisitions for exchequer withdrawals.

**2.3.1. ADMINISTRATIVE STRUCTURE**

The Controller of Budget is assisted by a Deputy Controller of Budget and three directors, eight (8) Chief Managers, 47 County Budget Coordinators, and other staff cadres. There is a fair representation of members of staff in the administration organs of the CoB. During the year in review, the following committees contributed to the enhancement of the CoB's performance and delivery. The administrative structure will change once a review of the current organisational structure is completed.

**2.2.2. Executive Committee**

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

- i. Oversee the office of the Controller of Budget's overall performance by focusing on strategic leadership, management and direction.
- ii. Ensure effective and efficient service delivery and prioritisation of resources.
- iii. Spearheaded the development and implementation of policies and the CoB Strategic Plan.
- iv. Develop and monitor the performance of the CoB Strategic Plan;
- v. Approve and monitor the implementation of the CoB policies and procedures;
- vi. Approve the CoB's organisation structure.

- vii. Oversee risk management in the organisation.
- viii. Provide direction on succession planning.
- ix. Promote stakeholders' engagements as provided in the CoB Strategic Plan.

**Table 3: Composition of Executive Committee**

S/No.	Designation	Name
1	Controller of Budget	FCCA Dr. Margaret Nyakang'o, CBS
2	Deputy Controller of Budget	FCCA Stephen Masha, EBS
3	Director, Corporate Services	CPA Macklin Ogolla
4	Director, Legal Services	Ms Rhoda Rutto
5	Director, Planning, Research & Knowledge Management	Dr. Brian Mutie

**2.2.3. Management Committee**

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

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

The Executive Committee and the Management Committee have the power to appoint subcommittees to assist in discharging the CoB's mandate. In discharging their duties, the Committee members are guided by the organisation's policies and procedures, the Strategic Plan, and other legislations.

**Table 4: Composition of Management Committee**

S/No.	Designation	Name
1	Controller of Budget	FCCA Dr. Margaret Nyakang'o, CBS
2	Deputy Controller of Budget	FCCA Stephen Masha, EBS
3	Director, Corporate Services	CPA Macklin Ogolla
4	Director, Legal Services	Ms Rhoda Rutto

S/No.	Designation	Name
5	Director, Planning, Research & Knowledge Management	Dr. Brian Mutie
6	Chief Internal Auditor	Mr. Joseph Tulula
7	Chief Fiscal Analyst – County Government	Mr. Mark Kipkoech
8	Chief Fiscal Analyst – National Government	Mr. Patrick Kamore
9	Chief Manager – ICT	Ms. Judy Muli
10	Chief Manager Finance and Accounts	Ms. Pamela Okatch
11	Chief Manager Human Resource & Admin	Ms. Irene Arimi
12	Chief Manager Public Relations & Communication	Mr. Stephen Wangaji
13	Chief Manager Supply Chain Management	Mr. Boniface Ikumu
14	Chief Fiscal Analyst – Parliamentary Liaison	Mr. Patrick Kebiro
15	Chief Manager Legal Services	Mr. Waweru Tuti
16	Personal Assistant to Controller of Budget	Ms. Mary Owii

#### 2.2.4. Integrity Committee

The purpose of the Committee is to institutionalise the anti-corruption initiatives in the operations of the Controller of Budget. The mandates of the committee include the coordination, formulation and implementation of Codes of Conduct and Ethics, Anti-Corruption Policy, Integrity Testing Programme, Whistle Blowers Protection Systems, Corruption reporting channels, Customer service charters for all Departments, Financial, Procurement, and Human Resource Manuals, Corruption Risk Assessment and mitigation plan and Performance contracting targets. The functions of the committee were:

- i. Coordination, formulation, and implementation of integrity initiatives.
- ii. Setting priorities in the prevention of corruption in functional areas.
- iii. Planning and coordinating corruption prevention strategies.
- iv. Integrating integrity in the institutional programs and activities.
- v. Receiving and reviewing corruption reports and recommending action
- vi. Planning staff training on integrity issues.
- vii. Spearheading anti-corruption public campaigns within the office of the Controller of Budget.
- viii. Monitoring the impact of corruption prevention initiatives.
- ix. Preparing and submitting regular progress reports to the Ethics and Anti-Corruption Commission and other appropriate agencies.
- x. Strengthening internal control systems.

The membership of the committee is shown in Table 5.

**Table 5: Composition of the Integrity/ Corruption and Prevention Committee**

S/No	Name	Role
1	FCCA Dr Margaret Nyakang'o, CBS	Chairperson
2	FCCA Stephen Masha, EBS	Member
3	CPA Macklin Ogolla	Member

S/No	Name	Role
4	Ms. Rhoda Ruto	Member
5	Ms. Irene Arimi	Member
6	Ms. Judith Muli	Member
7	Mr. Stephen Wangaji	Member
8	CPA Mark Kipkoech	Member
9	CPA Patrick Kamore	Member
10	Mr. Boniface Ikumu	Member
11	CPA Pamela Okatch	Member
12	CPA Joseph Tulula	Secretary

The CoB has in place corruption reporting channels, including the corruption reporting email (Corruption—Reporting @cob.go.ke) and the toll-free corruption reporting line (0800 720 141). The CoB has approved policies, manuals, and procedures in place and use within all the directorates and departments. Among the policies is the Anti-Corruption policy.

#### **2.2.5. Audit and Risk Committee**

The Audit and Risk Committee is a committee appointed by the Controller of Budget under Gazette Notice No. 2690 of April 15, 2016. The committee is responsible for monitoring and reviewing the integrity of the financial statements, through supporting the monitoring and reviewing of the risk, control, and governance processes that have been established in the office of the CoB. This is achieved by introducing an independent perspective and a process of constructive challenge, not to undermine the actions of the management but to help the management be fully assured that the most cost-effective control and governance processes are in place. The governance processes enhance the performance of the CoB.

The Audit and Risk Committee is composed of independent members who do not perform any executive functions of the CoB. Consistent with this role, the Audit and Risk Committee encourage continual improvement of, and foster adherence to, the organisation's policies, procedures and best practices at all levels. The specific functions of the committee are:-

- i. To support the CoB with regard to their responsibilities for issues of risk, control governance and associated assurance.
- ii. To follow up on the implementation of the recommendations of internal and external auditors.
- iii. To ensure that the CoB adopts, maintains and applies appropriate accounting and financial reporting processes and procedures.
- iv. To facilitate the independence of the internal audit process and address issues arising from the audit process.
- v. To ensure that the CoB maintains effective risk management and internal control systems.

The members of the Audit and Risk Committee were appointed in December 2020. All members of the Audit and Risk Committee are independent. The CoB has provided adequate resources to support the operations of the Audit and Risk Committee, including facilitation of the meetings, payment of the members' allowances and training of the members.

**Table 6: Composition of Audit and Risk Committee**

S.No.	Name	Role
1.	CPA Joseph Sudi Ndinyo	Chairperson
2.	CPA Margaret Muinde	Member
3.	CPA Joel Simiyu Walucho	Member
4.	CPA Agnes Mbaire Maina	Member
5.	CPA David Mwangi Gichimu	Member
6.	CPA Joseph Tulula	Secretary

**Table 7: Attendance Schedule of the Audit and Risk Committee**

S.No.	Name	26.09.2023	14.11.2023
1.	CPA Joseph Sudi Ndinyo	√	√
2.	CPA Margaret Muinde	-	-
3.	CPA Joel Simiyu Walucho	√	√
4.	CPA Agnes Mbaire Maina	√	√
5.	CPA David Mwangi Gichimu	√	√
6.	CPA Joseph Tulula	√	√

### 2.2.6. Budget Implementation Committee

This committee is set up to ensure the resources are utilised per the CoB budgetary allocation and work plan. The main responsibility of the budget implementation committee is to assist the CoB to discharge its responsibility in the following areas:

- i. Review the actual departmental expenditures to determine the absorption of the budgeted activities and identify the reasons behind the non-utilisation of funds.
- ii. Advise the Accounting Officer on any problems related to budget implementation.
- iii. Review and recommend reallocations.
- iv. Review the utilisation of donor funds.
- v. Review the commitments, including pending bills and recommend solutions.

Some of the achievements include preparing the CoB Programme-Based Budget, preparing the sub-sector report and Performance Review Reports, preparing the Annual Budget Estimates, and participating in the Sector working group. This committee performs, advises, and recommends budget re-allocations, monitors and reports on departmental budgets and expenditures, and prepares Supplementary Budget Estimates and re-allocations.

The functions of the Committee entail the following: -

- i. Oversee the CoB budget implementation and regularly advise the Accounting Officer on the performance of the budget.

- ii. Review and consider the cash flow plan.
- iii. Review the authorisation of cash limits and consider any change as may be required.
- iv. Review the utilisation of development partner funds in the CoB vote.
- v. Advise the Accounting Officer on any challenges relating to budget implementation.
- vi. Review and recommend the allocation of expenditures.
- vii. Review and approve the submission of the quarterly performance reports, the expenditure returns, IPPD, and pending bills and recommend action to be taken.

**Table 8: Composition of Budget Implementation Committee**

S/No.	Name	Role
1	CPA Macklin Ogolla	Chairperson
2	CPA Dr. Denis Okungu	Vice Chairperson
3	CPA Pamela Okatch	Member
4	Ms. Irene Arimi	Member
5	Mr. Waweru Tuti	Member
6	Mr. Boniface Ikumu	Member
7	CPA Augustine Mburu	Member
8	CPA Dr. Charles Njoroge	Member
9	CPA Stephen Otieno	Member
10	Mr. Geoffrey Abuga	Member
11	Mr. Arthur Odongo	Member
12	Constance Wasike	Member
13	CPA Thomas Cheboi	Member
14	CPA Antonette Kanani	Secretary

**Table 9: Attendance Schedule of Budget Implementation Committee**

S.No.	Name	22.08.2023	18.09.2023	06.10.2023	28.11.2023
1.	CPA Macklin Ogolla	√	-	√	-
2.	CPA Dr. Denis Okungu	√	√	-	-
3.	CPA Pamela Okatch	√	√	√	√
4.	Ms. Irene Arimi	√	√	√	√
5.	Mr. Waweru Tuti	-	-	√	√
6.	Mr. Boniface Ikumu	√	√	√	√
7.	CPA Augustine Mburu	√	√	√	√
8.	CPA Dr. Charles Njoroge	√	√	√	√
9.	CPA Stephen Otieno	√	√	-	-
10.	Mr. Geoffrey Abuga	√	√	√	
11.	Mr. Arthur Odongo	√	√	√	√

S.No.	Name	22.08.2023	18.09.2023	06.10.2023	28.11.2023
12.	CPA Constance Wasike	√	√	√	√
13.	CPA Thomas Cheboi	√	√	√	√
14.	CPA Antonette Kanani	√	√	√	√

### 2.2.7. Human Resources and Advisory Committee

The Controller of Budget has constituted a Human Resource Management Advisory Committee (HRMAC). The committee is responsible for advising the Controller of Budget on all human resource management issues as delegated to the committee.

