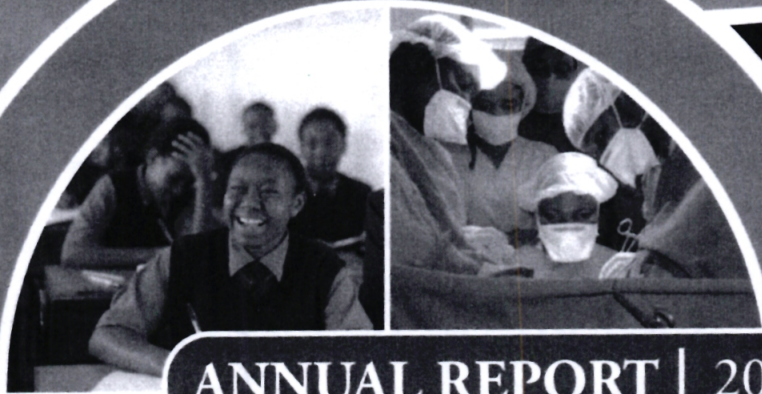




REPUBLIC OF KENYA

PARLIAMENT  
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LIBRARY

## OFFICE OF THE CONTROLLER OF BUDGET



ANNUAL REPORT | 2018/2019



October, 2020

*Promoting Prudent Financial Management in the Public Sector*



REPUBLIC OF KENYA

# OFFICE OF THE CONTROLLER OF BUDGET

**ANNUAL REPORT | 2018/2019**

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## FOREWORD

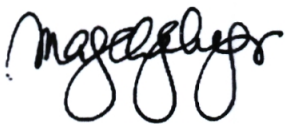


The FY 2018/19 Annual Report for the Office of the Controller of Budget has been prepared in line with the requirements of the Constitution of Kenya, and as per Article 228(6) of the Constitution of Kenya. The Constitution requires the Controller of Budget to submit an Annual Report to Parliament and the President once every year. As contained in Article 228, the Office has the mandate to oversee the implementation of the budgets of both National and County Governments by authorizing withdrawals of public funds among other functions.

The report outlines the key activities achieved by the Office for the period from July 2018 to June 2019. It also highlights key achievements and challenges experienced during the period and provides recommendations on how some of the challenges should be tackled to ensure the realization of the objectives of the organization. Also, the Annual Report presents information on the audited financial performance of the Office for the FY 2018/19. The financial statements contain information on the budget allocation for the period, budget utilisation, and an analysis of the economic activities undertaken in the preceding and current financial year. I hope that the information contained in this report will serve to strengthen the existing working relationship with our stakeholders, government agencies and the public at large.

I would like to appreciate the staff of the Office of the Controller of Budget for their commitment towards the promotion of Prudent Financial Management in the Public Sector. I am glad to join a vibrant team that is ready to deliver on its promises to the public and stakeholders.

Lastly, I take this opportunity to thank my staff who participated in the preparation of this report, and to our stakeholders and the public for their continued support.



**DR. MARGARET NYAKANG'O**  
**CONTROLLER OF BUDGET**



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## ABBREVIATIONS & ACRONYMS

<b>A-I-A</b>	Appropriation in Aid
<b>BIRR</b>	Budget Implementation Review Report
<b>BPS</b>	Budget Policy Statement
<b>CARA</b>	County Allocation of Revenue Act
<b>CBEF</b>	County Budget and Economic Forum
<b>CBS</b>	Chief of the Order of the Burning Spear
<b>CFS</b>	Consolidated Fund Services
<b>CFSP</b>	County Fiscal Strategy Paper
<b>CMA</b>	Capital Market Authority
<b>COB</b>	Controller of Budget
<b>CRF</b>	County Revenue Fund
<b>CSW</b>	Commission on the Status of Women
<b>EDRMS</b>	Electronic Data Records Management System
<b>FiRe</b>	Financial Reporting
<b>FY</b>	Financial Year
<b>GDP</b>	Gross Domestic Product
<b>GPA</b>	Group Personal Accident
<b>GRB</b>	Gender Responsive Budgeting
<b>HRMAC</b>	Human Resource Management Advisory Committee
<b>IBEC</b>	Intergovernmental Budget and Economic Council
<b>ICPAK</b>	Institute of Certified Public Accountants of Kenya
<b>ICT</b>	Information Communication Technology
<b>IFMIS</b>	Integrated Financial Management System
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>KNBS</b>	Kenya National Bureau of Statistics
<b>MDA</b>	Ministries Departments Agencies
<b>NESC</b>	National Economic and Social Council
<b>OCOB</b>	Office of the Controller of Budget
<b>PBB</b>	Programme Based Budgets
<b>PFMR</b>	Public Finance Management Reforms
<b>PSASB</b>	Public Sector Accounting Standards Board
<b>PPAD</b>	Public Procurement Asset & Disposal Act
<b>PSC</b>	Public Service Commission
<b>SAGAs</b>	Semi-Autonomous Government Agencies
<b>WIBA</b>	Work Injury Benefit Act

## STATEMENT OF THE OUTGOING CONTROLLER OF BUDGET



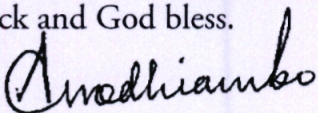
The Financial Year 2018/19 was an important period for the OCOB fraternity as it witnessed the change of guard marked by the end of the term of office of the first Controller of Budget and the subsequent beginning of the second Controller of Budget's term in office.

The Office of the Controller of Budget was established to oversee the implementation of the budgets of the National and County governments by authorizing withdrawals from public funds as provided for under Articles 204, 206 and 207 of the Constitution

of Kenya, 2010. It has been the honor and privilege of my life leading this institution in laying a foundation to guide and inform future policy decisions on public financial management. I take this opportunity to express my gratitude to all members of the staff for the unrelenting support they have accorded my office and extended toward each other in our shared vision of ensuring prudence in the management of public funds at the National and County government levels.

I would also like to thank officials from the National and County governments, Constitutional Commissions, Parliament, Independent Offices, Development Partners, the media fraternity and members of the public for bearing the vision with us and giving themselves in word and deed in service of that same vision. As my time draws to a close, I reflect on the journey that has not been without its fair share of challenges with a sense of fulfilment. A lot has been accomplished but a lot more remains undone. The future holds the promise of victories to be won and challenges to be overcome, all of which will depend on the extent to which stakeholders will rally their efforts towards a common goal.

To my successor, I wish you nothing short of a richly fulfilling experience. Good luck and God bless.



**Mrs. Agnes Odhiambo, CBS**  
**Former CONTROLLER OF BUDGET**

## VISION:

*“A country where public funds are utilized prudently.”*

## MISSION:

*“To oversee the implementation of government budgets through timely authorization of withdrawals from Public Funds and reporting on utilization.”*

## CORE VALUES:

### Integrity

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

### Transparency and accountability

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

### Professionalism

- We shall adhere to best practices and professional standards to continuously improve service delivery.

### Independence

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

### Creativity and Innovativeness

- We are an organization committed to continuous improvement of our processes in order to deliver value to all stakeholders.







### Teamwork


- The staff work as a team in collaboration with stakeholders in the realization of our mandate.

## OVERALL GOVERNMENT BUDGET FOR FY 2018/19

<b>Total Budget</b>	<b>Kshs. 3.23 trillion</b>
<b>National Government: MDAs</b>	Kshs. 1.81 trillion
<b>: CFS</b>	Kshs. 935.4 billion
<b>County Governments: Recurrent Expenditure</b>	Kshs. 297.7 billion (61.6%)
<b>: Development Expenditure</b>	Kshs.185.8 billion (38.4%)

## HIGHLIGHTS OF ACTIVITIES & PERFORMANCE

<p><i>National Government Exchequer Issues Approved</i></p>  <p><b>Total Exch. Issues: Kshs.2.16 trillion</b> MDAs: Recurrent Kshs. 955.50 billion (44.3%) :Development Kshs.306.50billion (14.2%) CFS: Kshs 897.0 billion (41.5%)</p>	<p><i>County Government Exchequer Issues Approved</i></p>  <p><b>Total Exch. Issues: Kshs.405.17 billion</b> Recurrent: Kshs. 285.66 billion (70.5%) Development: Kshs.119.51 billion (29.5%)</p>
<p><i>Budget Implementation Review Reports (BIRRs) published</i></p>  <p><i>National Government: 4 BIRRs</i> <i>County Government: 4 CBIRRs</i></p>	<p><i>Number of Reports Distributed to Stakeholders</i></p>  <p><i>National Government: 11,600 copies</i> <i>County Government: 23,697 copies</i></p>
<p><i>Capacity Building</i></p>  <p><i>Training/Workshop/Seminars</i> <i>For OCOB staff: 19</i> <i>For County staff: 1</i></p>	<p><i>Internship Program</i></p>  <p><i>Total Intern Graduates: 20</i> <i>Men: 11</i> <i>Female: 9</i> <i>Duration of internship: 6 months</i></p>

<p style="text-align: center;"><i>Excellency Awards</i></p>  <p><b>Ranked 2<sup>nd</sup> Runners up</b> in the category of  <i>Independent Offices and Commissions on the IPS.AS        Cash Category</i></p>	<p style="text-align: center;"><i>OCOB Staff Distribution by Gender</i></p>  <p><i>Female: 51 (43%)        Male: 67 (57%)</i></p>
<p style="text-align: center;"><i>Public Service Commission Award</i></p>  <p><i>OCOB was ranked third overall after attaining a        mean score of Over 80 per cent in a number of the        thematic areas</i></p>	<p style="text-align: center;"><i>Procurement Opportunities awarded for        Disadvantaged Groups</i></p>  <p><i>Value of contract awarded: <b>Kshs.63.75        million representing 36.3 %</b> of the total        procurement budget of the Office</i></p>

## MANAGEMENT TEAM

### CPA Dr. Margaret Nyakang'o - Controller of Budget



Dr. Nyakang'o was appointed the Controller of Budget on 4<sup>th</sup> December 2019. She is a holder of a Doctorate in Business Administration from the University of Liverpool, UK (2016). Further, she holds an MBA degree in Strategic Management and a Bachelor of Commerce (Accounting), both from the University of Nairobi. She is a Certified Public Accountant and a Member of the Institute of Certified Public Accountants of Kenya. Dr. Nyakang'o has broad experience spanning over thirty years in Finance & Accounting, Strategic Management, Auditing, Tax, and Human Resource Management gained in

different organisations in the public and private sectors.

She has undertaken training both within and outside her line of work, in the areas of Enterprise Risk Management, Quality Systems Management, Public Finance Management, and Corporate Governance. She is an active member of the Women on Boards Network, a member of the Association of Women Accountants of Kenya with hands-on skills in corporate governance. Over the years, she has mentored and coached young aspiring women professionals in different fields. She is both a Certified Online Trainer and a Certified Professional Coach.

Dr. Nyakang'o is an experienced Board Trustee having served in several Retirement Benefits Schemes, the latest being as a Board member in the Institute of Pension Management. She has also served at the Vet Labs Sports Club Board and been a member of the Kenya National Commission for Human Rights Audit and Risk Committee. Other than being a consultant, Dr Nyakang'o also shared her wealth of experience as a lecturer at KCA University. She has authored several publications in peer reviewed journals.

### Mr. Stephen Masha - Deputy Controller of Budget



Mr. Masha is an initiative driven executive leader, manager and strategist with over 24 years of progressive experience and proven track record of performance turnaround in financial management.

Before joining the Office of the Controller of Budget, He served as Director, County Fiscal Affairs at the Commission on Revenue Allocation. Previously, he served as the Regional Chief Fiscal Analyst at USAID, Audit Manager at Action Aid, and Internal Auditor at Family Health Organisation. These roles have enabled him to

excel in financial management, analysis and investment decisions, overseeing budget implementation, strategic planning and policy formulation, capacity building, problem-solving, leadership and partnership building.

Mr. Masha has a Master of Science (Finance) from the University of Leicester and a Bachelor of Education from Kenyatta University. He is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

### Mr. Macklin Ogolla-Director, Corporate Services



Mr. Ogolla has had over 28 years of professional experience in the public sector. He has served as an Assistant Director of Budget and Assistant Accountant General at the National Treasury and Chief Finance Officer in the Ministry of Industrialization. He has also participated in various national projects such as World Bank El-Nino and Emergency Drought Recovery Projects and operationalization of the IFMIS at the National Treasury.

Mr. Ogolla also serves on the board of the Kenya Industrial Estates Limited and Public Sector Accounting Standard Board (PSASB) as a board member. Mr. Ogolla has a Master of Business Administration from Moi University and a Bachelor of Science (Actuarial Mathematics) from the University of Nairobi. He holds a Post-graduate Diploma in Finance from Maastricht and is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Investment and Financial Analysts (ICIFA).

### Mr. Joshua Musyimi - Director, Research and Planning



Mr. Joshua Musyimi has over 25 years of professional experience in research and planning. Prior to joining the Office of the Controller of Budget, Mr. Musyimi served as the Manager, Research and Planning at the Kenya National Bureau of Statistics. He also worked as a Principal Economist/Statistician and was attached to the National Economic and Social Council (NESC) as part of the team that developed the Kenya Vision 2030.

Mr. Musyimi holds a Master of Arts degree -Economics Policy Management - from the University of Ghana and a Bachelor of Science degree in Statistics and Computer Science from Kenyatta University. He has had extensive training in data analysis, Census and Survey Processing.

### Miss Selina Iseme- Director, Legal Services (Resigned on March 2019)



Miss Selina has over 22 years of professional experience in the private and public sector. Prior to joining the Office of the Controller of Budget, she served as the Deputy Director, Legal Services at the Public Service Commission. She has a Master of Laws from Leicester University and a Bachelor of Laws from the University of Nairobi.

She is a certified mediator having been accredited by the Centre for Effective Dispute Resolution, the United Kingdom in the year 2015.

### Mr. Joseph Tulula- Chief Manager Internal Audit



Mr. Tulula has over 25 years of professional experience in Auditing, Finance, and Management. He has served as Chief Internal Auditor at the Kenya Institute of Curriculum Development (KICD), Manager, Finance and Accounts at Kenya Bureau of Standards and as Internal Auditor at the Office of the Auditor-General.

Mr. Tulula has a Master of Arts (Economics) and a Bachelor of Commerce (Accounting) both from the University of Nairobi. He is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors of Kenya (IIK).

### Mr. Patrick Kamore - Chief Fiscal Analyst, National Government



Mr. Kamore has over 17 years of professional experience in the private and public sector. Prior to joining the Office of the Controller of Budget, he served as a Branch Manager at Family Bank Limited.

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

## Mr. Mark Kipkoech - Chief Fiscal Analyst, County Governments



Mr. Kipkoech has over 10 years of professional experience in the private and public sector. Prior to joining the Office of the Controller of Budget, he was the Finance and Compliance Manager at Amana Capital Ltd. Mark also worked at Lukenya Getaway Ltd and Trustmark Insurance Brokers Ltd in different capacities.

Mr. Kipkoech has a Master of Arts (Economics) from the University of Nairobi and a Bachelor of Arts (Economics) from Kenyatta University. He is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Public Secretaries of Kenya (ICPSK).

## Ms Irene Arimi-Chief Manager, Human Resource Management



Ms Arimi has over 16 years of professional experience in the private and public sector. Before joining the Office of the Controller of Budget, she served as Administrative Officer at Kenya Methodist University and the Human Resource Coordinator at the William J. Clinton Foundation HIV/AIDS Initiative [CHAI] in Papua New Guinea.