The functions of the Committee entail the following: -

- i. Identify, analyse and recommend available training opportunities to the Controller of Budget on suitable candidates (based on identified training needs) for various training programs organised locally and internationally.
- ii. Investigate and recommend disciplinary matters to the Controller of Budget.
- iii. Discuss and make recommendations on existing HR policies to the Controller of Budget.
- iv. Discuss and recommend to the Controller of Budget, the general staff welfare and motivation issues, among others.
- v. Promotion of Values and Principles of Public Service, and
- vi. In addition, the committee shall advise the CoB on the following:
  - Maintenance of the CoB staff establishment.
  - Recruitment and Selection.
  - Performance management.
  - Promotions.
  - Confirmation of appointment.
  - Training and Development.
  - Promotion of Values and Principles of Public Service.
  - Secondments and unpaid leave.
  - Issues of retirement.
  - Re-designation.
  - Discipline.

**Table 10: Composition of Human Resource Management Advisory Committee**

S/No.	Name	Role
1	CPA Macklin Ogolla	Chairperson
2	Ms. Rhoda Rutto	Member
3	CPA Mark Kipkoech	Member
4	CPA Patrick Kamore	Member
5	Ms. Judith Muli	Member
6	Mr. Stephen Wangaji	Member

S/No.	Name	Role
7	CPA Pamela Okatch	Member
8	Boniface Ikumu	Member
9	CPA Patrick Kebiro	Member
10	Mr. Waweru Tuti	Member
11	Mr. Geoffrey Abuga	Member
12	Ms. Irene Arimi	Secretary

**Table 11: Attendance Schedule for the Human Resource Management Advisory Committee**

S/No	Name	11.7.23	7.09. 23	27.10.23	1.03.24	04.04.24	30.04. 24	30.05. 24	30.7.24	9.09.24
1.	Mr. Macklin Ogolla	✓	-	-	✓	-	-	-	-	-
2.	Irene Arimi	-	✓	✓	✓	✓	✓	✓	✓	✓
3.	Ms. Rhoda Rutto	✓	-	✓	-	✓	-	-	-	-
4.	Mr. Patrick Kamore	-	-	✓	✓	-	-	✓	✓	✓
5.	Mr. Stephen Wangaji	-	✓	✓	✓	✓	✓	-	✓	✓
6.	Ms. Judith Muli	✓	✓	✓	✓	-	-	✓	-	-
7	Ms. Pamela Okatch	✓	✓	✓	✓	✓	✓	✓	✓	✓
8	Mr. Geoffrey Abuga	✓	✓	✓	✓	✓	-	✓	-	-
9	Boniface Ikumu	✓	✓	✓	✓	✓	✓	✓	-	✓
10	Mr. Patrick Kebiro	-	✓	✓	✓	✓	✓	-	-	-
11	Mr. Mark Kipkoech	✓	✓	✓	-	-	✓	-	✓	✓
12	Waweru Tuti	-	✓	-	-	✓	✓	✓	✓	✓

### 2.2.8. ICT Steering Committee

The ICT Steering Committee provides advice to the Controller of Budget regarding strategic decisions in Information and Communication Technology (ICT) with particular attention to ensuring efficiency, effectiveness, and agility in the adoption and use of ICTs, risk management, compliance and change management. The committee ensures that CoB's ICT strategic objectives and implementation remain aligned with the mandate and strategic objectives of the Controller of the Budget office.

The ICT Steering Committee plays a key role within the office of the CoB, in the organisational strategic plan-

ning and management environment. The committee has continued to steer and strengthen ICT deliverables in the CoB's strategic and operational areas.

The functions of the ICT Committee entail the following:

- i. Align ICT strategies with the broader CoB strategic objectives.
- ii. Ensure ICT compliance with the law, Public Financial Management (PFM) practice standards and constitutional expectations.
- iii. Monitor and manage stakeholder expectations for ICTs.
- iv. Ensure that ICT systems are in place to support staff learning and development; and,
- v. Monitor and manage material risks to which the Controller of Budget is exposed.

Some of the achievements of the committee include:

- Collaborated with the National Treasury, CBK, on the design and analysis phase of the proposed exchequer automation system.
- Continuous assessment of the availability and effectiveness of the current ICT systems.

**Table 12: Composition of ICT Steering Committee**

S/No	Name	Role
1.	CPA Macklin Ogolla	Chairperson
2	CPA Mark Kipkoech	Member
3	CPA Patrick Kamore	Member
4	Ms. Irene Arimi	Member
5	Mr. Stephen Wangaji	Member
6	CPA Pamela Okatch	Member
7	Ms Judith Muli	Secretary

### 2.2.9. Adhoc Committees in Supply Chain Management

The Public Procurement and Assets Disposals Act (PPADA), 2015 establishes several ad-hoc Committees, such as Tender Evaluation, Disposals, Opening and Inspection and Acceptance and Negotiations. The Procurement Department recommends the appointment of the committee members as required in the Act. Some of the achievements of the committees are outlined below:

- 1) **Tender Opening Committee:** The committee's main purpose is to open Tenders and Requests for Proposals as outlined in sections 78(1) and 120 of the PPADA, 2015. Among the tenders and Requests for Proposals (RoPs) opened during the period under review are Medical Cover, Continuous Registration of Suppliers, Framework Contract Printing of Budget Implementation Review Reports, Recruitment of Staff, and Team Building.
- 2) **Tender Evaluation Committee:** Sections 80 and 121 of PPADA, 2015, establish Tender and Request for Proposal Evaluation Committees. Among the tenders and Requests for Proposals evaluated during the period under review are medical cover, registration of suppliers, framework contract printing of budget

implementation review reports, and recruitment of staff.

- 3) **Inspection and Acceptances Committee:** Inspection and Acceptance Committees are established under section 48 of the PPADA 2015 to receive goods, works and services. In the year under review, the committee received and inspected several goods, works, and services.
- 4) **Disposal Committee:** Section 163 of the PPADA 2015 establishes the Disposal Committee to identify assets for disposal and make recommendations to the Accounting Officer on methods of disposal through the Annual Disposal Plan. The committee held several meetings and forwarded its recommendations to the Accounting Officer for implementation.

## CHAPTER THREE

### 3. DELIVERY OF THE COB MANDATE

#### 3.0. Authorisation of Withdrawals From Public Funds

Under Article 228 (4) of the Constitution, the Controller of Budget is mandated to oversee the implementation of the budgets of the National and County governments by authorising withdrawals from public funds under Articles 204 (Equalisation Fund), 206 (Consolidated Fund) and 207 (County Revenue Funds). The CoB also approves the withdrawal of funds from the Judiciary Fund. Article 228(5) provides that the Controller of Budget shall not approve any withdrawal from a public fund unless satisfied that the withdrawal is authorised by law.

The total exchequers issued by the National Treasury to the National Government in FY 2023/24 amounted to Kshs. 3.44 trillion, representing 89 per cent of the revised net estimates, an increase from Kshs. 2.84 trillion (88 per cent) recorded in FY 2022/23. The exchequer issues comprised Kshs.315.06 billion (9.1 per cent) for ministerial development expenditure, Kshs.1.36 trillion (39.5 per cent) for ministerial recurrent expenditure and Kshs.1.77 trillion (51.4 per cent) to CFS.

During the period, the Controller of Budget authorised withdrawals from the County Revenue Funds (CRF) accounts to the County Operational Accounts of the County governments, amounting to Kshs. 451.21 billion, in line with Article 207 (3) of the Constitution. The authorised amount consisted of Kshs.339.39 billion (75.2 per cent) for recurrent activities and Kshs. 111.82 billion (24.8 per cent) for development activities.

#### 3.1. Overseeing Budget Implementation

##### 3.2.1. National Government Budget Performance

The gross expenditure for the National Government was Kshs. 3.89 trillion, recording an absorption rate of 88 per cent, compared to Kshs. 3.18 trillion (87 per cent) recorded in FY 2022/23. This comprised ministerial development expenditure at Kshs. 516.43 billion (absorption rate of 73 per cent), ministerial recurrent expenditure at Kshs. 1.62 trillion, translating to 93 per cent absorption rate, and Consolidated Fund Services at Kshs.1.76 billion (88 per cent).

##### 3.2.2. County Government Budget Performance

The county government's approved budget for FY 2023/24 was Kshs. 562.75 billion. The total available funds to the County governments amounted to Kshs. 492.47 billion. This comprised Kshs. 354.59 billion as the equitable share of revenue raised nationally, Kshs. 35.97 billion received as additional allocations/conditional grant disbursements from various Development Partners, Kshs. 42.96 billion in cash balances from FY 2022/23, and Kshs. 58.95 billion mobilised from own-source revenue streams.

The overall recurrent expenditure during the period under review amounted to Kshs. 337.53 billion, accounting for 90.5 per cent of the cumulative annual County government's budget for recurrent activities, a decline

from 93.3 per cent recorded in the FY 2022/23 when expenditure was Kshs. 330.92 billion. The total development expenditure for the forty-seven County Governments amounted to Kshs. 109.23 billion, an absorption rate of 57.5 per cent of the cumulative annual FY 2023/24 development budget of Kshs.189.93 billion, indicating a decline from an absorption rate of 61.0 per cent realised in FY 2022/23 when the cumulative development expenditure was Kshs. 97.98 billion.

**Table 13: Summary of Overall Budget Performance, FY 2023/2024 (Kshs. Billion)**

Entity	Original Net Estimates	Revised Net Estimates	Exchequer Issues	Actual Expenditure	Absorption Rate (%)
MDA-Development	708.85	452.09	315.06	516.86	73
MDA-Recurrent	1,731.43	1,434.96	1,360.06	1,615.04	93
CFS	1,991.48	1,991.48	1,766.36	1,757.02	88
County Governments	562.75	562.75	451.12	446.76	79
<b>Total</b>	<b>4,994.51</b>	<b>4,441.28</b>	<b>3,892.60</b>	<b>4,335.68</b>	

Source: COB

### 3.2. Quarterly Reports on Budget Implementation Progress

Article 228(6) of the Constitution and Section 9 of the Controller of Budget Act require the Controller of Budget to submit, quarterly, to each House of Parliament a report on the implementation of the budgets of national and county governments. The information contained in the BIRRs is guided by section 9 of the Controller of Budget Act and includes information relating to:

- The approved budget,
- Total funds released by programmes,
- The absorptive capacity of funds by project,
- Authorised withdrawals,
- Actual expenditures, and
- Receipts into the Consolidated Fund and all County Revenue Funds.

The reports ensure that Parliament, County Assemblies, and the public can access information on implementing programmes and activities at the National and County government levels.

During FY 2023/24, the office produced 10,500 copies of the Quarterly Budget Implementation Review Reports (BIRRs) and distributed them to Parliament, County Assemblies and other stakeholders. The reports comprised 3,500 copies of the national government's quarterly BIRRs and 7,000 copies of the county government's BIRRs.

#### 3.3.1. Review of Planning and Budget Policy Documents

The CoB reviewed and analysed both the National and County Government planning and Budget documents which include the budget Policy Statements (BPS), Budget Review and Outlook Papers (BROP), County Budget Review and Outlook Papers (CBROP), County Fiscal and Strategy Papers (CFSP), Debt Strategy Management Papers (DSMP), County Integrated Development Plans (CIDP). The recommendations given by the CoB were adopted by the National Treasury in the preparation of final planning and budget documents and presented to Parliament.

### 3.3.2. Review of County Government Budgets for FY 2023/2024

The CoB has provided legal advice to ensure compliance with the relevant laws on the budget implementation process. During the FY 2023/24, the office issued several key legal opinions on areas such as the legal implications and processes involved in altering budget estimates, legal requirements and considerations for implementing the County Governments Additional Allocations Act, the legal framework governing the taxation of car reimbursement benefits for Members of the County Assembly, clarifying the tax obligations and compliance requirements, legal interpretation following a court order that halted the implementation of the second policy on the Equalization Fund, advising on the necessary steps to comply with the court's directives, management and utilization of unspent funds by the County Assembly, as well as the legal processes for authorizing expenditure through a vote on account and guidance on the legal requirements for the appointment of accounting officers within county governments.

### 3.3.3. Engagement with Members of Parliament

The CoB engaged with the following National Assembly Committee through presentations, meetings, submissions and retreats.

- i. Departmental Committee for Finance and National Planning
- ii. Standing Committee on Budget and Appropriation
- iii. Standing Committee on Public Debt and Privatization

In addition, the CoB engaged with the following committees of the Senate. The Standing Committee of Finance and Budget, County Public and Investment Committee, County Public Accounts Committee, Standing Committee for Agriculture, Livestock and Fisheries, Standing Committee on Information, Commerce and Technology, Standing Committee for Devolution and Intergovernmental Relations.

The CoB provided information to both Houses of Parliament and the public as follows:

- i. The National Dialogue Committee on the rising cost of living.
- ii. Attended consultative meeting with the Parliamentary liaison officers in Mombasa
- iii. Made a presentation on invitation by the Parliamentary Budget office during the benchmarking visit by officials from Nigeria.
- iv. Submitted budget performance report for Meru County upon request by the the deputy speaker for the Senate.
- v. A report to the Senate County Public Investment Funds on the Special Funds.
- vi. Comments on the County Public Finance amendment laws.
- vii. A report on County revenue collection management systems.
- viii. A report on Emergency funds for Marsabit County.
- ix. Retreat with the parliamentary liaison Committee in Uasin Gishu.
- x. Retreat with the County Public Accounts Committee in Mombasa.
- xi. Information report on the budget allocation to various projects for Turkana County,
- xii. Information on variation caused by the SHIF, AHL and NSSF.

### 3.3. Monitoring and Evaluation of projects and program implementation

Section 5(b) of the CoB Act 2016 provides that in performing the office's functions, the Controller of Budget shall ensure prudent and efficient use of public funds by monitoring, evaluating, reporting, and making recommendations to the National and County Governments on measures to improve budget implementation in accordance with Article 228 of the Constitution of Kenya, 2010.

The CoB conducted monitoring and evaluation in two phases, covering 36 Counties, and shared the published reports with the governors of the county governments for implementation. However, because of budgetary limitations, the CoB was unable to carry out monitoring and evaluation of the budget implemented by the Ministries, Departments, and Agencies and 11 Counties.

#### 3.4.1. Phase I of the Monitoring and Evaluation Exercise

During this phase, the Controller of Budget conducted county visits to monitor the progress of budget implementation at the county government level in the second quarter of FY 2023/24 and covered a total of 16 County governments; Mandera, Nairobi City, Wajir, Baringo, Trans Nzoia, Turkana, West Pokot, Kajiado, Nakuru, Narok, Kericho, Migori, Vihiga, Bomet, Elgeyo/Marakwet, Uasin Gishu.

The overall objectives of the exercise were as follows:

- i. Regulation 41 (2) of the Public Finance Management (County Governments) Regulations, 2015, provides that County pending bills should be treated as a first charge in the ensuing financial year. The CoB undertook a monitoring exercise to establish why pending bills are still accumulating, provide recommendations that were included in the Budget Implementation Review Reports (BIRR), and escalate to provoke further action.
- ii. Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 sets a limit of the County Government's expenditure on wages and benefits at 35 per cent of the County's total revenue. The CoB assessed the status of implementation of this requirement as well as other government policy directives on the matter.
- iii. The CoB monitors the administration of the Own Source Revenue (OSR) strategies in the Counties to understand the under-collection of OSR and give recommendations to make Counties review their revenue targets to realistic amounts during the planning and budgeting process. Further, advised on how to build the capacity of key staff and implement revenue enhancement programmes in the coming financial year.
- iv. The CoB needed to ensure there was compliance with the principles of public finance as provided for under Article 201 of the Constitution by carrying out the following:
  - a) Assess compliance with budget ceilings set by the Salaries and Remuneration Commission for the construction of official residences for state officers at County governments.
  - b) Assess compliance with budget ceilings set in the County Allocation of Revenue Act for the County Assembly
  - c) Review county budgets to assess compliance with programme-based budget guidelines.
  - d) Assess compliance with laws on establishing, managing, and reporting established County public funds.
- v. The CoB also monitored projects in Mandera, Wajir, and Nairobi to determine their implementation status and checked whether recommendations from previous visits in the other 44 Counties had been implemented.

The exercise covered the following three thematic areas;

**a. Compliance with Budget Ceilings**

Section 5 (d) of the CoB Act 2016 requires the CoB to ensure prudent and efficient use of public funds by enforcing budgetary ceilings by Parliament on national and county government expenditure. These ceilings include:

- e) Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015, which sets a limit of the County Government's expenditure on wages and benefits at 35 per cent of the County's total revenue.
- f) Section 107 of the PFM Act, 2012, which sets a minimum of thirty per cent of the county government's budget to be allocated to the development expenditure over the medium term.
- g) The budget ceilings for recurrent expenditure for County Assemblies as set out in the County Allocation of Revenue Act.
- h) The budget ceilings for recurrent expenditure for County Executives as set out in the County Allocation of Revenue Act.
- i) The budget ceiling for the construction of houses for the Governor (Kshs. 45 million), Deputy Governor (Kshs. 40 million), and County Assembly Speaker (Kshs. 30 million) as set out in the circular issued by the Salaries and Remuneration Commission.
- j) The budget ceiling for the construction of the County headquarters and the County Assembly chambers.

There have been cases of non-compliance with budget ceilings set in law. For instance, only six counties complied with the budget ceiling on expenditure on personnel emoluments in FY2023/24. These were: Isiolo, Kwale, Mandera, Nakuru, Tana River, and Uasin Gishu counties. Further, financial reports submitted to CoB have shown that some Counties have incurred expenditures exceeding the budget ceilings set for the construction of official residences for county state officers, County headquarters, and Assembly chambers.

Based on the above, the CoB sought to establish reasons for non-compliance with the budgetary ceilings set in law. The CoB conducted site visits to assess whether the public funds already disbursed to the projects were utilised prudently.

**b. Compliance with Programme-Based Budgeting Guidelines**

Section 12 of the Second Schedule of the Public Finance Management (PFM) Act, 2012, requires County Governments to implement programme-based budgets (PBB). PBB is a form of budgeting that links the government budget and its use of resources directly to defined public policy objectives and intended outcomes through programmes.

Under the PBB framework, government budgets are directly linked to defined public policy objectives through programs stretched beyond one fiscal year. The number one objective of PBB is to help the government allocate its limited financial resources to the areas of public services, which will deliver optimum benefits to the community. A PBB contains policy goals, objectives, key performance indicators, program narrative, multi-year spending estimates, and information on past spending.

A review of the draft budget estimates submitted by counties revealed cases of non-compliance with the PBB guidelines. These included: poorly designed programmes and sub-programmes, weak linkages between programmes and sub-programmes, and a lack of baseline data and SMART indicators to measure programme performance. Further, the review showed that the non-financial information in the PBB, such as targets and outputs, was typically not adjusted to reflect changes in the subsequent supplementary budgets. Failure to comply with PBB guidelines adversely affects budget credibility and hampers implementation.

Based on the preceding, the CoB sought to establish reasons for non-compliance with the PBB guidelines and recommended appropriate measures to address the problem.

#### **c. Assessment of the Implementation of Established County Public Funds**

Section 116 of the PFM Act, 2012 allows County governments to establish public funds with approval from the County Executive Committees and the County Assemblies. Further, Section 168 of the PFM Act, 2012, requires the administrator of each established County public fund to submit a copy of the quarterly report to the Controller of Budget.

However, some Fund Administrators did not submit these reports in compliance with the PFM Act of 2012. The CoB has continued to engage with the county leadership to ensure compliance with Section 168 of the PFM Act of 2012.

#### **Summary Findings**

Issues noted during the monitoring and evaluation of budget implementation included:

- i. Section 128 of the PFM Act, 2012, requires the County Executive Committee (CEC) Member for Finance to issue a circular setting out guidelines to be followed by the County government entities in the budget process. The circular provides instructions to guide County governments in preparing Programme-Based Budget (PBB) estimates for FY2023/24. The CoB M&E team noted that PBB budgets from counties omitted information on human resource requirements and baseline data to guide the medium-term projections.
- ii. The CoB established discrepancies between the budget implementation reports and the approved Programme-Based Budget (PBB) for FY2023/24, showing a need for more consistency between budget documents and implementation reports. The programs in both documents derived from different sources are likely to adversely affect the monitoring of the budget.
- iii. Some County governments have not constructed official houses for the County State Officers as provided for in the Salaries and Remuneration Commission (SRC) circular Ref. No.SRC/TS/CoG/6/61/48/VOL.11 dated 20th May 2019, which set 30th June 2022 as the deadline for County governments to pay rent to the affected state officers and for Counties who have yet to start construction of the houses time to allocate funds and prioritise the construction of houses.
- iv. Some County Governments, such as Elgeyo/Marakwet, Trans Nzoia and Nyeri counties, have not established an Emergency Fund as per Section 110 (1) of the Public Finance Management Act, 2012.