Ms Arimi has a Master in Business Administration (MBA) from Kenya Methodist University and a Bachelors degree in Human Resource Management from UNISA. In addition, she holds a Certificate in Executive Human Resource Management from the Institute of Human Resource Management.

## Ms Judith Muli - Chief Manager, ICT



Ms Muli has over 15 years of professional experience in ICT practice in both the private and public sectors. Prior to joining the Office of the Controller of Budget, she was a lecturer at Jomo Kenyatta University of Agriculture and Technology (JKUAT) and an ICT consultant specializing in ICT research, training and project management.

Ms Muli has a Master of Science (Information Systems) from the University of Nairobi, a Master of Business Administration

(Strategic Management) from Moi University and a Bachelor of Science (Mathematics) from the University of Nairobi. She is a member of the Computer Society of Kenya (CSK), ISACA, and Internet Society of Kenya (ISOC) and a Lister with Kenya ICT Action Network (KICTANet).

### Mr. Stephen Wangaji - Chief Manager, Public Relations & Communications



Mr. Wangaji has over 18 years professional experience in Journalism and Public Relations in the Public, Private and Civil Society sectors in Kenya. He is a former President of the East Africa Public Relations Association (EAPRA) and former vice chairman of the Public Relations Society of Kenya (PRSK). He previously worked as Public Relations and Marketing Manager at the National Hospital Insurance Fund and at Egerton University as Public Relations and Marketing Manager, at the Pyrethrum Board of Kenya as Public Relations Manager and BAT Kenya as Corporate and Regulatory Affairs (CORA) Assistant. He currently serves in The Centre for Corporate Governance Alumni Network as a Board Member. Mr. Wangaji is a PhD candidate of Social Transformation in Governance at Tangaza University College, looking at public participation as a communication tool in devolved governance in Kenya. He holds a Master of Business Administration (Marketing) degree from Egerton University and a Bachelor of Arts (Geography & Economics) from the University of Nairobi. Besides, he holds a Post-graduate Diploma in Mass Communication from the University of Nairobi.

### Dr. Anthony Lusuli - Chief Manager, Supply Chain Management



Dr. Lusuli has over 31 years of experience in Supply Chain management both in the public and private sector. Prior to joining the Office of the Controller of Budget, he served as Supply Chain Management Officer at Kenya National Bureau of Statistics (KNBS) and National Treasury.

He holds a PhD degree (Supply Chain Management) from the Jomo Kenyatta University of Agriculture and Technology, MSc (Procurement and Logistics) and a Bachelors degree in Business Administration (Entrepreneurship) both from the Kenya Methodist University. He is a member of the Kenya Institute of Supplies Management and the Chartered Institute of Purchase and Supplies.

## Mrs. Pamela Okatch - Chief Manager, Finance and Accounts



Mrs. Okatch has over 10 years of professional experience in the public sector. Previously she served as Head of Finance and Administration at the Kenya Institute of Special Education (KISE) and as Senior Accountant at Jaribu Credit Traders Ltd.

Mrs. Okatch has a Master of Business Administration from the University of Nairobi and a Bachelor of Commerce (Finance) from the Catholic University of Eastern Africa. She is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Association of

Women Accountants of Kenya (AWAK).

## CHAPTER ONE

### 1 MANDATE AND STRATEGIC FRAMEWORK

#### 1.1 Background Information

The Office of the Controller of Budget (OCOB) is established pursuant to Article 228 of the Constitution of Kenya. The Controller of Budget is responsible for the general policy formulation and strategic direction of the Office. To ensure effective discharge of its mandate, the Office has decentralized offices in all the 47 counties. Each county office is under the management of a County Budget Coordinator (CBC).

The Controller of Budget is mandated to oversee the implementation of the budgets of both the national and county governments by authorizing withdrawals from public funds among other functions. These funds include; the Equalization Fund (Article 204), the Consolidated Fund (Article 206) and the County Revenue Funds (Article 207) meant to finance activities of the county governments. Under the Constitution, the Controller of Budget is also expected to submit quarterly reports and annual report on budget implementation to each House of Parliament and the Presidency. The Controller of Budget Act, 2016 further mandates the Office to enforce budget ceilings.

The functions and activities of the Office are derived from the Constitution of Kenya, the Public Finance Management Act, 2012, the Controller of Budget Act, 2016 and the Strategic Plan. The Strategic Plan outlines the various activities drawn from the four strategic themes as shown in Table 1. The four strategic themes are aimed at achieving the vision of the Office which is to have **a country where public funds are utilized prudently**. The mission of the Office is to oversee implementation of the budgets of the national and county governments through timely authorization of withdrawals from public funds and reporting on utilization.



## 1.2 Mandate and Role of the Controller of Budget

### 1.2.1 Mandate of the Controller of Budget

The functions of the Office of the Controller of Budget are derived from Article 228(4) of the Constitution and the Controller of Budget Act, 2016. Specifically,

the mandate and functions of the Office are:

- a) **Oversight:** The oversight role involves overseeing the implementation of the budgets of both the National and County Governments. In execution of this role, the Controller of Budget monitors the use of public funds and reports to Parliament and the President on the utilisation of public funds.
- b) **Controlling Role:** The controlling role involves authorising withdrawals from Public Funds. Before authorising any withdrawal from public funds, the Controller of Budget must first be satisfied that the said withdrawal is authorised by law, as per Article 228(8) of the Constitution.
- c) **Reporting Role:** The reporting role entails preparation of quarterly, annual and special reports to the Legislature and Executive on budget implementation matters of the National and County Governments as provided by law according to Article 228(6).
- d) **Advisory:** This role involves advising Parliament on financial matters where a Cabinet Secretary has stopped the transfer of funds to a state organ or public entity. Article 225(7) provides that the suspension of funds cannot be lifted or sustained before the Controller of Budget reports to Parliament.
- e) **Investigation:** Under Article 252(1) (a) of the Constitution, the Office of the Controller of Budget has the power to conduct investigations on its initiative or following a complaint made by a member of the public on budget implementation matters.
- f) **Conciliation/Mediation/Negotiation:** The Controller of Budget under Article 252(1) (b) of the Constitution undertakes conciliation, mediation and negotiation. The role involves the resolution of conflicts on budget implementation between the national and county government, or between county governments' themselves. This entails conducting alternative dispute resolution mechanisms to resolve disputes relating to budget implementation.

- g) **Public Sensitization:** 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. The same is supported by Article 35 of the Constitution which provides that the public has the right to access any information held by the State.
- h) **Enforcement of Budget Ceilings:** Article 252 (1)(b) of Constitution and Section 5(d) of the Controller of Budget Act, 2016 gives the Controller of powers to enforce compliance with approved budgetary ceilings of the national and county government.

### 1.3 Achieving the Mandate

The core mandate of the Office is to oversee the implementation of the budgets of the national and county governments. The Office of the Controller of Budget is currently implementing the second Strategic Plan for the period 2018-2023. The Strategic Plan was prepared in line with the set regulations after a review of the first Strategic Plan which covered the period 2013-2018. The second Strategic Plan outlines the themes that guide the various objectives that the Office has set out to accomplish during the five years.

### 1.4 Strategic Themes

The Office has identified four themes encompassing various strategic objectives to help fulfil its mandate. Strategic themes are the key performance areas in which an organization must excel to achieve its mission and vision, and deliver to its stakeholders. These strategic themes are:

1. Authorization of Withdrawals from Public Funds.
2. Advice on Budgeting and Budget Implementation.
3. Budget Implementation Reporting.
4. Institutional Capacity.

**Table 1: Strategic Themes and Objectives**

Strategic Theme	Objectives
Authorization of withdrawals from Public Funds	To ensure timely approvals of withdrawals from public funds
Advice on Budgeting and Budget Implementation	To ensure the provision of quality advice on budgeting and budget implementation
Budget Implementation and Reporting	To produce credible and timely budget implementation reports
	To enhance public access to government budget implementation reports
Institutional Capacity	To enhance operational efficiency
	To attract and retain productive and motivated human resource
	To strengthen the legal and regulatory framework
	To enhance organizational image and visibility
	To enhance good governance

## CHAPTER TWO

## 2 INSTITUTIONAL AND ADMINISTRATIVE STRUCTURE OF THE OFFICE

### 2.1 Institutional Structures

The Office is headed by the Controller of Budget who is appointed as per Article 228 of the Constitution of Kenya, 2010. The Controller of Budget is responsible for ensuring effective and efficient management of the day-to-day operations of the Office. In the discharge of her duties, the Controller of Budget is assisted by the Deputy Controller of Budget who is also the head of the Budget Implementation directorate and three other Directors. The other directorates are; the Directorate of Corporate Services, Directorate of Research and Planning and the Directorate of Legal Services.

#### 2.1.1 Budget Implementation Directorate

The Budget Implementation Directorate is responsible for the implementation of the national and county government budgets and ensures timely preparation of budget implementation review reports. The Deputy Controller of Budget oversees the day-to-day operations of the Budget Implementation Directorate and reports to the Controller of Budget.

#### 2.1.2 Corporate Services Directorate

The Corporate Services Directorate is headed by the Director of Corporate Services, who reports to the Controller of Budget. The directorate has five divisions namely: the Accounting division, Information Communication and Technology division, Human Resources and Administration, Supply Chain Management division and the Public Relations and Corporate Communications division.

#### 2.1.3 Research and Planning Directorate

The Directorate of Research and Planning is headed by Director, Research and Planning Services, who reports to the Controller of Budget. The directorate is responsible for ensuring strategic leadership in the formulation and implementation of research and planning policies, systems and procedures.

In addition, the Directorate is charged with the responsibility of undertaking monitoring and evaluation of the various projects undertaken at the national and county government level.

#### **2.1.4 Legal Services Directorate**

The Legal Services Directorate is headed by the Director, Legal Services who reports to the Controller of Budget. The Directorate is responsible for the formulation and implementation of governance and compliance policies, systems and procedures in addition to overseeing research on legal matters.

#### **2.1.5 Internal Audit Division**

The Internal Audit Division is headed by the Chief Internal Auditor who reports to the Controller of Budget administratively but functionally to the Audit Committee. The Chief Internal Auditor is responsible for implementation and review of the control systems, the internal audit policies, systems and procedures in line with the Audit Plan.

### **2.2 Administrative Structure**

To ensure the office delivers on its constitutional mandate, the Controller of Budget is assisted by various committees to monitor and implement internal operations of the Office. The committees include; Executive Committee, Management Committee, Audit Committee, Budget Committee, Human Resource Management and Advisory/Training Committee and ICT Steering Committee and Integrity Committee.

The committee members are appointed by the COB and are drawn from various departments with specific responsibilities to be undertaken. The next sub-sections provide a discussion of the functions of specific committees within the Office of the Controller of Budget.

#### **2.2.1 Executive Committee**

The Executive Committee is composed of the Controller of Budget; Deputy Controller of Budget, the Directors and any such members as may be co-opted into the Committee on need basis. The Executive Committee is mandated to oversee the Office of the Controller of Budget's overall performance. It focuses on strategic leadership, management and direction, ensuring effective and efficient service delivery and prioritization of resources. Further, the Committee spearheads development and implementation of policies and OCOB Strategic

Plan.

The Executive Management Team is responsible for:

- a) The development and monitoring of the implementation of the OCOB Strategic Plan.
- b) Approval and monitor of the implementation of OCOB Policies and Procedures.
- c) Approving OCOB's Organization Structure.
- d) Overseeing Risk Management in the organization.
- e) Providing direction on succession planning.
- f) Promoting Stakeholder engagements as provided in the OCOB Strategic Plan.

During the period, the committee recorded the following achievements:

- a) Approved internal policies and procedure manuals including; Human Resources and Administration Policies and Procedures Manual, Internship Policy, ICT Policy, Complaints Handling Policy, Alternative Dispute Resolution Policy, Investigation Policy and Transport Policy.
- b) Carried out Job Evaluation review to establish the workload and optimum level of its human resource requirement.
- c) Developed Strategic Plan 2018-2022 that will guide the Office in the next five years.
- d) Developed guideline for the Staff Mortgage Scheme.

### 2.2.2 Management Committee

The membership of the Management Committee is made up of the Controller of Budget, Deputy Controller of Budget, Directors and Heads of Departments. The roles and functions of the Management Committee include:

- a) *Planning*: responsible for establishing and review of the OCOB strategic and operational plans.
- b) *Policy and decision making*: responsible for establishing policies/procedures that guide the operations of OCOB and record decisions and actions on matters concerning the Office of the Controller of Budget.
- c) *Management*: ensuring that all staff properly performs their tasks according to their job descriptions and further ensuring that the OCOB mandate is properly executed.
- d) *Legal*: ensuring that the OCOB establishes sound governance structures and complies with the laws of Kenya in the discharge of its mandate.

are audited annually and that the principles of public finance management articulated under Article 201 of the Constitution are adhered to.

- f) *Evaluation*: monitoring all activities of OCOB and ensuring that the feedback contributes to the continuous improvement in governance and service delivery.

In the execution of their functions, the Executive Committee and the Management Committee are guided by:

- The organisation's policies and procedures.
- The organisation Strategic Plan and other legislation.

In addition, they have the power to appoint sub-committees to assist in discharging the mandate of the Office.

### 2.2.3 Integrity Committee

The Integrity Committee promotes a corruption free environment by ensuring there are anti-corruption initiatives in the operations of the Office. The Committee comprises of the Controller of Budget as the Chair and all heads of departments as members. The mandate of the committee includes:

- a) Coordinating formulation and implementation of Codes of Conduct and Ethics, Anti-Corruption Policy, Corruption reporting channels, Corruption Risk Assessment and mitigation plan and Performance contracting targets.
- b) Holding periodic meetings to deliberate on anti-corruption and other integrity issues.
- c) Setting priorities in the prevention of corruption in functional areas.
- d) Planning and coordinating corruption prevention strategies.
- e) Integrating integrity in institutional programs and activities.
- f) Receives and reviews corruption reports from the Integrity Assurance Officer and makes relevant recommendations.
- g) Spearheads the anti-corruption public campaigns within their areas.
- h) Monitors the impact of corruption prevention initiatives.
- i) Prepares regular progress reports before submission to the Ethics and Anti-Corruption Commission and other appropriate agencies.
- j) Ensures the established internal control systems are strengthened.

During the period under review, the Committee held several meetings to ensure that anti-corruption initiatives are incorporated in the operations of the Office. During the financial period under review, no case of corruption was reported against employees of the OCOB.

## 2.2.4 Audit Committee

Section 73(5) of the Public Finance Management Act, 2012 provides that every national government entity shall establish an audit committee whose composition and functions shall be as prescribed by the existing regulations. The PFM Act, 2012 regulations for the national government, section 174(10) provides that the Public Sector Accounting Standards Board (PSASB) shall prescribe guidelines for appointment of audit committees to be approved and gazetted by the Cabinet Secretary.

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

- a) Reviewing the audit plan for adequacy;
- b) Reviewing financial statements and other financial information distributed externally;
- c) Monitoring the procedures in place to ensure the OCOB complies with standards, Laws and Regulations;
- d) Monitoring risk assessment and the internal controls instituted within the Office
- e) Monitoring the establishment of appropriate risk management and internal control framework, including information management systems security and controls;
- f) Liaising with the external auditors and ensuring the statutory audits and reviews are conducted efficiently and effectively;
- g) Follow up on the implementation of the recommendations of internal and external auditors.