- v. The Scholarship and Bursary Programme Guidelines set the administration costs at 5 percent and 20 percent, contrary to Regulation 197 of the Public Finance Management Fund (County Governments) Regulations, 2015, which caps them at 3 percent.

### Recommendations for Monitoring and Evaluation

During phase 1 of Monitoring and Evaluation, the Controller of the Budget gave the following recommendations:

- i. Members of the County Executive Committee for Finance should closely follow the National Treasury's Budget Circular when creating the County budget circular. Further, there is a need to strengthen the capacity of budget officers in the preparation of a credible budget implementation. The CoB recommended that the County governments ensure consistency between budget documents and implementation reports for effective budget tracking.
- ii. The County governments should consider the content of the SRC Gazette Notice No.8794, dated July 27, 2022, which provides the County Governors and Deputy County Governors with an official residence and commensurate home utilities and attendants by the County Government. The official residence shall be a physical building/house owned by the government. The benefit shall not be commuted to cash in place of an official residence.
- iii. The CoB advises the Counties to establish a County Emergency Fund to enable payments to be made when an urgent and unforeseen need for expenditure arises for which no specific legislative authority arises.
- iv. Counties should ensure the administration costs of County-Established Funds are within 3 percent of the Funds budget in line with the PFM Regulations.



*The OCoB M&E team with the speaker of West Pokot County Assembly during the Monitoring and Evaluation exercise*

### 3.4.2. Phase II of the Monitoring and Evaluation Exercise

During this phase, the Controller of Budget visited 21 County governments to monitor the progress of budget implementation at the county government level in the third quarter of FY 2023/24. The county governments visited include Mombasa, Kwale, Taita Taveta, Kilifi, Kakamega, Vihiga, Bungoma, Busia, Kisumu, Homa Bay,

Migori, Siaya, Nandi, Kericho, Uasin Gishu, Nakuru, Murang'a, Nyeri, Kiambu, Kirinyaga, and Nairobi.

The overall objectives of the exercise were as follows:

- i. Establish the management and status of pending bills by County governments;
- ii. Assess the levels of compliance with the law and government policy on the management of public sector wage bills.
- iii. Assess the administration, management and performance of Own Source Revenue (OSR) by County governments.
- iv. Assess the Counties' progress in implementing the previous monitoring and evaluation exercise recommendations.

The following three thematic areas were covered in the exercise.

#### a. Management of Wage Bill

A high wage bill can significantly impact a country's ability to attain its development goals by exerting pressure on public finances and hindering overall economic growth. When a substantial portion of the government budget is allocated to employee salaries, it leaves limited resources for essential infrastructure projects, social programs, and investments in key sectors. This imbalance can lead to a skewed allocation of funds, undermining the nation's capacity to address critical development challenges such as poverty alleviation, education, healthcare, and infrastructure development.

Additionally, a bloated wage bill may result in fiscal deficits, hampering macroeconomic stability and potentially leading to higher taxes or increased borrowing, further impeding sustainable development efforts. Striking a balance between competitive remuneration for public sector employees and allocating resources efficiently across diverse developmental needs is crucial for a country to achieve its overarching development objectives.

The government has instituted legal and policy frameworks to manage the public sector wage bill at national and county governments. For instance, Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 sets a limit of the County Government's expenditure on wages and benefits at 35 per cent of the County's total revenue. Further, it is Government policy, which requires wages to be processed through the IPPD system.

The budget implementation reports published by the Controller of Budget have raised concerns over the county government's public sector wage bill management. These concerns include noncompliance with the law that caps expenditure on personnel emoluments at 35 per cent of the County's total revenue and the processing of salaries and wages through manual systems prone to abuse.

According to the Annual County Budget Implementation Report for FY 2023/24, County Governments spent Kshs. 209.84 billion on personnel emoluments, which accounted for 47 per cent of the total expenditure of Kshs.446.73 billion and 42.6 per cent of the realised revenue of Kshs.492.47 billion in FY 2023/24. Further, the Report showed that personnel expenditure by five Counties was within the 35 per cent ceiling, namely: Turkana, Tana River, Mandera, Kwale, and Samburu.

#### b. Status of Pending Bills

Various pieces of legislation and policies address the accumulation of pending bills by County governments. Regulation 41 (2) of the Public Finance Management (County Governments) Regulations, 2015 provides that debt service payments shall be a first charge on the County Revenue Fund, and the Accounting Officer shall ensure this is done to the extent possible so that the County government does not default on debt obligations. The 19<sup>th</sup> Ordinary Session of the IBEC held on 23<sup>rd</sup> January 2023 resolved that, from FY 2023/24, all verified pending bills should be treated as a first charge to ensure pending bills are cleared within a defined period.

Despite these interventions, the national and county governments have continued to accumulate pending bills. The budget implementation reports published by the Controller of Budget show that pending bills decreased from Kshs. 727.74 billion in FY2022/23 to Kshs. 698.25 billion in FY2023/24. The pending bills for the county governments increased from Kshs. 160.24 billion in FY 2022/23 to Kshs. 181.98 billion in FY 2023/24.

While Counties have made progress in settling pending bills, this progress has been slow, resulting in an overall increase in the stock of pending bills. The high level of pending bills adversely affects businesses, especially Small and Medium Enterprises (SMEs), which depend on borrowed funds for their operations.

#### c. Management of Own Source Revenue

Own Source Revenue provides an important source of revenue for Counties to finance their budget. However, County governments continue to face challenges in local revenue collection since the advent of devolution. Various efforts have been initiated to help Counties improve revenue collections. For instance, the Intergovernmental Budget and Economic Council (IBEC) resolved that public finance management institutions spearhead the Tax Administration Diagnostic Assessment Tool (TADAT) initiative in all 47 counties in Kenya. TADAT is designed to provide an objective assessment of the health of key components of a country's system of tax administration.

Despite this intervention, own-source revenue collection is still below set targets for all Counties. The budget implementation reports published by the Controller of Budget show that County Governments collected Kshs 58.95 billion in OSR, translating to 72.8 per cent of the Kshs. 80.94 billion target revenue in FY2023/24. This could mean that some programmes in the budget were not funded during the period. Further, low revenues are one of the major causes behind the accumulation of pending bills at the County government level.

#### d. Summary Findings

- i. Some Counties still rely on manual payroll to process salaries for casual staff. Manual payroll is susceptible to human errors and abuse, which could result in the loss of public funds.
- ii. Regulation 41(2) of the Public Finance Management (County Government) Regulation, 2015 requires outstanding commitments to be prioritized for payment during the budget formulation process. However, the progress reports submitted to CoB showed that a number of counties have not adhered to the PFM Regulations since pending commitments are not given priority during budget implementation.
- iii. The County governments were yet to update the revenue registers for some revenue streams. The valuation rolls are not current. Using outdated revenue registers leads to a loss in revenue for the County governments, as they levy rates or fees that are not in tandem with the current market value of properties. In addition, the absence of the Valuation and Ratings Act means that the County cannot collect

revenue from streams such as Contributions in lieu of Rates from the National Government.

### Monitoring and Evaluation Recommendations

To address the aforementioned challenges, the Controller of Budget recommended that;

- i. All salaries should be processed through the IPPD system as per the government policy to enhance transparency and accountability in the use of public resources.
- ii. The County Executive Members for Finance should take appropriate measures to ensure compliance with Regulation 41(2) of the Public Finance Management (County Government) Regulations, 2015 to settle pending bills on a FIFO basis.
- iii. Counties should take appropriate measures to automate all revenue streams.
- iv. The county governments should take appropriate measures to update all revenue registers to collect optimal revenue from all streams.
- v. Take appropriate measures to develop the Valuation and Ratings Act to anchor charges, rates and levies in the Finance Act.
- vi. TADAT was recommended to objectively assess the tax administration system, identify gaps, and institute corrective measures to improve revenue collection.




*The Controller of Budget, Dr. Margaret Nyakang'o, and the OCoB Monitoring and Evaluation team with the officials of the Busia County, led by H.E Deputy Governor, Hon Arthur Odera*

## CHAPTER FOUR

### 4. FINANCIAL AND AUDIT REPORTS

**REPUBLIC OF KENYA**

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**OFFICE OF THE AUDITOR-GENERAL**  
*Enhancing Accountability*

**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O Box 30084-00100  
NAIROBI

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**REPORT OF THE AUDITOR-GENERAL ON OFFICE OF THE CONTROLLER OF BUDGET FOR THE YEAR ENDED 30 JUNE, 2024**

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**PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

1. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
2. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.
3. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

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*Report of the Auditor-General on Office of the Controller of Budget for the year ended 30 June, 2024*

## REPORT ON THE FINANCIAL STATEMENTS

### Opinion

I have audited the accompanying financial statements of Office of the Controller of Budget set out on pages 1 to 30, which comprise the statement of financial assets and liabilities as at 30 June, 2024 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Office of the Controller of Budget as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

### Basis for Opinion

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Office of the Controller of Budget Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### Other Information

### Conclusion

Management is responsible for the other information set out on page vii to cxvii which comprise of Key Entity Information and Management, Statement of Governance, Statement by the Controller of Budget, Key Performance Highlights, Detailed Key Achievements, Statement of Performance Against Predetermined Objectives, Management Discussion and Analysis and Environmental and Sustainability Reporting.

The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Office of the Controller of Budget financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

#### Non- Compliance with One Third Rule on Deduction of Employees' Salary

The statement of receipts and payments reflects compensation of employees' expenses of Kshs.375,817,147 as disclosed in Note 4 to the financial statements. Review of the payroll during the year revealed that total deductions from twenty (20) employees' pay, exceeded two-thirds of their basic salary. Although management indicated that deductions in excess of the two thirds of the basic pay were occasioned by the implementation of Housing Levy Fund and introduction of a departmental deduction in August 2023, the Office of Controller of Budget was in contravention of provisions of section 19(3) of the Employment Act, 2007, which restricts such deductions to not more than two-thirds of an employee's basic pay.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### Basis for Conclusion

#### Delayed Recruitment of the Audit Committee Members

Review of the Audit and Risk Committee's records indicated that the committee's term ended in November 2023. At its last meeting on November 14, 2023, members resolved to complete self-evaluations and submit them to the committee secretary. The Secretary was tasked with presenting these evaluations to the Controller of Budget, who would then decide which members would be retained for a second term. However, the evaluations were not completed, and as at time of audit in November, 2024, the Audit and Risk Committee had not been reconstituted.