During the year the committee reviewed the Internal and External Audit's reports on various OCOB's functions. Also, the Committee reviewed the OCOB Risk Register to establish the adequacy of risks identification, measurement and mitigation strategies.

## 2.2.5 Budget Implementation Committee

The Budget Implementation Committee is a sub-committee of the Executive Management Committee set up to ensure resources are utilised as per the OCOB budget and work plan. The committee is made up of the following members drawn from various departments: Director-Corporate Services, Director-Research and Planning, Chief Manager-ICT, Chief Manager-HR,

Chief Manager-Supply Chain Management, Chief Manager-Finance and Accounts, Manager-HR and two Accountants. The committee has the following responsibilities:

- a) Review and consider the cash flow plans- This shall involve a regular review of cash plan including approving for any changes to be communicated to Treasury
- b) Reviewing the utilization of cash limits and considering any changes as may be required. This includes reviewing the actual departmental expenditures to determine the absorption rate for the budgeted activities and identifying the reasons behind the non-utilization of funds.
- c) Advising the Accounting Officer on any problems related to budget implementation.
- d) Reviewing and recommending re-allocations.
- e) Reviewing and approving expenditure returns.
- f) Reviewing the commitments including pending bills and recommending solutions.

### **2.2.6 Human Resource Management Advisory Committee**

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

- a) Analysing training needs and set up a hierarchy of priorities (in terms of relevance, urgency and availability of funds) with the overall training projections;
- b) Assessing available training opportunities, identify, select and recommend to the Controller of Budget the suitable candidates (based on identified needs) for various training programs organized locally and internationally;
- c) Investigate and make recommendations to the Controller of Budget on disciplinary matters;
- d) Discuss and make recommendations on existing Human Resources regulations and policies to the Controller of Budget;
- e) Discuss and make recommendations to the Controller of Budget on general staff welfare, rewards and sanctions issues among others.

#### **1) ICT Steering Committee**

The ICT Steering Committee provides advice to the Controller of Budget concerning strategic decisions in Information and Communication Technology (ICT) with particular attention to ensuring efficiency, effectiveness, agility in the adoption and use of ICT, risk management, compliance and change

management. The committee ensures that OCOB's ICT strategic objectives and its implementation remain aligned with the mandate and strategic objectives of the Office.

The ICT steering Committee plays a key role within OCOB in organizational strategic planning and management environment. The committee is responsible for the following functions; formulation of ICT strategy, ICT project management and maintenance of ICT infrastructure among other functions.

## 2) Procurement Ad hoc Committees

The Public Procurement and Assets Disposals Act, 2015 (PPAD) established several ad hoc Committees including; tender evaluation, disposals, opening and inspection and acceptance and negotiations committee. The Procurement Department recommends the appointment of the committees as required by the Act. Some of the functions of the sub-committees are as outlined below:

- a) **Opening Committee:** The main purpose of the committee is to open Tenders and Request for Proposals as outlined in sections 78 (1) & 120 of the PPADA, 2015. Among the tenders and Request for Proposals opened during the period under review includes; Job Evaluation, Design Logo Competition, Medical Cover, Staff Mortgage, Registration of Supplier, Framework Contract Printing of Budget Implementation Review Reports, Recruitment of Staff and Team Building.
- b) **Evaluation Committee:** Section 80 and 121 of the PPADA, 2015 establishes Tender and Request for Proposals Evaluation Committees. Among the tenders and Request for Proposals evaluated during the period under review includes; Job Evaluation, Design Logo Competition, Medical Cover, Staff Mortgage, Registration of Supplier, Framework Contract Printing of Budget Implementation Review Reports, Recruitment of Staff and Team Building.
- c) **Inspection and Acceptances Committee:** Inspection and Acceptances Committee are established under section 48 of the PPADA 2015 to receive goods, works and Services. In the year under review several goods, works and services were received and inspected by the committee.
- d) **Disposal Committee:** Section 163 of the PPAD Act, 2015 establishes the Disposal committee for purposes of identifying assets for disposal

and making recommendations to Accounting Officer on methods of disposal through Annual Disposal Plan. The committee has held several meetings and forwarded its recommendations to the Accounting Officer for implementation.

## CHAPTER THREE

### 3 REVIEW OF OCOB PERFORMANCE AND ACHIEVEMENTS

#### 3.1 Introduction

This chapter provides a review of the activities undertaken and the achievements recorded during the period FY 2018/19. The reports document the progress made towards budget implementation at the national and county governments level. The operations of the OCOB are organized around the control and management of public finance under the medium-term expenditure framework programme. Within this programme, the Office aims to promote prudent public financial management by overseeing budget implementation, timely authorization of withdrawals from public funds, reporting on budget implementation for both levels of governments and enforcing budget ceilings.

The various activities performed during the period can be further categorized into four different but interdependent sub-programmes as shown:

- i. Authorization of withdrawals from public Funds;
- ii. Budget Implementation and Monitoring;
- iii. General Administration Planning and Support Services; and,
- iv. Research and Planning.

#### 3.2 Authorization of withdrawals from Public Funds

The activities undertaken under the above sub-programme included the approval of exchequer requisitions from public funds such as the Consolidated Fund, the County Revenue Fund and Equalization Fund. The oversight function of the Controller of Budget on the management of public funds ensures that approvals for withdrawals are authorized by law. It also provides checks and balances in the public spending process and that the withdrawals comply with the existing legislation.



### 3.2.1 Total Exchequer Issued and Resource Absorption

During the period, the total exchequer issues to the MDAs, the Consolidated Fund Services (CFS) account and to County Revenue Accounts stood at Kshs.2.56 trillion, representing a 23.7 per cent growth compared to the exchequer issues of Kshs.2.07 trillion released during the FY 2017/18. During the same period, total exchequer issues comprised of Kshs.1.26 trillion advanced to MDAs, Kshs.897.0 billion to Consolidated Fund Services and Kshs.405.17 billion to County Governments compared to issues in the FY 2017/18 of Kshs. 1.17 trillion, Kshs.583.2 billion and Kshs.316.2 billion issued to MDAs, CFS and County Governments respectively. The percentage exchequer issues to revised net estimates increased from 89.5 per cent in FY 2017/18 to 95.6 per cent in FY 2018/19.

The total exchequer issues to the MDAs to fund development and recurrent activities amounted to Kshs.1.26 trillion. The exchequer issues during the period comprised of Kshs.306.5 billion for development activities which translates to 88.4 per cent of the revised net estimates and Kshs.955.5 billion for recurrent activities translating to 96.9 per cent of the revised net recurrent estimates.

To fund recurrent and development activities at the county level, the Controller of Budget approved the withdrawal of Kshs.405.17 billion from the County Revenue Funds to fund activities of the 47 county governments. The amount comprised of Kshs.119.51 billion and Kshs.285.66 billion for development and recurrent programmes/expenditures respectively. The exchequer issues to fund activities at the county governments translated to 100 per cent of the revised net estimates as shown in Table 2.

**Table 2: Total Funds Released to National and Devolved Units in the FY 2018/19 (Kshs. billion)**

Nature of Expenditure	Revised Gross Estimates	Revised Net Estimates	Exchequer Issues Released	Actual Expenditure	Exch. Issues to Net Estimates (%)	Absorption Rate (%)
<b>MDA Recurrent</b>	1,124.2	985.8	955.5	1,066.4	96.9	94.9
<b>MDA Development</b>	683.0	346.3	306.5*	540.9	88.4	79.2
<b>CFS</b>	935.4	935.4	897.0	895	95.9	95.7
<b>County Governments</b>	483.5	483.5	405.2	376.4	83.8	77.8
<b>Total</b>	<b>3,226.1</b>	<b>2,751.0</b>	<b>2,564.2</b>	<b>2,878.7</b>	<b>93.2</b>	<b>89.2</b>

Source: OCOB

\*The difference between development exchequer Issues of Kshs.306.5 billion and expenditure of Kshs.540.9 billion is attributed to A-I-A generated and utilised by some MDAs and direct disbursement of funds to projects by Development Partners in form of grants and loans.

### 3.2.2 Summary of the Recurrent Exchequer Issues

Analysis of the exchequer issues to fund recurrent budget, for both the CFS and the MDAs, of the National Government for the FY 2018/19 showed that a total of Kshs.1.85 trillion (96.4 per cent of the revised recurrent net estimates) was issued towards recurrent activities. The total recurrent expenditure in the period was Kshs.1.96 trillion which translates to an absorption rate of 95.2 per cent of the revised gross recurrent estimates, an increase from 86.2 per cent reported in the FY 2017/18.

### 3.2.3 Summary of Development Exchequer Issues

During the period, the MDAs received a total of Kshs. Kshs.276.4 billion as exchequer issues translating to 86.8 per cent of the revised net development estimates to fund development programmes. From the total exchequer issues, the MDAs spent Kshs.425.8 billion representing an absorption rate of 71.3 per cent of the revised gross development budget. This performance was an improvement from an absorption rate of 69.9 per cent achieved in the FY 2017/18.

### 3.2.4 Exchequer Issued to County Governments

The total exchequer issues from the Consolidated Fund to County Revenue Funds (CRFs) amounted to Kshs.405.17 billion comprising of issues towards recurrent activities of Kshs.285.66 billion (70.5 per cent) and Kshs.119.51 billion (29.5 per cent) for development activities. From the total issues, the total expenditure was Kshs.376.43 billion representing an absorption rate of 77.8 per cent of the revised gross estimates of annual county governments' budget. This was a decline from an absorption rate of 79.9 per cent recorded in FY2017/18 when total expenditure was Kshs.303.8 billion.

The total recurrent expenditure in FY 2018/19 was Kshs.267 billion, representing 90.4 per cent of the annual recurrent budget, recording an increase from 87.3 per cent reported in FY 2017/18. Development expenditure amounted to Kshs.107.44 billion, representing an absorption rate of 57.8 per cent, and a significant increase from 48.1 per cent recorded in FY 2017/18 when total development expenditure was Kshs.103.3 billion.

### 3.2.5 Exchequer Releases for Consolidated Fund Services

Under Article 206 of the constitution, the Controller of Budget is mandated to authorize all withdrawals from the Consolidated Fund Services (CFS). The Consolidated Fund Services account is meant to cater for: (i) Repayment of public and publicly guaranteed domestic and external debt (guaranteed debt represents the total loans to state corporations that are guaranteed by the national government), (ii) Pensions and gratuities, (iii) Salaries and allowances to holders of Constitutional offices and miscellaneous services, and (iv) subscriptions to International Organizations.

In the period under review, total exchequer issues to CFS were Kshs.897 billion, translating to 95.9 per cent of the revised net budget estimates, an increase compared to 80.2 per cent recorded in FY 2017/18. The exchequer issues for this category comprised of Kshs.826.20 billion released to service public debt, Kshs.66.4 billion for pensions and gratuities and Kshs.4.41 billion towards salaries and allowances to holders of constitutional offices.

The overall CFS expenditure in the reporting period was Kshs. 895.0 billion, an increase of 53.5 per cent from Kshs.583.2 billion recorded in the FY 2017/18. The total CFS expenditure represented 95.9 per cent of the revised net estimates.

### **3.3 Budget Implementation and Monitoring**

Budget Implementation and monitoring is a key sub-programme within the Office of the Controller of Budget. In line with its constitutional mandate, the main activities undertaken under this sub-programme include the preparation and submission of the quarterly, half-year and annual reports on budget implementation to each House of Parliament. The production of these reports involves the following activities; data collection, analysis and evaluation, collating information, preparation and publication of budget implementation review reports, proper management of exchequer records, ensuring compliance with public financial management framework, sensitization of the public on the budget implementation and a framework for tracking and monitoring the implementation of budgets.

#### **3.3.1 Quarterly Budget Implementation Review Reports**

During the FY 2018/19, the Office prepared and distributed eight quarterly budget implementation reports, four reports for the National Government and four on the County Governments in line with Article 228(6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016.

The quarterly budget implementation review reports highlighted the following budget implementation-related challenges: (i) delay in uploading procurement plans onto IFMIS platform, (ii) poor timing of supplementary budgets, (iii) failure to align budget reallocation to actual performance, and (iv) delays in the submission of budget performance reports to the Office of the Controller of Budget. At the county level, the reports highlighted the following challenges: (i) high expenditure on personnel emoluments, (ii) delays in the submission of financial reports to the Controller of Budget, (iii) high expenditure on travel costs, (iv) failure to establish County Budget and Economic Forums (CBEF), and (v) failure to establish internal audit committees to deal with issues affecting budget implementation.

### 3.3.2 Public Sensitization

#### a) On Budget Implementation

According to section 39(8) of the PFM Act, 2012, the Controller of Budget is mandated to publicize information on budget implementation for both the national and county governments. To this end, the Office disseminated budget implementation review reports to Huduma Centres, public universities, national library, Ministries, Departments and Agencies (MDAs), the National Assembly, Senate, Semi-Autonomous Government Agencies (SAGAs), Professional bodies, Development Partners (UN and World Bank), County Assemblies Forum (CAF), Council of Governors, Civil Society Organizations and to the public. The reports were also uploaded on the OCOB website and Budget Yetu Mobile Application which is available on Google Play, Apple Store and Microsoft Store.

The objective of disseminating the reports is to enhance openness and accessibility to information on budget implementation among the citizens.

#### b) Public Sensitization Forums

In the FY 2018/19, the Office publicized information on budget implementation by both levels of governments through print and electronic media as stipulated under Section 39(8) of the PFM Act, 2012. During the period, the Office held public sensitization training in Naivasha, Nakuru County, from 14th to 17th May 2019. The training attracted participants from Nandi, Bomet, Kirinyaga, and Kitui counties. The participants included people from diverse backgrounds such as; Faith-Based groups, Women organizations, Youth, Sports, Private sector, Co-operatives, Public sector, special interest groups among others. The objective of these forums is to create awareness and ensure the public is informed on their roles in;

- a) Public financial management at national and county level;
- b) Monitoring and evaluation during the budget-making process and implementation;
- c) Social accountability audit and interaction between the public and the OCOB to address emerging issues concerning the OCOB and budget implementation.

The participants were sensitized on the budget process and their roles in the process during the budget-making process. The other areas of focus during the training included: the mandate of the Office of the Controller of Budget, an overview of the budget performance of the participating counties, the role of the public in the budget-making process, the role of the public in social accountability audits there was also an interactive session where participants shared their experiences.



### **3.3.3 Review of Planning and Budget Documents**

During the period FY 2018/19, the Office reviewed several documents on planning and budget implementation documents. The Office gave inputs into the Budget Policy Statement (BPS), Budget Review Outlook Paper (BROP) and the County Fiscal Strategy Papers (CFSP) for the 47 CFSPs in line with Section 25(5) and 117(5) of the Public Finance Management Act, 2012. The PFM Act requires the National Treasury and County Treasuries for the 47 county governments to incorporate the views of the Controller of Budget during the preparation of the Budget Policy Statement and the County Fiscal Strategy Papers.

Some of the key issues highlighted in the BPS and CFSPs are excessive expenditure allocation to non-priority areas low absorption of development funds, allocation to Big Four Agenda sectors, the reasonableness of the revenue projections and variances between Division of Revenue (Amendment) Act, 2018 and the BPS figures.

### **3.3.4 Review of County Government Budgets**

In keeping with the advisory role, the Office reviewed approved budget estimates for the forty-seven counties and provided feedback and recommendations on key issues including alignment of the county budgets to CARA, adherence to the ceilings, the reasonableness of the revenue estimates, balanced budgeting, and adherence to regulations where counties have established funds among other issues.