Further, the Committee resolved to hold a final report-writing meeting on December 5, 2023, to produce an end-of-term report. However, this meeting did not take place, as there were no minutes provided to indicate it occurred. A review of the Committee's minutes also showed that it met only once during the financial year under review. This was contrary to Section 4.3.2(a) of the Notice 2691 dated 15 April, 2016 which requires that the Audit Committee should meet at least quarterly.

In the circumstances, the Office did not benefit from the oversight role and advice from the audit committee during the last half of the financial year.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

#### Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with Governance are responsible for overseeing the Office's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

#### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way.

In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

23 December, 2024


*Office of the Controller of Budget*


*Annual Report and Financial Statements for the year ended 30th June 2024*

**11 STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2024**

Description	Note	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
<b>Receipts</b>			
Exchequer Releases	1	665,913,161	599,200,344
Proceeds from Sale of Assets	2	307,715	-
Miscellaneous Receipts	3	4,532,334	-
<b>Total Receipts</b>		<b>670,753,210</b>	<b>599,200,344</b>
<b>Payments</b>			
Compensation of Employees	4	375,817,147	350,454,863
Use of Goods and Services	5	219,587,742	178,221,167
Social Security Benefits	6	6,674,744	10,892,801
Acquisition of Assets-Non -Financial	7	36,458,861	7,077,869
Acquisition of Assets-Financial	8	29,918,500	49,591,116
<b>Total Payments</b>		<b>668,456,994</b>	<b>596,237,816</b>
<b>Surplus/(Deficit)</b>		<b>2,296,216</b>	<b>2,962,528</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on September 10, 2024 and signed by:

  
\_\_\_\_\_  
**Controller of Budget**  
Name: FCPA Dr. Margaret Nyakang'o, CBS  
ICPAK Member: 2145

  
\_\_\_\_\_  
**Chief Manager Finance and Accounts**  
Name: CPA Pamela Okatch  
ICPAK Member Number: 7884

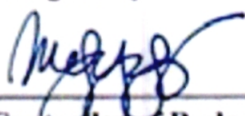
*Office of the Controller of Budget*

*Annual Report and Financial Statements for the year ended 30th June 2024*


**12 STATEMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AS AT 30TH JUNE 2024**

Description	Note	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
<b>Financial assets</b>			
<b>Cash and cash equivalents</b>			
Bank balances	9A	1,962,181	7,123,928
Cash balances	9B	144,097	169,838
<b>Total cash and cash equivalents</b>		<b>2,106,278</b>	<b>7,293,766</b>
Advances and Imprests	10	308,700	-
<b>Total financial assets</b>		<b>2,414,978</b>	<b>7,293,766</b>
<b>Financial liabilities</b>			
Third party deposits and retention	11	(118,762)	(4,331,238)
<b>Net financial assets</b>		<b>2,296,216</b>	<b>2,962,528</b>
<b>Represented by</b>			
Fund balance b/fwd.	12	2,962,528	25,034,798
Prior year adjustment	13	(2,962,528)	(25,034,798)
Surplus/(Deficit )for the year		2,296,216	2,962,528
<b>Net financial position</b>		<b>2,296,216</b>	<b>2,962,528</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on September 10, 2024 and signed by:

  
\_\_\_\_\_  
Controller of Budget

**Name: FCPA Dr. Margaret Nyakang'o, CBS  
ICPAK Member: 2145**

  
\_\_\_\_\_  
Chief Manager Finance and Accounts  
**Name: CPA Pamela Okatch  
ICPAK Member Number: 7884**

*Office of the Controller of Budget*

*Annual Report and Financial Statements for the year ended 30th June 2024*

**13 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2024**

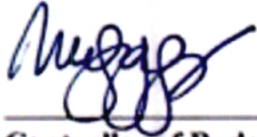
Description	Notes	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
<b>Operating Activities</b>			
<b>Receipts</b>			
Exchequer releases	1	665,913,161	599,200,344
Miscellaneous receipts	3	4,532,334	-
<b>Total Receipts</b>		<b>670,445,495</b>	<b>599,200,344</b>
<b>Payments</b>			
Compensation of employees	4	375,817,147	350,454,863
Use of goods and services	5	219,587,742	178,221,167
Social security benefits	6	6,674,744	10,892,801
<b>Total Payment</b>		<b>602,079,633</b>	<b>539,568,831</b>
<b>Net receipts/(payments)</b>			
<b>Adjusted For:</b>			
Adjustments during the year			
Prior year adjustments	13	(2,962,528)	(25,034,798)
Decrease/(Increase) in accounts receivable	14	(308,700)	2,346
Increase/(Decrease) in deposits and retention	15	(4,212,476)	3,656,385
<b>Net Cash Flow from Operating Activities</b>		<b>60,882,158</b>	<b>38,255,446</b>
<b>Cash flow From Investing Activities</b>			
Proceeds from sale of assets	2	307,715	-
Acquisition of assets-Non-Financial	7	(36,458,861)	(7,077,869)
Acquisition of assets-Financial	8	(29,918,500)	(49,591,116)
<b>Net Cash Flows from Investing Activities</b>		<b>(66,069,646)</b>	<b>(56,668,985)</b>
<b>Cash flow From Financing Activities</b>			
<b>Net cash flow from financing activities</b>		-	-
<b>Net increase in cash and cash equivalents</b>		<b>(5,187,488)</b>	<b>(18,413,539)</b>
<b>Cash &amp; Cash Equivalent at Start of The Year</b>	9	7,293,766	25,707,305
<b>Cash &amp; Cash Equivalent at End of The Year</b>	9	<b>2,106,278</b>	<b>7,293,766</b>

*Office of the Controller of Budget*

*Annual Report and Financial Statements for the year ended 30th June 2024*

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The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on September 10, 2024 and signed by:



Controller of Budget

Name: FCPA Dr. Margaret Nyakang'o, CBS

ICPAK Member: 2145



Chief Manager Finance and Accounts

Name: CPA Pamela Okatch

ICPAK Member Number: 7884

*Office of the Controller of Budget*

*Annual Report and Financial Statements for the year ended 30th June 2024*

**14 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR FY2023/24**

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/e %
<b>Receipts</b>						
Exchequer releases	766,920,000	(48,150,311)	718,769,689	665,913,161	52,856,528	93
Proceeds from sale of assets	-	527,755	527,755	307,715	220,040	58
Miscellaneous receipts	-	4,572,245	4,572,245	4,532,334	39,911	99
<b>Total Receipts</b>	<b>766,920,000</b>	<b>(43,050,311)</b>	<b>723,869,689</b>	<b>670,753,210</b>	<b>53,116,479</b>	<b>93</b>
<b>Payments</b>						
Compensation of employees	410,370,000	12,000,000	422,370,000	375,817,147	46,552,853	89
Use of goods and services	235,023,601	(9,160,311)	225,863,290	218,587,742	7,275,548	97
Social security benefits	10,229,256	(3,000,000)	7,229,256	6,674,744	554,512	92
Acquisition of assets-Non-Financial	61,297,143	(22,808,500)	38,488,643	37,458,861	1,029,782	97
Acquisition of assets-Financial	50,000,000	(20,081,500)	29,918,500	29,918,500	-	100
<b>Total Payments</b>	<b>766,920,000</b>	<b>(43,050,311)</b>	<b>723,869,689</b>	<b>668,456,994</b>	<b>55,412,695</b>	<b>92</b>
<b>Surplus/ Deficit</b>	-			<b>2,296,216</b>		

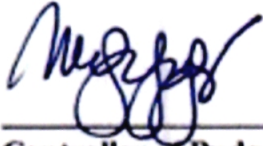
- (a) During the period under review, the office disposed of computers worth **Kshs.227,555** at residual value, included in the proceeds from the sale of assets. In addition, miscellaneous receipts of **Kshs.4.6 million** was as a result of insurance claims by service providers appropriated during the period under review.
- (b) The underutilization of compensation of employees at **89 per cent** arose due to delays in the recruitment process and notices given by the new staff on reporting dates.

*Office of the Controller of Budget*

*Annual Report and Financial Statements for the year ended 30th June 2024*

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The entity financial statements were approved on September 10, 2024 and signed by:



Controller of Budget

Name: FCPA Dr. Margaret Nyakang'o, CBS

ICPAK Member: 2145



Chief Manager Finance and Accounts

Name: CPA Pamela Okatch

ICPAK Member Number: 7884

*Office of the Controller of Budget*

*Annual Report and Financial Statements for the year ended 30th June 2024*

**16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR FY2023/24**

**(a) Statement of Comparison of Budget and Actual Amounts: Recurrent for FY2023/24**

<b>Receipt/Expense Item</b>	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual on Comparable Basis</b>	<b>Budget Utilization Difference</b>	<b>% of Utilization</b>
	<b>a</b>	<b>b</b>	<b>c=a+b</b>	<b>d</b>	<b>e=c-d</b>	<b>f=d/c %</b>
<b>Receipts</b>						
Exchequer releases	766,920,000	(48,150,311)	718,769,689	665,913,161	52,856,528	93
Proceeds from the sale of assets	-	527,755	527,755	307,715	220,040	58
Miscellaneous receipts	-	4,572,245	4,572,245	4,532,334	39,911	99
<b>Total Receipts</b>	<b>766,920,000</b>	<b>(43,050,311)</b>	<b>723,869,689</b>	<b>670,753,210</b>	<b>53,116,479</b>	<b>93</b>
<b>Payments</b>						
Compensation of employees	410,370,000	12,000,000	422,370,000	375,817,147	46,552,853	89
Use of goods and services	235,023,601	(9,160,311)	225,863,290	218,587,742	7,275,548	97
Social security benefits	10,229,256	(3,000,000)	7,229,256	6,674,744	554,512	92
Acquisition of assets-Non-Financial	61,297,143	(22,808,500)	38,488,643	37,458,861	1,029,782	97
Acquisition of assets-Financial	50,000,000	(20,081,500)	29,918,500	29,918,500	-	100
<b>Total Payments</b>	<b>766,920,000</b>	<b>(43,050,311)</b>	<b>723,869,689</b>	<b>668,456,994</b>	<b>55,412,695</b>	<b>92</b>
<b>Surplus/Deficit</b>				<b>2,296,216</b>		

*Notes*

(a) During the period under review, the office disposed computers worth **Kshs.227,55** at residual value, included in the proceeds from sale of assets. In addition, miscellaneous receipts of **Kshs.4.6 million** was as a result of insurance claims by service providers appropriated during the period under review.

*Office of the Controller of Budget*

*Annual Report and Financial Statements for the year ended 30th June 2024*

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- (b) The underutilization of compensation of employees at **89 percent** arose due to delayed in recruitment process and notices given by the new on reporting dates.