## **3.4 General Administration Planning and Support Services**

The Administration and Support Services sub-programme aim at ensuring effective service delivery through the development of staff capacity and welfare. The activities and achievements under the General Administration Planning and Support Services are discussed below:

### **3.4.1 Human Resource Development**

The Office has consistently enhanced the capacity of its staff through competitive phased recruitment and skills development programs to effectively deliver on its mandate. During the FY 2018/19, the Office recruited additional staff, namely; Support Staff, County Budget Coordinator and a Fiscal Analyst. The positions of an Accounts Assistant, Principal Fiscal Analyst, Assistant Accountant, Principal Research and Planning Officer and an additional Clerk were filled internally through promotions.

To enhance service delivery at the county government level, the office transferred 22 County Budget Coordinators among the 47 counties in Kenya. The counties affected included; Kisii, Homa Bay, Busia, Kitui, Kisumu, Vihiga, Trans Nzoia, Nandi, Lamu, Kwale, Mombasa, Makeni, Tharaka Nithi, Kiambu, Meru, Nakuru, Kajiado, Machakos, Marsabit and Isiolo.

During the FY 2018/19, staff were trained on public finance management, Electronic

Document Management workshop. In addition, the officers were selected to attend the Annual Internal Audit Conference, 26th Annual Economic Symposium by ICPAK, 21st Annual National HRM Conference, Annual Law Society of Kenya (LSK) Conference, Workshop on Inventory Management, Enterprise Risk Management, East African Congress of Accountants, Leadership Management Skills for Supervisors, 5th Annual Human Resource Congress, IPSAS by ICPAK and Staff Team building. The Office of Controller of Budget staff team building at The Kenya School of Monetary Studies June 2019



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

Table 3 shows a summary of training programs attended by staff.

**Table 3: Summary of Workshop/Training Programmes attendance by staff**

No	Course/Workshop	No. of Officers
1	IPSAS	5
2	HR Symposium	1
3	Computer of Kenya	3
4	LSK - Annual Conference	1
5	Senior Management Course	2
6	Audit Committee	5
7	Fraud, Forensic Audit and Investigations	1
8	ICPAK symposium	12
9	Electronic Document Management Systems & paperless	3
10	Risk-Based Auditing Workshop	2
11	Media Training for Senior Management	18
12	Auditing Supply Chain Management	1
13	Forensic, Fraud and Internal Controls	1
14	Financial reporting Risk Training	2
15	Procurement Workshop	1
16	Result Based Project Management	2
17	Economic Symposium and government Expenditure	4
18	Governance Summit	1
19	Personal Effectiveness for Drivers	10
20	Effective Office Skills	5
21	Monitoring and Evaluation Conference	2
22	Team Building	121

### 3.4.2 Internship Program

Under the Big Four Agenda, the State aims to create one million jobs every year to deal with the high unemployment rate among the youth in the country. To achieve the target, the Public Service Commission (PSC) developed a government internship policy in 2015 targeting young graduates in the country. The programme aims to equip youths with industry-relevant skills and consequently improve their competitiveness.

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

### 3.4.3 Staff Insurance Covers

To cater for the well-being of its staff and their dependents, the OCOB has put in place

a comprehensive Medical cover, Group Personal Accident (GPA), Work Injury Benefit (WIBA) and Group Life covers for its staff and their dependents. The object of the programme is to ensure improved productivity through the maintenance of a healthy workforce.

#### 3.4.4 Corporate Social Responsibility

Corporate Social Responsibility is one of the important annual activities undertaken by the OCOB. During the FY 2018/19, the office organized a charity drive in July to help residents in Garashi Ward, Kilifi County who had been displaced by floods. The staff members donated dry foodstuff (cereals, sugar, and wheat flour, salt), soaps, blankets, bedsheets, clothes and shoes for children and adults among other items. Marking such events has provided an important opportunity for OCOB staff to interact with the underprivileged members of the community.

#### 3.4.5 Staff Welfare

During the period under review, the Office in collaboration with Vimak Dental Centre Limited organized for a free Dental Health Education Talk for OCOB staff. The talk aimed at empowering OCOB officers to gain information on common dental problems, their treatment and prevention as well as provide free medical consultation. Vimak Dental Centre brought a team of dentists and nurses who provided free consultation during the event.



*OCOB staff during presentations by Vimak Dental Centre staff*

Also, the Office acquired functional First Aid kits. The aim was to improve staff responsiveness to accidents occurring in the office. As part of the Kenya Red Cross initiative to ensure safety within the work environment, five members of staff were trained to offer first aid and to handle the kits.

### **3.4.6 Implementation of the Records Management System**

The Office has implemented an Electronic Documents and Records Management System (EDRMS) to support the management of records. The registry formatted 200,000 copies of exchequer records into digital format. Also, the registry can now scan and capture incoming mails including attachments into the system and store the linked records in a file server. The office has also ensured that all the members of staff at the head office are trained on the operation of the EDRMS.

The system promotes the integrity of information by retaining original copies of a record. The system provides an opportunity to easily and accurately track the movement of files, identify the date and time a document was received, captured/scanned, intended user, and action officer who acted upon the issue raised in the document, among other details in the workflow processes.

It is anticipated that over time, the security of records would be enhanced through having an offsite back up just in case of a disaster. EDRMS has promoted efficiency as the registry is now in a position to easily share information with county staff in all the counties.

### **3.4.7 Financial Reporting (FiRe) Awards**

The OCOB participated in the FiRE annual Award organized by the Public Sector Accounting Standards Board (PSASB), Capital Markets Authority (CMA), Nairobi Securities Exchange (NSE), and the Institute of Certified Public Accountants of Kenya (ICPAK). The Office emerged the 2nd Runners Up during the 2018 Financial Reporting (FiRe) Awards under the Independent Offices and Constitutional Commissions category and on the IPSAS Cash Category.

This was the fifth time the Office of the Controller of Budget was recognised for exemplary performance in financial reporting. The FiRe Award seeks to promote excellence in financial reporting in the public and private sectors and is given in recognition of compliance with principles of accountability, transparency and integrity in financial reporting framework and other disclosures on governance, social and environmental reporting by private and public sectors domiciles in East Africa.



*Mr Stephen Masha, DCOB, (centre) receives the 2018 Financial Reporting Excellence (FiRe) Award. He is flanked by members of the OCOB staff*

### **3.4.8 Annual Devolution Conference, 2019**

The Office participated in the 6th Annual Devolution Conference which was held at Kirinyaga University in Kirinyaga County. The theme of the conference was “Deliver, Transform, Measure and Remaining Accountable”. The conference brought together delegates from the national government, county governments, and key stakeholders in Devolution.

During the conference, the Controller of Budget was a panellist in the high-level Session on how to strengthen institutions and systems in the promotion of transparency and accountability in service delivery at both levels of government and how County Governments can adequately be financed to support the implementation of the Big Four Agenda projects. The congregants discussed the following topics; practical experiences and progress made in the implementation of the Big Four Agenda at the county level, how to strengthen institutions and systems to promote transparency and accountability in service delivery at both levels of government, possible areas of constitutional amendments that will strengthen devolution, financing of the Big Four, the role of citizens including children as ambassadors of devolution and how to entrench County Regional Economic Blocs among Counties.



*Former Controller of Budget OCOB staff at the 6th Annual Devolution Conference, in Kirinyaga County*

### 3.4.9 International Conferences and Workshops

The Office of the Controller of Budget was invited to participate in several international conferences and seminars on public finance management matters outside the country. During the period under review, the Controller of Budget participated in the following international conferences:

#### 1. Summit on Gender Responsive Budgeting

The Controller of Budget was invited as a Panelist and Discussant by UN Women, South Africa to the Gender Responsive Planning and Budgeting Summit which was held in Gauteng, Johannesburg, South Africa on 29th and 30th November, 2018. The Summit was organized by the Department of Women in the Presidency in partnership with UN Women, the Department of Planning, Monitoring and Evaluation, the National Planning Commission and the National Treasury in South Africa. The theme of the Summit was “Planning and budgeting for gender equality and results” and was attended by other participants from Ethiopia, Mozambique, Rwanda and Uganda; as well as International Development Partners. During the Summit, the Controller of Budget made a presentation on the Lessons and Good Practices on Gender Responsive Planning and Budgeting from Kenya.

#### 2. Development of Effective Institutions for Sustainable Development Conference

The Office was represented by the Deputy Controller of Budget in an expert group meeting in New York on “Budgeting and Planning in Support of Effective Institutions for the Sustainable Development Goals organized by United Nations Department of

Economic and Social Affairs. The meeting was held between 4th and 5th February 2019. During the meeting, possible linkages between the institutional principles of SDG16 and the various stages of the policy/budget cycle were explored; how transparency policies could contribute to more integrated planning, budgeting and implementation processes for the SDGs; approaches across country contexts to linking budget processes with the SDGs, as well as ways that budget processes can be used to monitor and evaluate public spending on the SDGs in different policy areas and for various groups of socie



*Deputy Controller of Budget, Mr. Stephen Masba (standing, third from left) during an Expert Group Meeting held at the United Nations Headquarters, New York*

### 3. The 63rd Commission on Status of Women Conference

The Sixty-third Session of the Commission on the Status of Women (CSW) was held at the United Nations Headquarters in New York from 11th to 22nd March 2019. The theme of the 63rd CSW Session was “Social protection systems, access to public services and sustainable infrastructure for gender equality and the empowerment of women and girls”. During the 63rd Session of the CSW, participants had the opportunity to review the theme discussed during the 62nd CSW Session held in 2018.

The Session offered a platform to deliberate on issues that support and institutionalize a gender-responsive approach to public financial management, including gender-responsive budgeting and tracking across all sectors of public expenditure. This is in line with existing international and national commitments, which advocates that policies must safeguard access to social protection by women and girls, public services and sustainable infrastructure while ensuring their design and delivery is transformed to prevent discrimination.

The Controller of Budget was part of the Kenya Delegation and attended several side events especially on Gender Responsive Budgeting. She represented the Cabinet Secretay

in charge of Public Service, Youth and Gender Affairs at the Interactive Expert Panel on the priority theme.

### **3.4.10 Engagements with Stakeholders**

#### **1. Engagement with Parliamentarians**

Over the years, the office has participated in several activities with various stakeholders. For instance, engagements between the Office and members of Parliamentary Committees have revolved around budget implementation issues. During such meetings, the contribution of the office has been in the form of written submissions, delivery of presentations during committee hearings, providing evidence-based advice on budget implementation progress, and provision of expert opinion on findings and recommendations for action by both Parliament and the Government. The Office made presentations on budget implementation progress to the following Parliamentary Committees during the period:

- Standing Committee on Budget and Appropriations of the National Assembly.
- Standing Public Accounts Committee of the National Assembly.
- Departmental Committee on Finance and National Planning.
- Senate Standing Committee on Finance and Budget.
- Senate Sessional Committee on County Public Accounts & Investment Committee.

#### **2. Engagement with Development Partners**

The OCOB has collaborated with several development partners who have provided support towards building capacities of both staff and our stakeholders on public finance management and promoting accountability at both levels of government. During the period under review, the Office partnered with; Ford Foundation, United States Agency for International Development (USAID), Department for International Development (DFID), German Society for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit-GiZ), World Bank, Danish International Development Agency (DANIDA), UN Women and International Development Law Organization (IDLO).

For instance, the Ford Foundation funded several activities including Training of Trainers forum which was held at Kitui County, Public sensitization training held at Naivasha and development of a popular version of the Budget Implementation Review Reports (BIRR).

### **3.4.11 Support to Disadvantaged Groups**

To realise equitable and fair distribution of the national cake among different segments of the society, Section 155 of the Public Procurement and Asset Disposal (PPAD) Act, 2015 makes it mandatory for public entities to comply with the provisions of Part

XII of the Act on Preference and Reservations in Procurement. Further, Section 53(6), and 157(5 and 10) of the PPAD Act requires Accounting Officers of public entities to reserve a prescribed percentage of its procurement budget, which shall not be less than 30 per cent, to the disadvantaged group.

In fulfilment of the aforementioned requirements, the Office awarded contracts worth Kshs.63.75 million to the disadvantaged group which comprise of women, youth and persons living with disabilities, against the procurement budget of Kshs.175.59 million. The total contracts awarded to the above category translated to 36.3 per cent of the total procurement budget for the FY 2018/19. Table 3 presents a breakdown of the value of contracts awarded to the disadvantaged group during the reporting period.

**Table 4: Reservations of Procurement to Disadvantaged Groups**

Disadvantage Group	Value of Contract Awarded (Kshs.)	Procurement Budget (Kshs.)	Percentage of the contract awarded to Disadvantaged Groups
Persons With Disabilities (PWDs)	2,718,350	175,585,100	36.3%
Women	53,892,554		
Youth	7,134,448		
<b>Total</b>	<b>63,745,352</b>		

### 3.4.12 Legal Activities

In FY 2018/19, the Controller of Budget was enjoined as a party to several litigations. Some of the cases handled include:

**1. Nairobi Petition No.134 of 2019 Stanley Kiarie Wanjiku & 9 Others–vs–the Controller of Budget & Another**

This case arose from the enactment of the Kiambu Supplementary Appropriations Act, 2019. The Petitioners alleged that the Supplementary Appropriations Act was not enacted as par the provisions of the Kiambu County Assembly Standing Orders. The court held that the process of enacting the Kiambu County Supplementary Appropriation Act, 2019 was unprocedural.

**2. Nairobi Petition No.168 of 2019 Richard Mungai Kagiri & 4 Others Vs the Controller of Budget & Another**

This case also arose from the enactment of the Kiambu Supplementary Appropriations Act, 2019. The Petitioners alleged that the Supplementary Appropriations Act was not enacted in line with the provisions of the Kiambu County Assembly Standing Orders. The matter is still pending hearing and determination.

### **3. Homa Bay Petition No. 8 of 2018: Evance Otieno Oloo & Another the Controller of Budget & 15 others.**

The above case concerned the conduct of public participation in Homa Bay County government. The Petitioners were challenging the constitutionality of the Homa Bay County Budget for the FY 2018/19. They alleged that there was inadequate public participation.

#### **3.5 Research and Development**

The activities under the Research and Planning sub-programme include the provision of support to the budget implementation process through the undertaking of research-related activities within the organization. The following are some of the key activities and achievements under the Research and Planning sub-programme.

##### **3.5.1 Finalization of the OCOB Strategic Plan 2018-2022**

During the FY 2018/19, the Office was able to prepare the Strategic Plan 2018-2022. The Plan is anchored on the Constitution of Kenya, 2010, Public Finance Management Act, 2012 and the Controller of Budget Act, 2016. The Plan has taken cognizance of the Country's development agenda as spelt out in the Kenya Vision 2030, the Medium Term Plan III and the Big Four Agenda: Universal Healthcare, Food Security, Affordable Housing and Manufacturing. Further, the Strategic Plan is aligned to the Africa Agenda 2063 and the Sustainable Development Goals.

The Plan will improve OCOB's impact and effectiveness in promoting prudent financial management in the public sector and contribute towards the achievement of Kenya's development plan, including the Big Four agenda. The Plan was developed through a consultative process involving the Management, Staff, Public and Private Stakeholders, Civil Society Organizations and several Development Partners. It thus incorporates invaluable input from all the stakeholders.

##### **3.5.2 Advice on Budget Implementation**

During the FY 2018/19, the Office developed guidelines/templates to guide in the review of planning and budget documents. The Office also produced seven budget discussion papers meant to inform budget implementation at both levels of government. During the same period, some of the office staff members facilitated workshops and conference as panellists and discussants on the budget process and other budget implementation issues. Other avenues used by the office to provide advice was through quarterly budget implementation review reports where key issues affecting budget implementation were highlighted and recommendations made on how to improve the execution of budgets.

##### **3.5.3 Preparation of the End of Term Report**

The Office prepared end of term report detailing the 8-year term of the first Controller of Budget. The report covered the history on the establishment of the office, the early

experiences of the office at its nascent years, staff establishments and acquisition of the office space.

The report highlighted some of the key achievements such as establishment of a fully functional office, mediation of conflicts, undertaking investigations, decentralisation of the staff members to the counties, development of policies and exchequer withdrawal manual, capacity building of the staff among other achievements. The report has been distributed to the MDAs and the counties.

### **3.5.4 Review of Planning Documents**

Section 25(5) and 117(5) of the Public Finance Management Act, 2012 requires the National Treasury and County Treasuries of each of the 47 county governments to take into account views of the Controller of Budget in preparing the Budget Policy Statement (BPS), Budget Review Outlook Paper (BRPOP), the County Fiscal Strategy Papers (CFSP) respectively, and the County Integrated Development Plans (CIDP) amongst others. The BPS and CFSP contain policies and priorities on revenues, expenditures and borrowing in the medium term.

### **3.5.5 Development of Policies and Procedures Manuals**

The office reviewed its existing policies and procedures manuals and developed new ones to build its capacity to effectively deliver on its mandate. These include:

- 1) Exchequer withdrawal procedure manual
- 2) Human Resources and Administration Policies and Procedures Manual;
- 3) Internship Policy;
- 4) ICT Policy;
- 5) Complaints Handling Policy;
- 6) Alternative Dispute Resolution Policy;
- 7) Investigation Policy;
- 8) Transport Policy;
- 9) Access to Information Policy;
- 10) Communication Policy;
- 11) Service Charters for the OCOB and,
- 12) Monitoring and evaluation framework

However, the Office is in the process of finalizing the development of the following documents; Regulations to COB Act, 2016, Scheme of Service, Succession Policy, Rewards and sanction policy for staff, Talent management policy for staff retention, and Budget implementation procedure manual.

### **3.5.6 Monitoring and Evaluation Activities**

The Office has continuously carried out county visits to monitor development projects being implemented by the county governments. The objective is to discuss with the

County officials some of the mechanisms put in place to enhance budget execution, skill gaps for budget implementations among others. During the FY 2018/19 period, the OCOB paid a visit to Kiambu County and inspected several projects under implementation such as; Thika Residential Units whose construction is ongoing, Juja Sub-County Headquarters, Kiuu Water Project and Githunguri Level 4 hospital.



*Former Controller of Budget and Kiambu County staff when the COB team visited the proposed Juja Sub-County headquarters*

The Controller of Budget and her team also paid a visit to Makueni County and inspected projects under implementation.



*Former COB and County Officials at Makueni Mother and Child Hospital. The Hospital has capacity to accommodate 120 adults and 80 neonates*

### 3.5.7 Library Services

During the FY 2018/19, the office expanded the online and print information and knowledge resources by updating the Online Public Access Catalogue (OPAC), International Online Databases, stocking of planning and budgeting documents, Budget Implementation review reports for both National and County governments, weekly Kenya Gazette and other Legal Notices to enhance legal, socio-economic and administrative information.

The Office also assigned classification numbers and bar codes to enhance identification, shelving and retrieval of the information in the library. The Library also created knowledge hub within the office Intranet that helps in the sharing of policies, presentations, concept notes and briefs in the Office. The library policy and procedures manual were also approved to enhance the management of information and knowledge in the office. The staff members were also sensitised on the usage of the library information and resources to enhance the uptake of the resources and knowledge management in the office.



## CHAPTER FOUR

### 4 REPORTS AND FINANCIAL STATEMENTS

#### 4.1 Fiduciary Management

The following management team held office during the financial year ended 30<sup>th</sup> June 2019 and had a direct fiduciary responsibility.



**CPA Dr. Margaret Nyakang'o**  
Controller of Budget  
(Appointed COB on 4th December 2019)



**CPA Stephen Masha**  
Deputy Controller of Budget



**CPA Macklin Ogolla**  
Director, Corporate Services



**Selina Iseme**  
Director Legal Affairs  
(Resigned on March 2019)



**CPA Pamela Okatch**  
Chief Manager, Finance and Accounts



**Dr. Anthony Lusuli**  
Chief Manager,  
Supply Chain Management

- 4.1.1 OCOB Headquarters**  
**Office of the Controller of Budget**  
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- 4.1.2 OCOB Contacts**  
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Website: [www.cob.go.ke](http://www.cob.go.ke)
- 4.1.3 OCOB Bankers**  
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Nairobi, Kenya
- 4.1.4 Independent Auditors**  
Auditor General.  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084-00100  
Nairobi, Kenya
- 4.1.5 Principal Legal Adviser**  
The Attorney General  
State Law Office  
Harambee Avenue  
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NAIROBI

### REPORT OF THE AUDITOR-GENERAL ON OFFICE OF THE CONTROLLER OF BUDGET FOR THE YEAR ENDED 30 JUNE, 2019

#### REPORT ON THE FINANCIAL STATEMENTS

##### Qualified Opinion

I have audited the accompanying financial statements of Office of the Controller of Budget set out on pages 67 to 89, which comprise the statement of assets and liabilities as at 30 June, 2019, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation-recurrent 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Office of the Controller of Budget as at 30 June, 2019, 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 Qualified Opinion

###### 1. Non- Disclosure of Ford Foundation Grant

Examination of records maintained by the Office of the Controller of Budget revealed that the Office received a grant of Kshs.10,085,000 from Ford Foundation being financial support for capacity building. As reflected in the deposit cash book, out of the received grant of Kshs.10,085,000, an amount of Kshs.5,712,290 had been spent as at 30 June, 2019. However, the grant received and the expenditure of Kshs.5,712,290 were not reported in the statement of receipts and payments for the year.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

###### 2. Misclassification of Mortgage Funds

The statement of receipts and payments reflects an expenditure of Kshs.54,513,795 relating to acquisition of assets. However, the amount includes a balance of

*Report of the Auditor-General on Office of the Controller of Budget for the year ended 30 June, 2019*



Kshs. 50,000,000 received during the year to finance and operationalize the Office of the Controller of Budget mortgage scheme. The amount was expensed and classified as acquisition of assets and also wrongly included in the summary of fixed assets register under Annex 4 to the financial statements.

In the circumstances, the accuracy of the statement of receipts and payments and Annex 4 to the financial statements could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Office of the Controller of Budget in accordance with ISSAI 130 on 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 qualified opinion.

#### **Key Audit Matters**

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

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

##### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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**

The audit was conducted in accordance with ISSAI 4000. The standard requires 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 are in compliance, 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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

##### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter 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 overall governance were not effective.

## **Basis for Conclusion**

### **Composition of the Audit Committee**

The membership of the audit committee of the Office of the Controller of Budget comprised five heads of departments and was chaired by the director in charge of Research and Planning. The composition of the committee was, therefore, contrary to Section 74 of Public Finance Management Act, 2012, since all committee members are employees of the organization. The committee does not therefore have an independent member or a representative of the National Treasury as required. In view of the improper composition of the audit committee, it could not be confirmed that internal controls, risk management and governance were effective.

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 control, 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 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 control 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 control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Office of the Controller of Budget's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Office of the Controller of Budget or 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 are in compliance 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 of the Controller of Budget financial reporting process, reviewing the effectiveness of how the entity 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control 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 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become


inadequate because of changes in conditions, or that the degree of compliance with the Office of the Controller of Budget policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Office of the Controller of Budget to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Office of the Controller of Budget to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Office to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
Nancy Gathungu  
AUDITOR-GENERAL

Nairobi

24 September, 2020

#### 4.1.6 Budget Allocation and Expenditure Analysis by Sub-Programme

In the budget estimates for the financial year 2018/19, the Office was allocated Kshs. 618,470,000. Due to austerity measures, the budget was revised downwards to Kshs. 593,735,914 during the first supplementary estimates. During the period, the Office incurred a recurrent expenditure of Kshs. 549,163,234 representing absorption rate of 92 per cent. Utilization of the budget was carried out under the main programme of control and management of public finances within four sub-programmes as shown in

Table 5 and Table 6 under various economic classifications/activities.

**Table 5: Budget Allocation and Expenditure by Sub-Programme**

Sub-Programme	Budget Allocation	Actual Spending	Variance	Absorption Rate
	Kshs.	Kshs.	Kshs.	(%)
Authorization of withdrawals from public funds (County Services)	190,635,867	172,895,587	17,740,280	91
Budget Review and Analysis	41,559,218	37,008,824	4,550,394	89
Administrative Support Services	343,557,641	327,868,618	15,689,023	95
Research and Planning	17,983,188	11,390,205	6,592,983	63
<b>TOTAL</b>	<b>593,735,914</b>	<b>549,163,234</b>	<b>44,572,680</b>	<b>92</b>

##### 1. Authorization of withdrawals from public funds (County Services)

The objective of this sub-programme is to ensure timely approval of withdrawals from the Consolidated Fund, County Revenue Fund and from the Equalization Fund. This sub-programme was allocated Kshs.190,635,867 representing 32 per cent of the overall budget. During the period, a total of Kshs.172,895,587 was spent translating to an absorption rate of 91 per cent.

##### 2. Budget Review and Analysis

The objective of the sub-programme is to oversee and regularly monitor the utilization of public funds released to spending units. This sub-programme was allocated Kshs.41,559,218 representing seven per cent of the overall budget. A total of Kshs.37,008,824 was spent recording an absorption rate of 89 per cent.

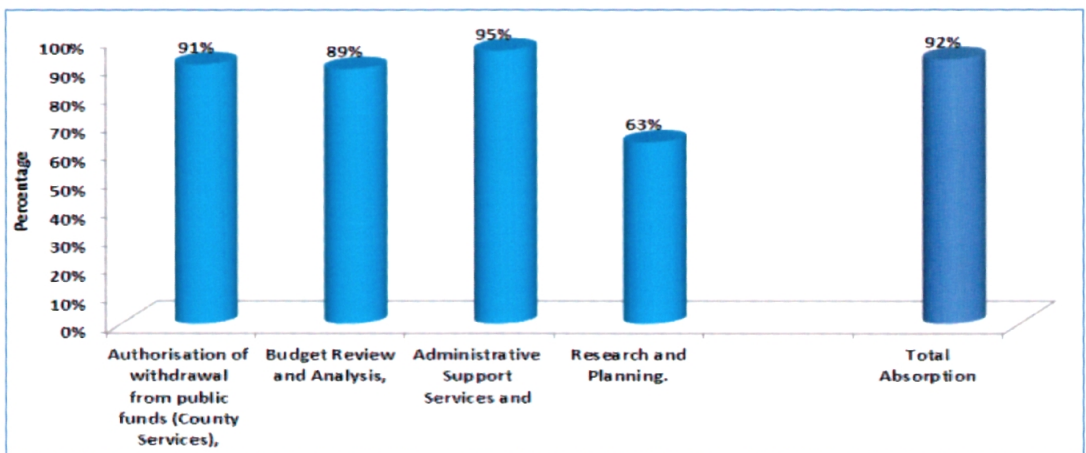
##### 3. Administrative Support Services

This sub-programme aims to enhance openness, accountability and public participation in prudent financial management. This sub-programme was allocated Kshs. 343,557,641 representing 58 per cent of the overall budget. A total of Kshs. 327,868,618 was spent recording an absorption rate of 95 per cent.

#### 4. Research and Planning

The Research and Planning sub-programme aims to carry out research and provide evidence-based advice on the planning and budgeting process. This sub-programme was allocated Kshs.17,983,188 representing 3 per cent of the overall budget. During the period, Kshs. 11,390,205 was spent recording an absorption rate of 63 per cent. Figure 1 shows budget absorption by sub-Programme.

**Figure 1: Budget Absorption by sub- Programme**



#### 4.1.7 Budget Allocation and Expenditure Analysis by Economic Classification

Budget absorption by economic classification in the FY 2018/19 is as shown in Table 6. The breakdown of the budget allocation and actual spending based on economic classification is followed by a brief discussion of the specified expenditure items.

**Table 6: Budget Allocation and Expenditure by Economic Classification**

Economic Classification	Budget allocation (Kshs)	Actual spending (Kshs)	Variance (Kshs)	Absorption rate (%)
Compensation of Employees	327,315,225	297,281,360	30,033,865	91
Use of Goods and Services	177,181,318	163,806,927	11,874,391	93
Social Security Benefits	34,074,371	33,561,152	513,219	98
Acquisition of non-financial assets	5,165,000	54,513,795	2,151,205	96
Acquisition of financial assets (Staff Mortgage)	50,000,000	50,000,000	-	100
<b>TOTAL</b>	<b>593,735,914</b>	<b>549,163,234</b>	<b>44,572,680</b>	<b>92</b>

## 1. Compensation of Employees

Compensation of employees included; basic salaries for permanent employees, basic wages for temporary employees, personal allowances paid as part of the salary, employee contribution to compulsory national social security schemes and employer contribution to pension schemes. The budget allocation was Kshs.327,315,225 representing 55 per cent of the overall budget. This recorded the highest expenditure of Kshs.297,281,360 representing an absorption rate of 91 per cent.

## 2. Use of Goods and Services

This category includes domestic and foreign travel, printing and advertising, rentals and rates for non-residential, training, hospitality, legal fees, and maintenance expenses for motor vehicles and other assets among other expenses. The budget allocation was Kshs. 177,181,318 representing 30 per cent of the overall budget. This category recorded an expenditure of Kshs. 163,806,927 representing an absorption rate of 92 per cent.

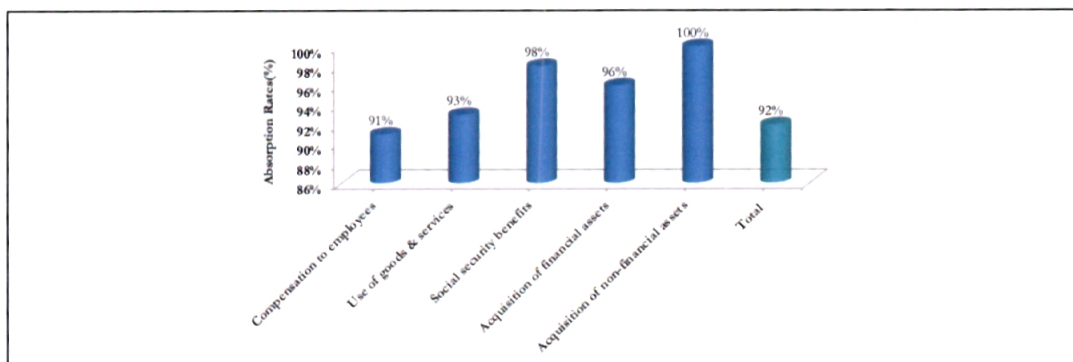
## 3. Social Security Benefits

This category includes; Gratuity for civil servants and government pension and retirement benefits. The budget allocation was Kshs. 34,074,371 representing 6 per cent of the overall budget. This category recorded an expenditure of Kshs.33,561,152 representing an absorption rate of 96 per cent.