The entity financial statements were approved on September 10, 2024 and signed by:



Controller of Budget

Name: FCPA Dr. Margaret Nyakang'o, CBS  
ICPAK Member: 2145



Chief Manager Finance and Accounts

Name: CPA Pamela Okatch  
ICPAK Member Number: 7884

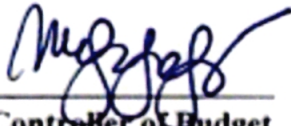
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**b) Statement Of Comparison of Budget and Actual Amounts: Development for  
FY2023/24**

The OCoB does not have a Development vote



Controller of Budget

Name: FCPA Dr. Margaret Nyakang'o, CBS  
ICPAK Member: 2145



Chief Manager Finance and Accounts

Name: CPA Pamela Okatch  
ICPAK Member Number: 7884

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**15 BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES FOR FY2023/24**

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on a comparable basis	Budget utilization difference
	<b>2023/24</b>			<b>2023/24</b>	
	<b>Kshs</b>			<b>Kshs</b>	<b>Kshs</b>
<b>Sub-Programme 1:</b> Authorization of Withdrawals from Public Funds	471,829,056	(17,133,797)	454,695,259	416,567,565	38,127,694
<b>Sub-Programme 2:</b> Budget Review and Analysis	55,412,508	(14,386,578)	41,025,930	39,769,963	1,255,967
<b>Sub-Programme 3:</b> Administrative Support Services	63,119,309	(70,887)	63,048,422	57,083,376	5,965,046
<b>Sub-Programme 4:</b> Research and Planning	176,559,127	(11,459,049)	165,100,078	155,036,090	10,063,988
<b>Total</b>	<b>766,920,000</b>	<b>(43,050,311)</b>	<b>723,869,689</b>	<b>668,456,994</b>	<b>55,412,695</b>

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## **16 NOTES TO THE FINANCIAL STATEMENTS**

### **1. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

### **2. Reporting Entity**

The financial statements are for the Office of the Controller of Budget. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012. During the period under review, the OCoB did not have a development vote hence we did not implement any projects.

### **3. Reporting Currency**

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

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**Significant Accounting Policies**

The accounting policies set out in this section have been consistently applied by OCoB for all the years presented.

**a) Going Concern Principle**

The financial statements are prepared on the assumption that the OCoB is a going concern and will continue in operation and meet its statutory obligations for the foreseeable future.

**b) Recognition of Receipts**

The OCoB recognises all receipts from various sources when the event occurs and the related cash has been received by the entity. During the period under review, the office receipts comprised exchequer releases and Appropriation in Aid (AIA)

**i. Transfers from the Exchequer**

Transfers from the exchequer are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the Bank and notified to the receiving entity. During the period under review, the office received exchequer notifications amounting to **Kshs.665,913,161** and **A.I.A of Kshs.4,840,049**

**(i) External Assistance**

During the FY 2023/24, The Office received financial support from the Public Finance Management Reforms (PFMR) amounting to Kshs 8.24 million to support the development of Regulations for the Controller of Budget Act, 2016.

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The external assistance were direct payments by the PFMR hence are not recorded in the financial statements. There were no instances of non-compliance with terms and conditions which could have resulted in the cancellation of external assistance funds

**(ii) Miscellaneous receipts**

During the period under review, the office received appropriation in aid (AIA) amounting to **Kshs.4,840,049**. This relates to receipts from proceeds from the disposal of assets and sale of tender documents and refund of insurance claims. These are recognised in the financial statements at the time associated cash is received.

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**a) Recognition of payments**

The office recognises all payments when the event occurs, and the related cash has been paid out.

**i) Compensation of Employees**

Salaries and wages, allowances, and statutory contribution for employees are recognized in the period when the compensation is paid.

**ii) Use of Goods and Services**

Goods and services are recognized as payments in the period when the goods/services are paid for. The office made payments for the goods/services consumed amounting to **Kshs. 219,587,742**. During the period under review, the office consumed goods and services amounting to **Kshs.2,053,999** whose payments were not made and hence disclosed as pending bills

**iii) Acquisition of Fixed Assets(Non-Financial)**

The payment on the acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment. A fixed asset register is maintained and a summary provided for purposes of consolidation. *This summary is disclosed as an annexure 1 to the financial statements.*

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**i. Acquisition of Assets- Financial (Domestic Lending and On Lending)**

The office received exchequer amounting to **Kshs.29,918,500** to cater for staff mortgage scheme. This was transferred to the fund administrator (Housing Finance Corporation). This is reported separately in the OCoB Staff Mortgage Report and Financial Statement.

**b) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. The office Bank accounts recurrent and deposit balances are held at the Central Bank of Kenya while the Staff Mortgage Scheme account is held at Housing Finance Corporation (HFCK). In addition, the office opened a bank account at Kenya Commercial Bank for the purposes of providing the Staff Mortgage and car loan funds. A bank account register is maintained, and a summary provided for purposes of consolidation (*Annex 2*)

**Restriction on Cash**

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits and retentions. As of 30th June 2024, this amounted to **Kshs.118,762** compared to **Kshs.4,331,238** in prior period as indicated on *note 11*. There were no other restrictions on cash during the year.

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**c) Advances and Imprests**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or Authority to Incur Expenditure (AIE) holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements. During the period under review, the office had outstanding temporary imprest and prepayments amounting to **Kshs.308,700** treated as receivables in the financial statements.

**d) Third party deposits and retention**

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending the fulfilment of obligations by the contractor and holding deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted for National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements. During the period under review the outstanding balance of **Kshs.118,762** in the deposit account on account of 3<sup>rd</sup> parties. Includes monies held for compensation by Insurance for the last expense.

**e) Pending Bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items. When the pending bills are finally settled, such payments are included in the Statement of Receipts

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and Payments in the year-in which the payments are made. During the period under review, the office had a pending bill amounting to **Kshs.2,053,999**

**f) Budget**

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits and retentions, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament in *June 2023 for the period 1<sup>st</sup> July 2023 to 30<sup>th</sup> June 2024* as required by Law and there were two (2) supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

**g) Comparative Figures**

Where necessary, comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

**h) Subsequent Events**

There have been no events after the financial year end with a significant impact on the financial statements for the year ended *30<sup>th</sup> June 2024*.

**i) Prior Period Adjustment**

During the reporting period there were no errors corrected under *note 13*.

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**Notes to the Financial Statements**

**1. Exchequer releases**

Description	Item Code	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
Transfer from Exchequer	9910201	665,913,161	599,200,344
<b>TOTAL</b>		<b>665,913,161</b>	<b>599,200,344</b>

The office exchequer issues amounting to **Kshs.665,913,161** was recorded during the Financial Year (FY) 2023/24 compared to **Kshs.599,200,344** recorded in the FY 2022/23. This translates to an increase of **11 percent**.

**2. Proceeds from Sale of Assets**

Description	Item Code	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
Disposal and Sales of Non-Produced Assets	3540400	227,755	-
Other Proceeds	3540400	79,960	-
<b>Total</b>		<b>307,715</b>	<b>-</b>

During the reporting year, the office disposed computers amounting to **Kshs.227,755** at residual value and not at cost hence not included in the fixed assets schedule under annex 1. This is appropriated in the budget hence treated as appropriation in aid in the financial statements.

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**3. Miscellaneous Receipts**

Description	Item Code	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
Receipts from Administrative Fees and Charges - AIA	1420300	321,975	-
Other Receipts	1450200	4,210,359	-
<b>Total</b>		<b>4,532,334</b>	-

During the reporting year, the office recognized receipts amounting to **Kshs.4,532,334**. This relates to insurance refunds on medical and loss of assets by the service providers. In addition, payroll recoveries and commissions amounting to **Kshs.110,470** and **Kshs.211,505** respectively. This is appropriated in the budget and hence treated as appropriation in aid in the financial statements.

**4. Compensation to Employees**

Description	Item Code	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
Basic salaries of permanent employees	2110100	234,331,798	216,523,925
Basic wages of temporary employees	2110200	648,276	159,409
Personal allowances paid as part of the salary	2110300	99,983,552	92,039,283
Personal Allowances paid as Reimbursements	2120100	-	8,000,000
Employer Contributions Compulsory national social security schemes		40,853,521	33,732,246
<b>TOTAL</b>		<b>375,817,147</b>	<b>350,454,863</b>

The total payment for the compensation of employees for FY 2023/24 stood at **Kshs.375,817,147** representing a 7% increase compared to **Kshs.350,454,863** recorded in the FY 2022/23. This is attributed to the annual increase of staff basic salaries, salaries for new

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staff recruited during the financial year; and employer contributions to the staff pension scheme.

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**Notes to the Financial Statements (Continued)**

**5. Use of Goods and Services**

Description	Item Code	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
Utilities, supplies and services	2110100	-	-
Communication, supplies and services	2110200	10,768,578	11,953,894
Domestic travel and subsistence	2210300	28,549,771	23,593,814
Foreign travel and subsistence	2210400	2,434,261	-
Printing, advertising and information supplies & services	2210500	42,120,605	35,656,496
Rentals of produced assets	2210600	8,111,134	700,000
Training expenses	2210700	13,503,356	12,511,235
Hospitality supplies and services	2210800	8,239,090	11,407,031
Insurance costs	2210900	58,065,198	42,940,712
Specialized materials and services	2211000	929,189	1,047,430
Office and general supplies and services	2211100	8,141,087	6,890,416
Fuel Oil and Lubricants	2211200	4,605,700	2,467,481
Other operating expenses	2211300	29,446,983	21,071,013
Routine maintenance – vehicles and other transport equipment	2220100	3,089,066	6,017,495
Routine maintenance – other assets	2220200	1,583,724	1,964,150
<b>TOTAL</b>		<b>219,587,742</b>	<b>178,221,167</b>

The total payment for the use of goods and services for FY 2023/24 stood at **Kshs. 219,587,742** representing a **23%** increase compared to **Kshs. 178,221,167** recorded in the FY 2022/23 This arose as a result of increased planned activities undertaken during the FY 2024/25 such as monitoring and evaluation exercise at the county level.

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**6. Social Security Benefits**

Description	Item Code	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
Government pension and retirement benefits	2710100	6,674,744	10,892,801
<b>TOTAL</b>		<b>6,674,744</b>	<b>10,892,801</b>

The social security benefit relates to payments of gratuity for staff whose contracts ended during the year. The total payment for the social security benefits for FY 2023/24 stood at **Kshs.6,674,744** representing a **38.7 per cent** decrease compared to **Kshs. 10,892,801** recorded in the FY 2022/23.