## 4. Acquisition of Assets

This category includes; purchase of office furniture and equipment, purchase of specialised plant, equipment and machinery, Mortgage loan to public servants. The budget allocated was Kshs.5,165,000 for non-financial assets and Kshs.50,000,000 for financial assets respectively representing 9 percent of the overall budget. The total expenditure was Kshs.4,513,795 representing an absorption rate of 87 per cent and Kshs. 50,000,000 representing an absorption rate of 100 percent respectively. Figure 2 shows the level of budget absorption by economic classification.

**Figure 2: Budget Absorption by Economic Classification**

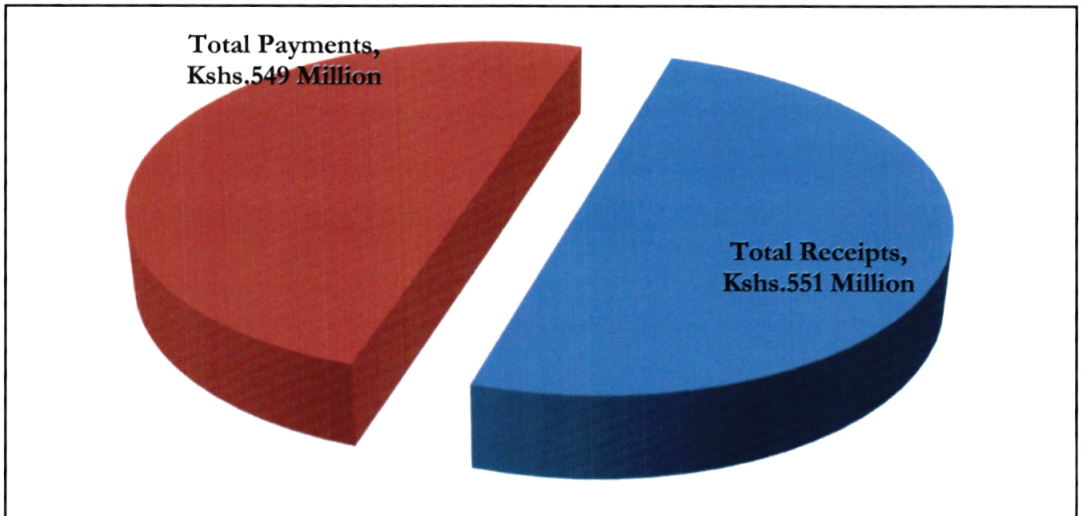


**Table 7: Receipts and Payments**

Financial Performance	Approved estimates	Actual	Variance	Variance (%)
	Kshs	Kshs	Kshs	
Total Receipts	593,735,914	551,332,300	42,403,614	7
Total Payments	593,735,914	549,163,234	44,572,680	8
Surplus for the year		2,169,066		

Actual receipts of Kshs. 551,332,300 was 7 per cent less than the approved budget estimates while actual payments of Kshs. 549,163,234 represented 92 percent of the approved budget estimates. This is attributed to under receipt of exchequer issues and under-utilization of budget allocation for the programmes. Figure 3 shows the actual expenditures vis-à-vis the total budget allocation in the FY 2018/19.

**Figure 3: Actual Receipts and Payments**



#### 4.1.8 Performance analysis for FY 2018/19 and FY 2017/18

##### a) Total Receipts from the Exchequer

The Office receipts mainly comprised of exchequer releases from the National Treasury. The total receipts for FY 2018/19 stood at Kshs. 551,332,300 representing a 19 per cent increase from Kshs. 463,466,087 received in the FY 2017/18. Table 8 shows a comparison of actual receipts in the FY 2017/18 and FY 2018/19.

**Table 8: Comparison of Receipts for FY 2018/19 and FY 2017/18**

Receipts	2018-2019	2017-2018	change	change (%)
Exchequer	551,332,300	463,466,087	87,866,213	19
<b>Total Receipts</b>	<b>551,332,300</b>	<b>463,466,087</b>	<b>87,866,213</b>	<b>19</b>

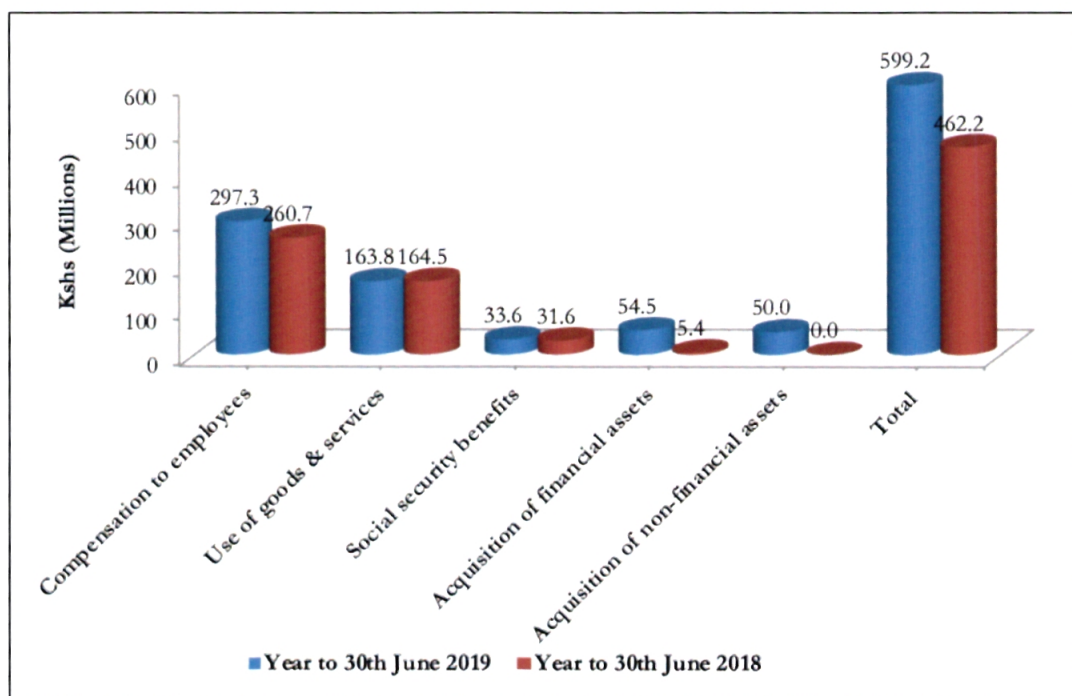
**b) Total Payments during the period**

The payments mainly comprise of employee compensation, use of goods and services, social security benefits and acquisition of assets. The largest increase in total payments was due to compensation of employees which recorded a percentage change of 14 percent from FY2017/18 to FY 2018/19. The change in total payments of Kshs. 87,037,954 from FY 2017/18 to FY2018/19 representing an increase of 19 percent. The increase was mainly attributed to increase payments to employee compensation which increased by 14 percent during the period. Table 9 shows a comparison for the FY 2017/18 and FY 2018/19.

**Table 9: Comparison of payments for FY 2018/19 and FY 2017/19**

Payments	2018-2019	2017-2018	Change	Change(%)
Compensation of employees	297,281,360	260,667,954	36,613,406	14
Use of goods and services	163,806,927	164,501,360	(694,432)	0
Social Security Benefits	33,561,152	31,594,697	1,966,455	6
Acquisition of non-financial assets	4,513,795	5,361,269	(847,474)	-19
Acquisition of financial assets (Staff Mortgage)	50,000,000	50,000,000	-	0
<b>Total Payments</b>	<b>549,163,234</b>	<b>462,125,280</b>	<b>87,037,954</b>	<b>19</b>

Figure 4 shows a comparison of total payments for the FY 2017/18 and FY 2018/19.  
**Figure 4: Comparison of payments for FY 2018/19 and FY 2017/18**



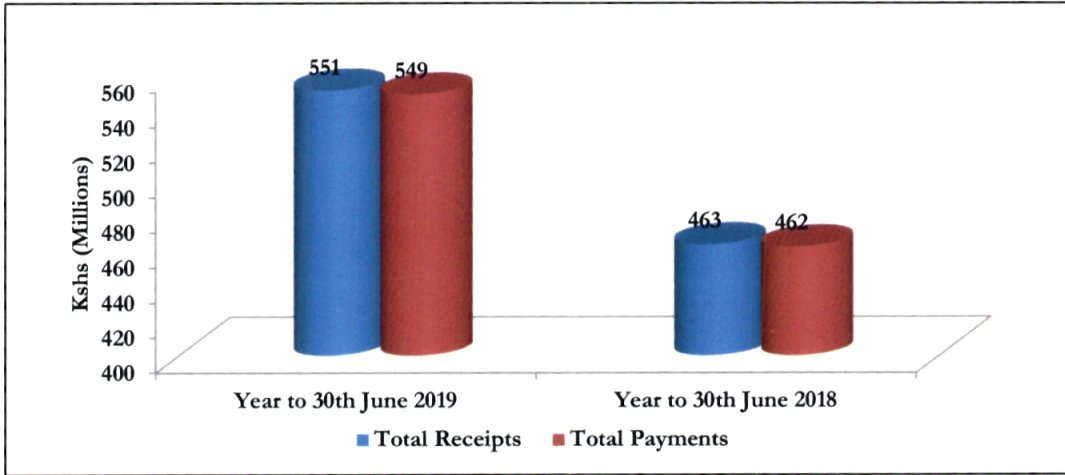
benefits was due to gratuity payment for members of staff whose contracts ended within the FY 2018/19. Table 10 shows a comparison of the total receipts and total payments for the last two consecutive years.

**Table 10: Total Receipts and Payments for the period**

Receipts & Payments	2018-2019	2017-2018	change	change (%)
Total Receipts	551,332,300	463,466,087	87,866,213	19
Total Payments	549,163,234	462,125,280	87,037,954	19

Table 10 provides a comparison between total receipts and total payments for the last two consecutive years. The same information is presented in Figure 5.

**Figure 5: Comparison of Total Receipts and Total Payments for 2018/19 and FY2017/18**



Total receipts and payments increased by 19 per cent as a result of increased activities carried out during the current financial year compared to FY 2017/18. The increase is mainly due to the payment of employer contribution to staff pension scheme and introduction of the staff mortgage scheme. Table 11 presents the position of financial assets and liabilities for the last two consecutive financial years.

**Table 11: Financial Assets**

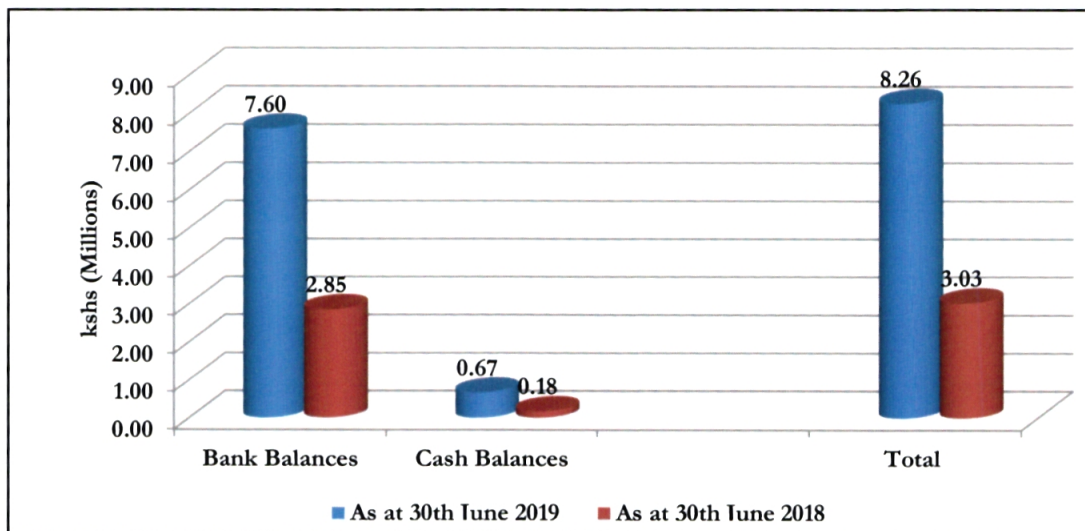
Financial Assets	2018-2019	2017-2018	change	change(%)
Bank Balances	7,597,705	2,851,205	4,746,499	166
Cash Balances	666,815	177,239	489,576	276
<b>Total</b>	<b>8,264,520</b>	<b>3,028,444</b>	<b>5,236,075</b>	<b>173</b>

Total bank balances comprises of the balances in the recurrent account and deposit account balances. The increase of 166 per cent is as a result of outstanding bills at the end of the financial year under review. The balances includes grants sourced from the Ford Foundation to support planned activities during the FY 2018/19. Some of the planned activities under the Ford Foundation grant will be undertaken in the FY 2019/20. Cash balances increased by 276 per cent due to increased cash related transactions at the year-end.

Figure 6 shows the financial assets position for the last two consecutive financial years.

**Figure 6: Financial Assets and Liabilities**

**Figure 6: Financial Assets and Liabilities**



#### 4.2 Cash Flow Activities

Table 12 summarizes cash flows generated from and used in various activities during the two consecutive financial years.

**Table 12: Cash Flow Activities**

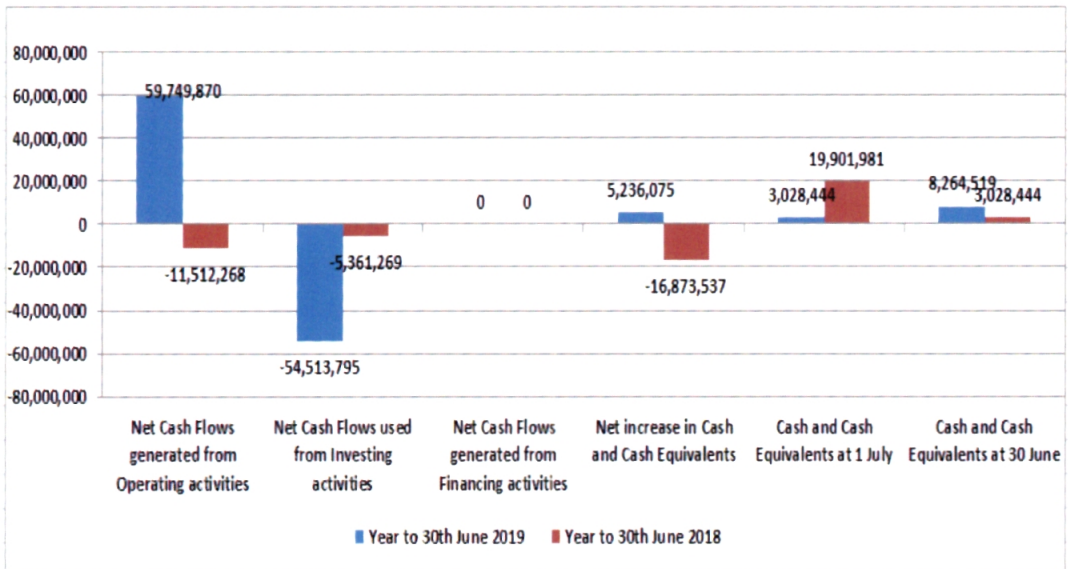
Cash Flow Activities	2018-2019	2017-2018	change	change (%)
Net cash flows generated from operating activities	59,749,870	-11,512,268	-71,263,138	-619
Net cash flows from investing activities	-54,513,795	-5,361,269	49,152,526	917
Net Cash Flows from financing activities	-	-	-	0

Cash Flow Activities	2018-2019	2017-2018	change	change (%)
Net increase in cash and cash equivalents	5,236,075	-16,873,537	-22,110,612	-131
Cash and cash equivalents at 1 July 2018	3,028,444	19,901,981	16,873,537	85
Cash and cash equivalents at 30 June 2019	8,264,520	3,028,444	-5,237,075	-173

**Notes:**

- a) Net cash flows in operating activities increased from Kshs.11 million to Kshs.60 million mainly due to payment of employer contribution to the staff pension scheme at 20 per cent.
  - b) Net cash flows from investing activities increased from 5 million to 54 million as a result of the introduction of the staff mortgage scheme.
  - c) The OCOB did not have any financing activities during the period.
- Figure 7 displays the trend of cash flows generated from and used in various activities during the two consecutive financial years.