**7. Acquisition of Assets (Non -Financial Assets)**

Description	Item Code	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
Refurbishment of Buildings	3110100	1,280,000	-
Purchase of Vehicles and other Transport Equipment	3110700	13,577,179	-
Purchase of Office Furniture and General Equipment	3111000	15,715,848	3,288,910
Purchase of specialised plant, Equipment and Machinery	3111100	5,885,834	3,788,959
<b>TOTAL</b>		<b>36,458,861</b>	<b>7,077,869</b>

The total payment for the acquisition of assets for FY 2023/24 stood at **Kshs.36,458,861** representing a **415 per cent** increase compared to **Kshs.7,077,869** recorded in the FY 2022/23. This arose as a result of the purchase of motor vehicles, office and ICT equipment during the reporting period.

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**8. Acquisition of Assets (Financial Assets)**

Description	Item Code	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
Domestic Public Financial Institutions (Mortgage Scheme)	4110000	29,918,500	49,591,116
<b>TOTAL</b>		<b>29,918,500</b>	<b>49,591,116</b>

During the year under review, the approved budget of the Staff Mortgage Scheme was **Kshs.29,918,500**. This was a reduction of **114 per cent** as a result of budget cuts and austerity measures. The accounting treatment is done under a separate Mortgage Scheme Financial Statement.

**9. Cash and Bank Accounts**

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Bank Accounts (Note 9 A)	1,962,181	7,123,928
Cash on hand (Note 9 B)	144,097	169,838
<b>Total</b>	<b>2,106,278</b>	<b>7,293,766</b>

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**9.A Bank Accounts**

Name of Bank, Account No. & currency	Currency	Recurrent, Development Deposit	Exchange rate (if in foreign currency)	Item Code	FY 2023-2024	FY 2022-2023
					Kshs	Kshs
Central Bank of Kenya 1000181338(Kshs.)	Kshs.	Recurrent	-	6530000	1,843,419	2,792,690
Central Bank of Kenya 1000182369(Kshs.)	Kshs.	Deposit	-	6550000	118,762	4,331,238
<b>TOTAL</b>					<b>1,962,181</b>	<b>7,123,928</b>

**9.B Cash in hand**

Description	Item Code	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
Cash in Hand-Held in domestic currency	6580000	144,097	169,838
<b>TOTAL</b>		<b>144,097</b>	<b>169,838</b>

**Detailed Cash is as follows:**

Description	Item Code	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
Location: Headquarters, Bima House Building, 12 <sup>th</sup> floor cash office	6580000	144,097	169,838
<b>TOTAL</b>		<b>144,097</b>	<b>169,838</b>

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**10. Advances and Imprests**

<i>Description</i>	<i>Item Code</i>	<i>FY 2023-2024</i>	<i>FY 2022-2023</i>
		<b>Kshs</b>	<b>Kshs</b>
Advances and Imprests	6740000	170,100	-
Government Imprests-Temporary Imprests	6730000	138,600	-
<b>TOTAL</b>		<b>308,700</b>	<b>-</b>

During the reporting period the office had an outstanding advances and imprests amounting to **Kshs.308,700**. These relates to the daily subsistence allowance paid to officers while attending training which ended in July 2024.

*Advances and Imprests and Aging analysis.*

	<i>FY 2023-2024</i>	<i>% of the total</i>	<i>FY 2022-2023</i>	<i>% of the total</i>
Under one year	308,700	100 %	-	
<b>TOTAL</b>	<b>308,700</b>		<b>-</b>	

<i>Name of Officer</i>	<i>Date Imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<i>Douglas Otworu</i>	03/06/2024	170,100	-	170,100
<i>Joseph Owiti</i>	25/06/2024	138,600	-	138,600
<b>Total</b>		<b>308,700</b>		<b>308,700</b>

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**11. Third-party deposits and retention**

Description	FY 2023-2024		FY 2022-2023	
	Kshs		Kshs	
Deposits	118,762		4,331,238	
<b>Total</b>				
Ageing analysis:	<i>FY 2023-2024</i>	<i>% of the Total</i>	<i>FY 2022-2023</i>	<i>% of the Total</i>
Under one year	118,762	100	3,856,718	89
1-2 years	-	-	474,520	11
<b>Total</b>	<b>118,762</b>		<b>4,331,238</b>	

**12. Fund Balance Brought Forward**

Description	Item Code	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
Opening Bank accounts	9990100	7,123,928.00	25,452,675
Opening Cash in hand	9990200	169,838.00	254,630
Advances and imprests	9990300	-	2,346
Third-party deposits and retention	9990100	(4,331,238)	(674,853)
<b>TOTAL</b>		<b>2,962,528</b>	<b>25,034,798</b>

The opening bank and cash balance brought forward represent the unutilized balance at the closure of the financial year FY 2022/23. During the reporting period, the exchequer refunded to the Exchequer Account for the bank and cash balances amounting to **Kshs.2,792,690** and **Kshs.169,838** respectively. This is in accordance with Section 45(2) of the Public Finance Management (PFM) Act, 2012. The variance in the opening balance in the deposit account arose due to transfers to the Appropriation in Aid.

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**13. Prior Year Adjustments**

	Balance b/f FY 2022-2023	Adjustments during the year relating to prior periods	Adjusted ** Balance b/f Current Year
Description of the error	Kshs	Kshs	Kshs
Bank Account Balances	7,123,928	(2,792,690)	4,331,238
Cash in Hand	169,838	(169,838)	-
Advances and Imprests	-	-	-
Third-party deposits and retention	-	-	-
<b>TOTAL</b>	<b>7,293,766</b>	<b>(2,962,528)</b>	<b>4,331,238</b>

*The office had prior year adjustments during the year amounting to Kshs.2,962,528 which relates to exchequer refunded during the period under review.*

**14. (Increase)/ Decrease in Advances and Imprests**

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Receivables as of 1 <sup>st</sup> July (A)	-	2,346
Receivables as of 30 <sup>th</sup> June (B)	308,700	-
<b>(Increase)/ Decrease in Receivables (C=(B-A))</b>	<b>308,700</b>	<b>2,346</b>

**15. Increase/ (Decrease) in Retention and Third-Party Deposits**

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Payables as of 1 <sup>st</sup> July	4,331,238	674,853
Payables as of 30 <sup>th</sup> June	118,762	4,331,238
<b>Increase/ (Decrease) In Payables</b>	<b>(4,212,476)</b>	<b>3,656,385</b>

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**16. OTHER IMPORTANT DISCLOSURES**

**16.1 Related Party Transactions**

Description	2023-2024	2022-2023
	Kshs	Kshs
<b>Purchase of Goods and Services</b>		
Training fees paid to govt agencies (Kenya School of Government)	4,125,130	3,670,685
Conference facilities hired from govt. agencies (Kenyatta International Convention Centre)	207,900	114,898
<b>Total goods and services paid to govt. agencies</b>	<b>4,333,030</b>	<b>3,785,583</b>
<b>Transfers from related parties</b>		
Transfers from the Exchequer	665,913,161	599,200,344
<b>Total Transfers from related parties</b>	<b>665,913,161</b>	<b>599,200,344</b>

**16.2: Other Pending Payables**

Description	Balance b/f FY 2022-23	Additions for the period	Paid during the year	Balance c/f FY 2023-24
	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities	40,919	568,492	(590,649)	18,762
Amounts due to staff (Insurance claims)	4,290,320	2,500,000	(6,690,320)	100,000
<b>Total</b>	<b>4,331,239</b>	<b>3,068,492</b>	<b>(7,280,969)</b>	<b>118,762</b>

During the reporting period, **Kshs.4,331,239** and **Kshs.508,811** related to the opening balance and additions during the year respectively transferred to Appropriation in Aid

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**16.3 Payments by third party on behalf of OCoB**

*a) External Assistance paid on behalf of the office by Source*

This relates to external assistance paid directly by PFMR to settle obligations on activities on behalf of the Office of the Controller of Budget

	<i>FY 2023-2024</i>	<i>FY 2022-2023</i>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
National government (The National Treasury and Planning Through Public Finance Management Reforms (PFMR))	8,240,000	6,149,100
<b>Total</b>	<b>8,240,000</b>	<b>6,149,100</b>

*b) Classification of payments made by Third Parties by Nature of expenses*

<b>Payments made by Third Parties</b>	<i>FY 2023-2024</i>	<i>FY 2022-2023</i>
	<b>Kshs</b>	<b>Kshs</b>
Use of goods and services	8,240,000	6,149,100
<b>Total</b>	<b>8,240,000</b>	<b>6,149,100</b>

During the FY 2023/24, The Office received financial support from the Public Finance Management Reforms (PFMR) amounting to **Kshs.8.24 million** to support the development of Regulations for the Controller of Budget Act, 2016.

In the comparative FY, PFMR supported the development and dissemination of the Controller of Budget Regulations, which involved public participation sessions that brought together the Stakeholders to review and give their comments on the draft Regulations. Further, the PFMR funded the training of 29 County Assembly Speakers on the budget-making process including reporting on the budget implementation progress.

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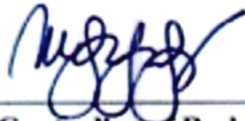
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**16.3 Progress on follow-up of Prior Years Auditor-General's recommendations.**

The following is the summary of issues raised by the Auditor-General during the prior year and management comments that were provided.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from the Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe:</b>

All the issues were addressed to the satisfaction of the Auditor General during the audit period, who issued an unqualified audit opinion on the Financial Statements of the Office of the Controller of Budget.