**Figure 7: Cash Flow Activities**



### 3. STATEMENT OF THE OFFICE OF THE CONTROLLER OF BUDGET MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

The Controller of Budget is responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of the Office for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the office; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Controller of Budget accepts responsibility for the financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the financial statements give a true and fair view of the state of transactions during the financial year ended June 30, 2019, and of the financial position as at that date. Controller of Budget further confirms the completeness of the accounting records maintained for the Office which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

The Controller of Budget confirms that the Office has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further, Controller of Budget confirms that the financial statements have been prepared in a format that complies with

relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The Office of the Controller of Budget financial statements were approved and signed by Ag. Controller of Budget on 23<sup>rd</sup> September, 2019.



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CPA Stephen Masha  
Ag. CONTROLLER OF BUDGET

## 5. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2018-2019	2017-2018
		Kshs	Kshs
<b>RECEIPTS</b>			
Exchequer releases	13.1	551,332,300	463,466,087
<b>TOTAL RECEIPTS</b>		<b>551,332,300</b>	<b>463,466,087</b>
<b>PAYMENTS</b>			
Compensation of Employees	13.2	297,281,360	260,667,954
Use of goods and services	13.3	163,806,927	164,501,360
Social Security Benefits	13.4	33,561,152	31,594,697
Acquisition of Assets	13.5	54,513,795	5,361,269
<b>TOTAL PAYMENTS</b>		<b>549,163,234</b>	<b>462,125,280</b>
<b>SURPLUS/DEFICIT</b>		<b>2,169,066</b>	<b>1,340,807</b>

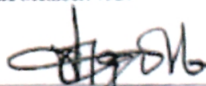
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 23<sup>rd</sup> September, 2019 and signed by:



CPA Stephen Masha  
Ag. CONTROLLER OF BUDGET  
ICPAK Member: 7927



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

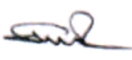



Director Corporate Services  
Name: CPA Mackin Ogolla  
ICPAK Member:4077

## 6. STATEMENT OF ASSETS AND LIABILITIES

	Note	2018-2019	2017-2018
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	13.6A	7,597,705	2,851,205
Cash Balances	13.6B	666,815	177,239
<b>Total Cash and cash equivalent</b>		<b>8,264,520</b>	<b>3,028,444</b>
<b>TOTAL FINANCIAL ASSETS</b>		<b>8,264,520</b>	<b>3,028,444</b>
<b>FINANCIAL LIABILITIES</b>			
Accounts Payables – Deposits and retentions	13.7	6,095,454	1,967,560
<b>NET FINANCIAL ASSETS</b>		<b>2,169,066</b>	<b>1,060,885</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	13.8	1,060,885	16,305,675
Prior year adjustment	13.11	-1,060,885	-16,585,597
<b>Surplus/Deficit for the year</b>		<b>2,169,066</b>	<b>1,340,807</b>
<b>NET FINANCIAL POSITION</b>		<b>2,169,066</b>	<b>1,060,885</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 23<sup>rd</sup> September, 2019 and signed by:

  
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ICPAK Member: 7927

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

  
Director Corporate Services  
Name: CPA Macklin Ogolla  
ICPAK Member:4077

7. STATEMENT OF CASH FLOWS

	Note	2018-2019	2017-2018
		Kshs	Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Exchequer releases	13.1	551,332,300	463,466,087
		<b>551,332,300</b>	<b>463,466,087</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	13.2	297,281,360	260,667,954
Use of goods and Services	13.3	163,806,927	164,501,360
Social Security Benefits	13.4	33,561,152	31,594,697
		<b>494,649,439</b>	<b>456,764,011</b>
<b>Adjusted for:</b>			
Changes in receivables	13.9	-	137,677
Changes in payables	13.10	4,127,894	1,766,424
Adjustments during the Year	13.11	1,060,885	16,585,597
<b>Net cash flow from operating activities(A)</b>		<b>59,749,870</b>	<b>- 11,512,268</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	13.5	54,513,795	5,361,269
<b>Net cash flows from Investing Activities(B)</b>		<b>54,513,795</b>	<b>- 5,361,269</b>

<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Domestic Borrowings		-	-
Proceeds from Foreign Borrowings		-	-
Repayment of principal on Domestic and Foreign borrowing		-	-
<b>Net cash flow from financing activities(C)</b>		-	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENT(A+B+C)</b>		<b>5,236,075</b>	<b>- 16,873,537</b>
<b>Cash and cash equivalent at BEGINNING of the Year</b>		<b>3,028,444</b>	<b>19,901,981</b>
<b>Cash and cash equivalent at END of the Year</b>	<b>13.6A+13.6B</b>	<b>8,264,520</b>	<b>3,028,444</b>

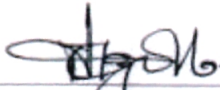
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 Name: CPA Pamela Okatch  
 ICPAK Member Number: 7884



Director Corporate Services  
 Name: CPA Macklin Ogolla  
 ICPAK Member:4077

**8. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT**

Revenue/Expense Item	Approved Budget	Adjustments	Final Budget	Actual on comparable basis	Budget Utilization Difference	% of Utilization Difference to Final Budget
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	c=a+b	d	e=c-d	f=d/c
<b>RECEIPTS</b>						
Exchequer releases	618,470,000	- 24,734,086	593,735,914	551,332,300	42,403,614	93
<b>Total Receipts</b>	<b>618,470,000</b>	<b>- 24,734,086</b>	<b>93,735,914</b>	<b>551,332,300</b>	<b>42,403,614</b>	<b>93</b>
<b>PAYMENTS</b>						
Compensation of Employees	340,315,225	- 13,000,000	327,315,225	297,281,360	30,033,865	91
Use of goods and services	191,215,404	- 15,534,086	175,681,318	163,806,927	11,874,391	93
Social Security Benefits	34,074,371	-	34,074,371	33,561,152	513,219	98
Acquisition of Assets	52,865,000	3,800,000.00	56,665,000	54,513,795	2,151,205	96
<b>Grand Total</b>	<b>618,470,000</b>	<b>- 24,734,086</b>	<b>593,735,914</b>	<b>549,163,234</b>	<b>44,572,680</b>	<b>92</b>

- The changes between the original budget and the final budget of Kshs. 24,734,086 was due to austerity measures undertaken by The National Treasury which affected all Ministries, Departments and Agencies during the period under review.

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 23<sup>rd</sup> September, 2019 and signed by:



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Ag. CONTROLLER OF BUDGET  
ICPAK Member: 7927



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



Director Corporate Services  
Name: CPA Macklin Ogolla  
ICPAK Member: 4077

9. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Revenue/Expense Item	Approved Budget	Adjustments	Final Budget	Actual on comparable basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>RECEIPTS</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>
Exchequer releases	618,470,000	- 24,734,086	593,735,914	551,332,300	42,403,614	93
<b>Total Receipts</b>	<b>618,470,000</b>	<b>- 24,734,086</b>	<b>93,735,914</b>	<b>551,332,300</b>	<b>42,403,614</b>	<b>93</b>
<b>PAYMENTS</b>						
Compensation of Employees	340,315,225	- 13,000,000	327,315,225	297,281,360	30,033,865	91
Use of goods and services	191,215,404	- 15,534,086	175,681,318	163,806,927	11,874,391	93
Social Security Benefits	34,074,371	-	34,074,371	33,561,152	513,219	98
Acquisition of Assets	52,865,000	3,800,000	56,665,000	54,513,795	2,151,205	96
<b>Grand Total</b>	<b>618,470,000</b>	<b>- 24,734,086</b>	<b>593,735,914</b>	<b>549,163,234</b>	<b>44,572,680</b>	<b>93</b>

#### 10. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

The Office does not have any development hence there is no summary statement of appropriation.

The Office of the Controller of Budget financial statements were approved on 23<sup>rd</sup> September, 2019 and signed by:



CPA Stephen Masha  
Ag. CONTROLLER OF BUDGET  
ICPAK Member: 7927



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



Director Corporate Services  
Name: CPA Macklin Ogolla  
ICPAK Member:4077

### 11. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Head	Programme/Sub-Programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference	% of Utilization
		Kshs	Kshs	Kshs	Kshs	Kshs	
	Control and Management of Public finances	618,470,000	24,734,086	593,735,914	549,163,234	44,572,680	92
212100 0100	Sub-Programme 1: Administration Support Services	352,964,613	-9,406,972	343,557,641	327,868,618	15,689,022	95
212100 0200	Sub-Programme 2: Research and Planning	21,159,958	-3,176,770	17,983,188	11,390,205	6,592,982	63
212100 0300	Sub-Programme 3: Budget Review and Analysis	44,262,562	-2,703,344	41,559,218	37,008,824	4,550,395	89
212100 0400	Sub-Programme 4: County Services	200,082,867	-9,447,000	190,635,867	172,895,587	17,740,279	91
	<b>GRAND TOTAL</b>	<b>618,470,000</b>	<b>24,734,086</b>	<b>593,735,914</b>	<b>549,163,234</b>	<b>44,572,680</b>	<b>92</b>

## 12. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

### 12.1 Going Concern Principle

The Office is an independent office established under Article 228 of the Constitution of Kenya, 2010 to oversee the implementation of budgets of both the National and County Governments by authorizing withdrawal from public funds. The financial statements are prepared on assumption that the Office is a going concern and will continue in operation and meet its statutory obligations for the foreseeable future.

### 12.1 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
- 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.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts(SCOA)

### 12.2 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 and does not include any development projects implemented as the Office does not have any projects.

### 12.3 Reporting Currency

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

### 12.4 Recognition of Receipts

The Entity recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Entity.

#### ❖ Exchequer Receipts

The exchequer receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of remittance is received.

#### ❖ External Assistance

External assistance is received through grants from development partners such as Ford Foundation and DANIDA.

Grants shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary.

In case of grant in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30<sup>th</sup> June 2019, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

### 12.5 Recognition of payments

The Entity recognises all payments when the event occurs and the related cash has actually been paid out by the Entity.

#### ❖ Compensation of Employees

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

❖ **Use of Goods and Services**

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

❖ **Acquisition of Assets**

The payment on 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 to the financial statements.

#### **12.6 In-kind contributions**

In-kind contributions are donations that are made to the Office in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Office includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded. During the period under review, the Office did not have any in-kind contributions.

#### **12.7 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. Bank account balances include amounts held at the Central Bank of Kenya at the end of the financial year.

#### ❖ **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 other refund by insurance companies for assets insured. As at 30th June 2019, this amounted to **Kshs 6,095,454** and Kshs 1,967,560 in prior period as indicated on note 12. There were no other restrictions on cash during the year.

#### **12.8 Accounts Receivable**

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 AIE holders. This is an enhancement to the cash accounting policy. The Office did not have any outstanding imprest or advances during the period under review.

#### **12.9 Accounts Payable**

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 fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities are disclosed in the financial statements.

#### **12.10 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 to provide a sense of the overall net cash position of the Entity at the end of the year. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the

year in which the payments are made. During the period under review, the Office did not have any pending bill.

#### **12.11 Budget**

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, 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 on June 2018 for the period 1<sup>st</sup> July 2018 to 30<sup>th</sup> June 2019 as required by Law and there were two 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. The Office does not have any development projects.

#### **12.12 Comparative Figures**

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

#### **12.13 Subsequent Events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30<sup>th</sup> June 2019.

#### **12.14 Related Party Transactions**

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

### 13. NOTES TO THE FINANCIAL STATEMENTS

#### 13.1 EXCHEQUER RELEASES

Item Description	Item Code	2018-2019	2017-2018
		Kshs	Kshs
Total Exchequer Releases for Quarter 1	9910201	97,548,100	80,658,372
Total Exchequer Releases for Quarter 2	9910201	101,465,600	100,457,815
Total Exchequer Releases for Quarter 3	9910201	123,000,000	109,400,000
Total Exchequer Releases for quarter 4	9910201	229,318,600	172,949,900
<b>TOTAL</b>		<b>551,332,300</b>	<b>463,466,087</b>

During the year under review the budgeted exchequer amounted to **Kshs. 618,470,000**. This was later revised downwards to **Kshs.593,735,914** during Supplementary Budget Estimate. However, the Office received **Kshs. 551,332,300** resulting into a shortfall of **Kshs 42,403,614**

#### 13.2 COMPENSATION OF EMPLOYEES

Item Description	Item Code	2018-2019	2017-2018
		Kshs	Kshs
Basic Salaries - Permanent Employees	2110100	185,901,807	181,997,044
Basic Wages - Temporary Employees	2110200	2,460,193	1,246,181
Personal Allowances paid as part of Salary	2110300	77,373,477	77,191,329
Employer Contributions to Compulsory National Social Security Schemes, Staff Pension Scheme	2120100	31,545,884	233,400
<b>TOTAL</b>		<b>297,281,360</b>	<b>260,667,954</b>

year in which the payments are made. During the period under review, the Office did not have any pending bill.

#### **12.11 Budget**

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, 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 on June 2018 for the period 1<sup>st</sup> July 2018 to 30<sup>th</sup> June 2019 as required by Law and there were two 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. The Office does not have any development projects.

#### **12.12 Comparative Figures**

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

#### **12.13 Subsequent Events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30<sup>th</sup> June 2019.

#### **12.14 Related Party Transactions**

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

#### 13.4 SOCIAL SECURITY BENEFITS

Item Description	Item Code	2018-2019	2017-2018
		Kshs	Kshs
Government Pension and Retirement Benefits	2710100	33,561,152	31,594,697
<b>TOTAL</b>		<b>33,561,152</b>	<b>31,594,697</b>

The social security benefit relates to the pension payments to seconded staff and gratuity for staff whose contracts ended during the year.

#### 13.5 ACQUISITION OF ASSETS

Item Description	Item Code	2018-2019	2017-2018
		Kshs	Kshs
Purchase of Office Furniture and General Equipment	3111000	732,195	3,362,644
Purchase of Specialised Plant, Equipment and Machinery	3111100	3,781,600	1,998,625
Domestic Lending and On-lending	4110000	50,000,000	-
<b>TOTAL</b>		<b>54,513,795</b>	<b>5,361,269</b>

Included in the acquisition of financial asset is seed money of Kshs. 50 million to cater for implementation of the Big 4 Agenda projects and enablers as contained in Medium Term Plan 2018-2022(Affordable Housing ) for staff mortgage scheme paid to Housing Finance Corporation

**13.6 A: BANK ACCOUNTS**

Name of Bank, Account Number & Currency	Amount in Bank account currency	Account Type	Item Code	2018-2019	2017-2018
	Kshs			Kshs	Kshs
Central Bank of Kenya Bank, A/C 1000181338,Kshs	1,502,251	Recurrent	6530000	1,502,251	883,646
Central Bank of Kenya Bank ,A/C 1000182369,Kshs	6,095,454	Deposit	6550000	6,095,454	1,967,560
<b>TOTAL</b>	<b>7,597,705</b>			<b>7,597,705</b>	<b>2,851,205</b>

**13.6 B: CASH IN HAND**

Item Description	Item Code	2018-2019	2017-2018
		<b>Kshs</b>	<b>Kshs</b>
Cash in Hand-Held in domestic currency Headquarters, Bima House Building,12 <sup>th</sup> floor cash office	6580000	666,815	177,239
<b>TOTAL</b>		<b>666,815</b>	<b>177,239</b>

Cash in hand should also be analysed as follows:

Item Description	Item Code	2018-2019	2017-2018
		<b>Kshs.</b>	<b>Kshs</b>
Location: Headquarters, Bima House Building,12 <sup>th</sup> floor cash office	6580000	666,815	177,239
<b>TOTAL</b>		<b>666,815</b>	<b>177,239</b>

**NB:** Cash Count certificates (F.O 51) for the above amount has been provided as an attachment to the financial statements

### 13.7. ACCOUNTS PAYABLE

Item Description	Item Code	Bank Account Type	2018-2019	2017-2018
			Kshs	Kshs
Retention	7320000	Deposit	698,256	970,787
Other Liabilities(deposit)	7310000	Deposit	5,397,198	996,773
<b>TOTAL</b>			<b>6,095,454</b>	<b>1,967,560</b>

This includes amounts of retention fees for 3<sup>rd</sup> parties and funding from Ford Foundation through a grant on capacity building for increased capacity of the Office to oversight the use of public resources.

### 13.8 FUND BALANCE BROUGHT FORWARD

Item Description	Item Code	2018-2019	2017-2018
		Kshs	Kshs
Opening Balance Bank	9990100	2,851,205	19,559,844
Opening Balance Cash	9990200	177,239	342,137
Opening Balance Receivables - Imprest and Clearance Accounts	9990300	-	137,677
Opening Balance - Deposits	9990100	- 1,967,560	- 3,733,984
<b>TOTAL</b>		<b>1,060,885</b>	<b>16,305,675</b>

There is a reduction in the balance brought forward being a refund of unspent balance to the Exchequer account as per the Public Finance Management (PFM) Act, 2012, section 45(2). The reduction in the opening balance under deposit account was due to a refund of retention monies.

### 13.9 CHANGES IN RECEIVABLES

Item Description	Item Code	2018-2019	2017-2018
		Kshs	Kshs
Payables at the <b>beginning</b> of the Year	7320000	-	137,677
Payables at the <b>end</b> of the Year	7320000	-	-
<b>TOTAL</b>		-	137,677

### 13.10 CHANGES IN PAYABLES

Item Description	Item Code	2018-2019	2017-2018
		Kshs	Kshs
Payables at the <b>beginning</b> of the Year	7320000	1,967,560	3,733,984
Payables at the <b>end</b> of the Year	7320000	6,095,454	1,967,560
<b>TOTAL</b>		4,127,894	1,766,424

### 13.11 PRIOR YEAR ADJUSTMENTS

Item Description	2018-2019	2017-2018
	Kshs	Kshs
<b>Adjustments on bank account balances-Remittances to Exchequer-Recurrent Bank Balance-The National Treasury (FY 2017/18 Balances)</b>	883,646	16,243,460
<b>Adjustments on cash in hand-Remittances to Exchequer-Cash Balance-The National Treasury (FY 2017/18 Balances)</b>	177,239	342,137
<b>TOTAL</b>	<b>1,060,885</b>	<b>16,585,597</b>

### 13.12 ANALYSIS OF THE DEPOSIT ACCOUNT

Description	2018-2019	2017-2018
	Kshs	Kshs
Retention –Pong Agencies	1,257	1,257
Retention –Specicom Technologies Ltd	497,000	497,000
Tender Bond-Real Insurance	200,000	200,000
The National Treasury - Commissions(payload)	77,998	87,833
AIA-The National Treasury	-	52,500
Insurance Refund	310,940	310,940
Retention-Pekals Ltd	-	272,531
Tender Bond-Losagi Insurance	145,500	145,500
KCB Leadership Centre	-	385,000
Cooperative	-	15,000
Ford Foundation	4,372,710	-
EFT Collections	490,049	-
<b>TOTAL</b>	<b>6,095,454</b>	<b>1,967,560</b>

### 13.13 RELATED PARTY DISCLOSURES

The Office had no related parties as the compensation for the Accounting Office is made directly from the Consolidated Fund Services (CFS)

## CHAPTER FIVE

### 5 CHALLENGES AND RECOMMENDATIONS

#### 5.1 Introduction

This section presents the challenges faced during the monitoring and implementation of the national and county government budgets during the period under review. It also outlines some of the recommendations to address some of the identified challenges.

#### 5.2 Challenges Experienced and Recommendations

The following are some challenges that continue to affect the smooth running and execution of the mandate of the office. Highlighted herein are appropriate recommendations aimed at addressing the challenges to enhance smooth budget execution in future. Some of the challenges recorded during the period include;

##### 5.2.1 Implementation of Public Sensitization Activities

The OCOB is required to disseminate information to the Public on budget implementation at both levels of government in line with Section 39(8) of the PFM Act, 2012. Despite this Constitutional requirement, there is no clear framework on how it should be institutionalized and implemented. Going forward, there is a need for Parliament to expedite the passing of the Public Participation Bill into law for standardization and institutionalizing public participation procedures.

##### 5.2.2 Data and Knowledge Management System

The OCOB has put in place an automated registry system to facilitate storage, archiving and retrieval of office documents. However, the Office needs a Central Data Management and Retrieval System (CDMRS) for data, knowledge and information management to cater for both the headquarters and County Budget Coordinators' offices.

##### 5.2.3 Inconsistent Reporting Timelines

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

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

The OCOB relies on financial and non-financial reports prepared by the national and county governments to prepare the Budget Implementation Review Reports. The timelines between submission of OCOB reports to Parliament and when National Government and County Governments submit quarterly financial and non-financial reports to OCOB are too close. There is need to review the legal framework on budget implementation reporting to ensure there is uniformity in the statutory reporting timelines for both national and county government entities to accord OCOB adequate time to prepare and submit budget implementation reports to Parliament on time.

#### 5.2.4 Weak Legal Framework

The Controller of Budget Act, 2016 is inconsistent with the Constitution of Kenya, 2010 which prohibit reporting on recent macroeconomic developments including economic development and outlook, revenue, grants and loans forecasts and receipt. The OCOB in collaboration with other stakeholders should hasten enactment of the review of the Controller of Budget Act, 2016 in line with the provisions in the Constitution.

#### 5.2.5 Failure by MDAs and County Governments to report on Programmes and Projects Achievements

The Controller of Budget is required to report on the achievements of programmes and projects by MDAs as stipulated in Section 9 (2) of the Controller of Budget Act, 2016. The OCOB developed and shared a format to capture this information. Despite this, some MDAs and County Governments failed to present information on programme and project achievements. In future, all Accounting Officers should ensure that the reports submitted to the Controller of Budget contain sufficient information on the achievements of programmes and projects as set out in the Programme Based Budgetary framework. This will promote transparency and accountability in the use of public funds.

#### 5.2.6 Inadequate Office Space and Dysfunctional Elevators at Bima House

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

the staff, government officials and the general public is severely affected by dysfunctional elevators that operate intermittently. To resolve the issue, there is a need for additional office space to facilitate the storage of files and accommodate staff adequately. There is a need for an urgent replacement of the elevators.

### 5.3 Emerging Issues

During the period under review, the Office has identified some emerging issues which may impact on its operations. These include:

- a) Lack of a comprehensive organization structure to bring on board all OCOB activities being undertaken which include authorization of pension payments, monitoring and evaluation, authorization of public debt. This may call for changes in the organization structure.
- b) Automation of exchequer requisition process.
- c) Improve information sharing by leveraging on communication technology
- d) Reviewing and strengthening the legal framework especially the COB Act, 2016 to facilitate effective discharge of OCOB mandate.
- e) Develop frameworks for engagement with Parliament and County Assemblies
- f) Lack of reward management system and policy.
- g) Delay in submission of expenditure returns and incomplete financial statements by MDAs and County Governments. This is due to lack of legislation for sanctioning late submission of financial reports by MDAs and counties.
- h) There is a lack of clear understanding of the mandate of the Controller of Budget by the stakeholders hence sensitization of the public on the roles of the OCOB.

## Annex 1. Other pending Payables

Item Description	Item Code	Balance b/f FY 2017/2018	Additions for the period	Paid during the year	Balance c/f FY 2018/2019
		Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities	7310100	140,333	102,826	165,161	77,998
Amounts due to Office	7310100	856,440	10,755,049	6,292,290	5,319,199
Amounts due to third parties	7320200	970,787		272,531	698,257

## Annex 2. Breakdown of Other Payables

Name	Brief Transaction Description	Original Amount	Amount Paid To-Date	Outstanding Balance 2018	Outstanding Balance 2019
		a	b	c	d=a-b
<b>Amounts due to National Government Entities</b>					
1. The National Treasury	Payroll commission	218,332	140,333	140,333	77,998
<b>Sub-Total</b>		-	<b>218,332</b>	<b>140,333</b>	<b>77,998</b>
<b>Amounts due to County Government Entities</b>					
2. NONE		-	-	-	-
<b>Sub-Total</b>		-	-	-	-
<b>Amounts due to Third Parties</b>					
3. Retention -Specicom Technologies Ltd	Retention	497,000	-	497,000	497,000
4. Retention - Pong Agencies	Retention	1,257	-	1,257	1,257
5. Tender Bond-Real Insurance	Retention	200,000	-	200,000	200,000
6. Retention-Pekals	Retention	272,530	272,530	272,530	-
<b>Sub-Total</b>		-	<b>970,787</b>	<b>970,787</b>	<b>698,257</b>
<b>Others (specify)</b>					
7. Losagi Insurance Broker	Insurance Compensation	145,500	-	145,500	145,500
8. Insurance	Insurance Compensation	800,989	-	800,989	800,989
9. Ford Foundation	Grant	10,085,000	5,712,290	-	4,372,710
<b>Sub-Total</b>			<b>5,712,290</b>	<b>946,489</b>	<b>5,319,199</b>
<b>Grand Total</b>			<b>6,125,153</b>	<b>2,057,609</b>	<b>6,095,454</b>

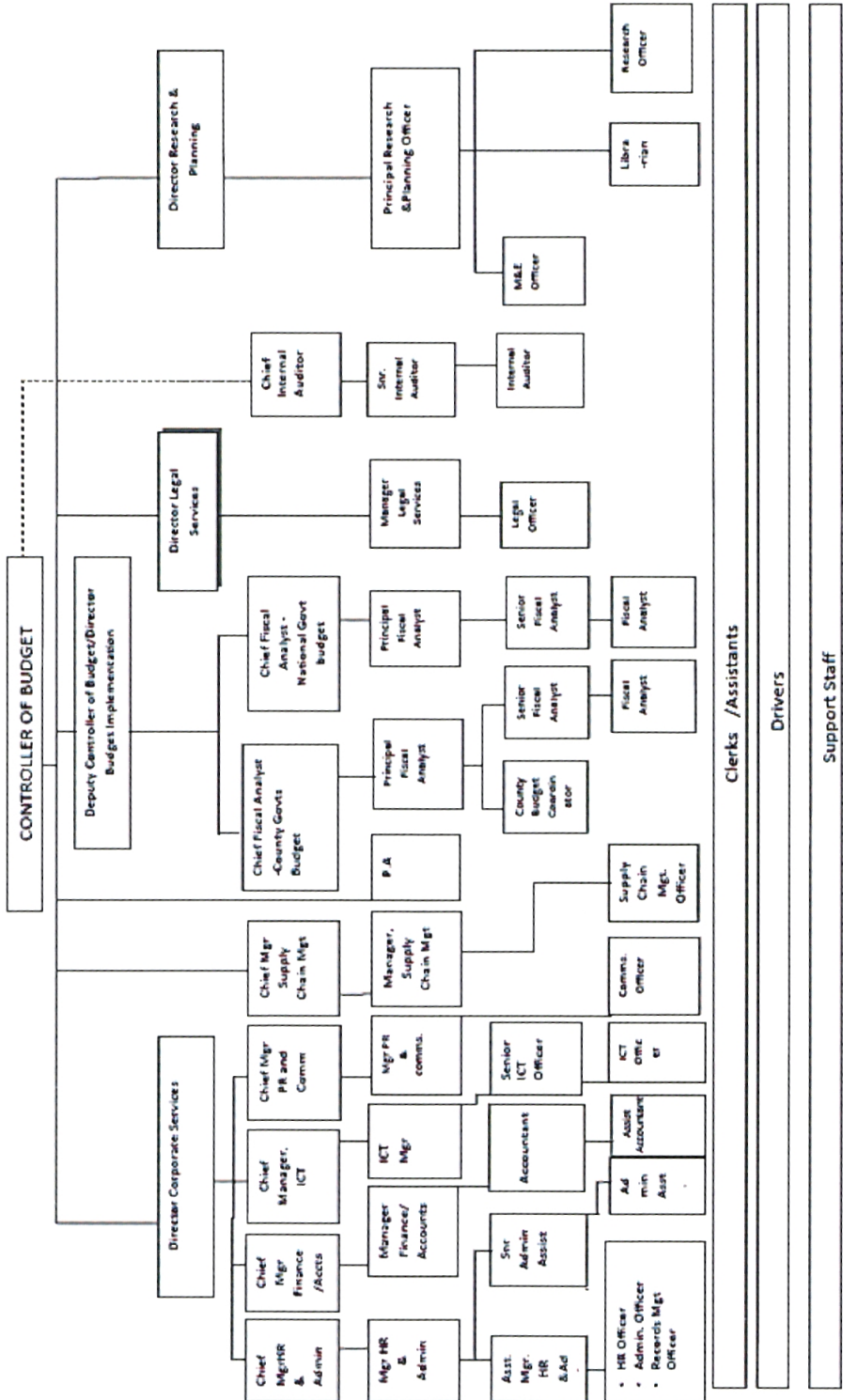
### Annex 3. Summary of the Fixed Asset Register

Asset class	Item Code	Historical Cost b/f	Additions during the Year	Disposals during the Year	Historical Cost c/f
		Kshs	Kshs	Kshs	Kshs
Refurbishment of buildings	3110300	2,328,000	-	-	2,328,000
Vehicles and Other Transport Equipment	3110700	26,799,000	-	-	26,799,000
Office Furniture and General Equipment	3111000	72,648,483	732,195	-	73,380,678
Specialized Plant, Equipment and Machinery	3111100	19,133,435	3,781,600	-	22,915,035
Domestic Lending and On-Lending(Mortgage)	4110000	-	50,000,000	-	50,000,000
<b>Total</b>		<b>120,908,918</b>	<b>54,513,795</b>	<b>-</b>	<b>175,422,713</b>

The balance as at the end of the year is the cumulative cost of all assets bought by the Office. Additions amounting to Kshs. 54,513,795 represents the value of assets acquired during the year (see note 13.5). However, the following are to be noted concerning the figures in the table above:

- ❖ Does not include the cost of vehicles worth Kshs 45,484,472 which were earlier bought through the National Treasury funding before the Office was voted.
- ❖ Include payment for staff loan mortgage scheme amounting to Kshs.50,000,000
- ❖ There were no assets disposed of during the year.

### Annex 4. The OCOB Organization Structure





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