**Controller of Budget**  
Name: FCPA Dr. Margaret Nyakang'o, CBS  
ICPAK Member: 2145



**Chief Manager Finance and Accounts**  
Name: CPA Pamela Okatch  
ICPAK Member Number: 7884

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**ANNEXES**

**-Annex 1 - Analysis Of Other Pending Payables (Deposit Account)**

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2024	Outstanding Balance 2023	Comments
		a	b	c	d=a-c		
<b>Amounts due to National Govt Entities</b>		-					
The National Treasury	Payroll commission and salary recovery	340,736.50	N/A	(362,893.90)	18,761.60	40,919	Outstanding balance 2024 was appropriated in the Budget FY 2024/25 as part of Appropriation in Aid
<b>Sub-Total</b>		<b>340,736.50</b>		<b>(362,893.90)</b>	<b>18,761.60</b>	<b>40,919</b>	
<b>Amount due to staff (Insurance claim)</b>							
CIC Insurance Refund (Medical)	Insurance Compensation	782,400	N/A	(394,560)	-	394,560	
Jubilee Insurance Refund (Equipments)	Insurance Compensation	456,440	N/A	(79,960)	-	79,960	
AAR Ex Gratia	Un utilized medical Insurance	3,815,700	N/A	(3,815,700)	-	3,815,700	
Jubilee Insurance Refund-Last Expense	Insurance Compensation	100,000	N/A	-	100,000	-	

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Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2024	Outstanding Balance 2023	Comments
Sub-Total		5,154,540		(4,290,220)	100,000	4,290,220	
Grand Total		6,495,276.50		(4,653,113.90)	118,761.60	4,331,139	

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**Annex 2-- Summary of Fixed Asset Register**

<b>Asset class</b>	<b>Historical Cost b/f (Kshs) FY 2022-23</b>	<b>Additions during the year (Kshs)</b>	<b>Disposals during the year (Kshs)</b>	<b>Transfers in/(out) during the year</b>	<b>Historical Cost c/f (Kshs) FY 2023-24</b>
Buildings and Structures (Refurbishment of buildings)	2,328,000	1,280,000	-	-	3,608,000
Transport equipment (Vehicles and Other Transport Equipment)	48,786,259	13,577,179	-	-	62,363,438
Office equipment, furniture and fittings	83,474,856	15,715,848	-	-	99,190,704
ICT Equipment (Specialised Plant, Equipment and Machinery)	26,703,994	5,885,834	-	-	32,589,828
<b>Total</b>	<b>161,293,109</b>	<b>36,458,861</b>		<b>-</b>	<b>197,751,970</b>
Intangible assets (Domestic Lending and On-Lending (Mortgage))	399,591,116	29,918,500	-	-	429,509,616
	<b>560,884,225</b>	<b>66,377,361</b>	-	-	<b>627,261,586</b>

The balance at the end of the year is the cumulative cost of all assets bought by the office.

Additions during the year amounting to **Kshs. 66,377,361** are assets acquired during the year (see notes 7 and 8). However, the amount in the Annex 1;

- Include payment for the OCoB staff loan mortgage scheme amounting to **Kshs.29,377,361**
- Exclude the cost of assets disposed during the period under review worth **Kshs.227,755**. The assets were disposed at residual value not at costs.

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**Annex 3 – Bank Accounts Register**

<b>Name of Account</b>	<b>Branch</b>	<b>Type</b>	<b>Currency</b>	<b>Account No.</b>	<b>Balance as per Bank Certificate (Kshs.)</b>	<b>Purpose</b>
<b>Central Bank of Kenya</b>						
Rec-Controller of Budget	Central Bank of Kenya-Head Office	Recurrent	Kenya Shillings	1000181338	<b>12,166,884.85</b>	OCoB recurrent operational account
Dep-Controller of Budget	Central Bank of Kenya-Head Office	Deposit	Kenya Shillings	1000182369	<b>4,939,543.65</b>	Holding OCoB Third Party amounts
CBK-165 Controller of Budget	Central Bank of Kenya-Head Office	Cash	Kenya Shillings	1000182628	<b>0</b>	OCoB cash operational account
<b>Commercial Banks</b>						
Office of the Controller of Budget -High-Interest Account	Housing Finance Corporation Limited (HFC) -Gill House Branch	Mortgage Fund Fixed Term Deposit Account	Kenya Shillings	9289753401-0	<b>227,879,302.43</b>	Operating OCoB Staff Mortgage Scheme
Office of the Controller of Budget -Back-Up Account	Housing Finance Corporation Limited (HFC) -Gill House Branch	Mortgage Scheme Fund	Kenya Shillings	9289753101-0	<b>196,744,574.04</b>	Holding aggregate mortgage loan approved for disbursement

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<b>Name of Account</b>	<b>Branch</b>	<b>Type</b>	<b>Currency</b>	<b>Account No.</b>	<b>Balance as per Bank Certificate (Ksh.)</b>	<b>Purpose</b>
Office of the Controller of Budget-Staff Mortgage Account	Kenya Commercial Bank-KICC	Mortgage Scheme Fund	Kenya Shillings		<b>20,000,000.00</b>	Holding aggregate mortgage loan approved for disbursement
Office of the Controller of Budget Car Loan Account	Kenya Commercial Bank-KICC	Car Loan Fund	Kenya Shillings		<b>0</b>	Holding aggregate car loan approved for disbursement

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**Annex 4– List of projects implemented By OCoB**

Projects Implemented				
1	The Office did not have any capital formation project during the year under review			

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**Annex 5 – List of Public Funds under OCoB**

<b>Ref</b>	<b>SC, SAGA or Public Fund's name</b>	<b>The principal activity of the entity</b>	<b>Accounting Officer</b>	<b>The amount transferred during the year (Kshs.)</b>	<b>Inter-entify reconciliations are done? (yes/no)</b>
<b>1</b>	Public Fund- OCoB Mortgage Fund	Provide loan scheme for OCoB Staff members	Controller of Budget	<b>29,918,500</b>	Yes

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**Annex 6- Reports Generated from IFMIS**

IFMIS financial reports to be presented on request.

## CHAPTER FIVE

### 5. CHALLENGES AND OPPORTUNITIES

#### 5.0. Introduction

The Controller of Budget continues to face several financial and non-financial challenges in delivering her mandate. The following highlights the issues experienced in the period under review.

#### 5.1. Inadequate Budget Allocation

Austerity measures affected funding for constitutional mandates, such as national and County governments' public sensitisation on the budget-making process. Besides, the CoB is often enjoined as a party to court cases involving budgeting and implementing the budgets, resulting in unplanned legal costs.

The CoB will continue to lobby Parliament for additional budget support to deliver on all the mandates stipulated in the law. The CoB's office is likely to be involved in many court cases, given that the public is now gaining more knowledge on their rights in public finance. Some of these cases touch on the legality of national government functions performed by county governments without the involvement of relevant ministries, cases of unbudgeted expenditures on development programmes, and management and reporting of pending bills. Therefore, adequate funding for legal fees is critical.

#### 5.2. Delays in the approval of planning and budget documents by County Governments

The PFM Act, 2012 provides an Approved Budget and Appropriation Act by 30<sup>th</sup> June of each financial year for the Controller of Budget to authorise withdrawals from public funds. The law further provides that in case of delays in enacting the County Appropriation Bill, the County Assembly may approve a Vote on Account, which authorises the withdrawal of money from the County Revenue Fund to meet expenditure necessary to undertake the services of the County during the financial year until such a time as the relevant appropriation law is passed. Without such a legal document, the CoB cannot approve withdrawals of funds from public funds, negatively impacting the execution of budgets.

The Intergovernmental Relations Technical Committee should fast-track the development of strategies to address the relationship issues between the County Executives and Assemblies and to continuously build County Governments' capacity on the role of the two arms in the budget-making process.

#### 5.3. Inconsistent Reporting Timelines

Article 228(6) of the Constitution of Kenya, 2010 requires the Controller of Budget to submit to each House of Parliament a report on the implementation of the budgets of the national and county governments every four months. Although the Constitution provides that the Controller of Budget submits the reports every four months, Section 9(1) of the Controller of Budget Act, 2016 limits the period within which the Controller should submit the information to thirty days after the end of the quarter.

The CoB relies on financial and non-financial reports prepared by the national and County governments to pre-

pare the Budget Implementation Review Reports (BIRRs). The timelines between submitting the CoB reports to Parliament and when the National and County Governments submit quarterly financial and non-financial reports to the CoB are too close. The MDAs and County governments have 15 days after the end of the quarter to provide their reports to the CoB, leaving only 15 days for the Controller of Budget to compile her report.

There is a need to review the legal framework on budget implementation reporting to ensure uniformity in the statutory reporting timelines for national and County government entities to accord the CoB adequate time to prepare and submit budget implementation reports to Parliament on time.

#### **5.4. Ineffective Public Sensitisation Framework**

The CoB must disseminate information on budget implementation at both levels of government to the Public as outlined in Section 39(8) of the PFM Act, 2012. Despite this constitutional requirement, no clear framework exists for institutionalising and implementing it. The process has not been anchored in law, and the policy on Public Participation developed by the Ministry of Devolution has not been concluded. As a result, the CoB has been unable to conduct public sensitisation effectively. To effectively sensitise the public, Parliament must expedite the passing of the Public Participation Bill into law to standardise and institutionalise public participation procedures.

#### **5.5. Failure to Report on Achievements of Programmes and Projects**

The Controller of Budget must report on MDAs' achievements in programmes and projects as stipulated in Section 9(2) of the Controller of Budget Act, 2016. Despite this, some MDAs and County Governments often fail to submit budget information on programme and project achievements. To ensure compliance, the CoB developed and shared a format to capture budget and expenditure information for all MDAs.

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

#### **5.6. Inadequate staff to support the implementation of COB programs**

Currently, the Office of the Controller of Budget has a total workforce of 159 staff against the approved staff establishment of 253 in line with the COB strategic plan 2023-2027. The current staff composition is made up of 47 staff members who are based at the county government level, leaving 112 staff at the headquarters. Due to the limited staff, the CoB has been unable to monitor and report on national government projects. Additional staff are needed to facilitate implementing CoB activities, such as monitoring and evaluating national and county government projects.

## CHAPTER SIX

### 6. CONCLUSION AND RECOMMENDATIONS

This Annual Report covering July 2023 to June 2024 has been prepared in fulfilment of Article 254(1) of the Constitution and Section 9 of the Controller of Budget Act, 2016. The report has outlined activities implemented by the CoB, key achievements during the reporting period, and suggestions for moving forward. The information provided complies with the requirements for each constitutional commission and each holder of an independent office to submit a report to the president and parliament as soon as practicable after the end of each financial year.

Some of the critical activities highlighted in the report include the preparation, publication, and dissemination of quarterly and annual Budget Implementation Reports; improvements in the exchequer approval process leading to a reduction in the time taken for county governments to access funds from the county revenue accounts; and conduct of quarterly monitoring and evaluation of projects under implementation by county governments.

However, the CoB operations have been hampered by budgetary constraints due to inadequate budget allocation and budget cuts. This has led to the failure to hire additional staff to support the implementation of the CoB mandate, conduct monitoring and evaluation of projects of national government projects and programs, undertake public participation in line with Section 39(8) of the PFM Act, 2012, and implement the human resource instruments to support the operations of the office among other functions.

The CoB remains committed to promoting prudent financial management at the national and county government levels. The delivery of the CoB mandate continues to depend on the allocation of adequate funding from the national government. In the oversight role, the CoB continues to collaborate with stakeholders in the public finance management sphere, including the committees of the National Assembly and the Senate, development partners, and members of the public.

Therefore, the CoB calls upon all stakeholders in the public sector to support the efforts to monitor the use of public resources to ensure they benefit the public.

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