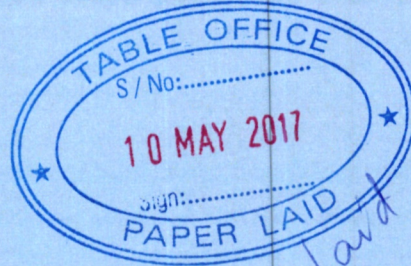


REPUBLIC OF KENYA

PARLIAMENT  
OF KENYA  
LIBRARY



OFFICE OF THE AUDITOR-GENERAL



*Paper laid by  
Kom on 10/5/2017 (ph)*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
THE OFFICE OF CONTROLLER OF BUDGET**

**FOR THE YEAR ENDED  
30 JUNE 2016**



---

**OFFICE OF THE CONTROLLER OF BUDGET  
REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2016**

---

**Prepared in accordance with the Cash Basis of Accounting Method under the International Public  
Sector Accounting Standards (IPSAS)**

**OFFICE OF THE CONTROLLER OF BUDGET**

**Reports and Financial Statements**

**For the year ended June 30, 2016 (Kshs)**

Table of Contents

I.	KEY ENTITY INFORMATION AND MANAGEMENT .....	3
II.	FORWARD BY THE CONTROLLER OF BUDGET .....	15
1.0	Administrative Support Services .....	15
1.1	Operationalization of the Office .....	15
1.2	Staffing of the Office .....	15
1.3	Systems .....	16
1.4	Legal Framework.....	16
2.0	Monitoring and Reporting on Budget Implementation .....	16
2.1	Quarterly Budget Implementation Review Reports .....	16
2.2	Special Reports.....	18
2.3	Investigations .....	18
2.4	Advice to the Legislature and Executive on Budget Implementation Issues.....	18
2.5	Monitoring and Evaluation Framework.....	18
2.6	County Revenue Baseline Study, 2015.....	20
3.0	Control of Withdrawals from Public Funds .....	20
3.1	Exchequer Releases and Resource Absorption .....	20
3.2	Exchequer Releases to County Governments .....	22
4.0	County Services and Enabling Activities.....	22
4.1	The Budgets for F/Y 2015/16 for County Governments .....	22
4.2	Advisories to County Governments .....	22
4.3	County Visits .....	23
4.4	Mediation.....	23
4.5	Public Sensitization .....	23
5.0	Emerging Issues/Challenges .....	24
5.1	Emerging Issues.....	24
5.2	Challenges .....	24
III.	STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES .....	26
IV.	REPORT OF THE AUDITOR GENERAL ON THE OFFICE OF THE CONTROLLER OF BUDGET (VOTE 2121) FOR THE YEAR ENDED 30 <sup>TH</sup> JUNE 2016 .....	28
V.	STATEMENT OF RECEIPTS AND PAYMENTS .....	29
VI.	STATEMENT OF FINANCIAL POSITION.....	30
VII.	STATEMENT OF CASH FLOW.....	31
VIII.	SUMMARY STATEMENT OF APPROPRIATION: RECURRENT .....	33
IX.	SUMMARY STATEMENT OF PROVISIONS .....	34
X.	SIGNIFICANT ACCOUNTING POLICIES.....	35
XI.	NOTES TO THE FINANCIAL STATEMENTS .....	38

**OFFICE OF THE CONTROLLER OF BUDGET**

**Reports and Financial Statements**

**For the year ended June 30, 2016 (Kshs)**

---

ANNEX I- SUMMARY STATEMENT OF DEPOSITS .....	43
ANNEX II-SUMMARY OF FIXED ASSET REGISTER.....	44

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

**I. KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

The Office of the Controller of Budget (OCOB) was established by the Constitution of Kenya, 2010. Pursuant to Article 228 of the Constitution of Kenya 2010, the Office has mandate to authorize withdrawals from public funds, oversee the budget implementation of national and county governments, create openness and transparency in the budget implementation process, and to advise the Executive and Legislature on budget implementation.

**As an independent office, COB has the following mandate: -**

- To oversee implementation of the budgets of the National and County Governments. (Article 228 (4)) of the Constitution of Kenya, 2010.
- Authorize withdrawals from Public Funds including the Equalization Fund, the Consolidated Fund, and the County Revenue Fund under (Article 204 (9)), (Article 206 (4)), and (Article 207 (3) respectively of the Constitution of Kenya, 2010 and when satisfied that the withdrawal is authorised by law (Article 228 (5)), of the Constitution of Kenya, 2010.
- Report, every four months to each house of Parliament on the implementation of the budgets on the national and county governments (Article 228(6)) of the Constitution of Kenya, 2010.
- Report after the end of each financial year, to the President, the National Assembly or Senate (Article 254(2) of the Constitution of Kenya, 2010.
- Report on a particular issue, as may be required by President, the National Assembly or the Senate (Article 254(2) of the Constitution of Kenya, 2010.
- Advise Parliament on the need to renew or not to approve the decision of the Cabinet Secretary in charge of finance to stop the transfer of funds to a State Organ or any other Public Entity (Article 225 (2) of the Constitution of Kenya, 2010.
- Conduct investigations based on its own motion or on a complaint made by a member of the public (Article 252 (1) (a) of the Constitution of Kenya, 2010.
- Conduct alternative dispute resolution mechanisms including conciliation, mediation and negotiation to resolve budget implementation disputes (Article 252 (1)(b) of the Constitution of Kenya, 2010.;and

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

- Ensure the public has access to information on budget implementation both at the national and county levels(Article 35) section 39(8) of the Public Finance Management Act,2012

**Vision**

*“To be a leading and independent oversight institution in public financial management”*

**Mission**

*“To guarantee prudent public financial management through overseeing implementation of the government budgets by controlling and monitoring the use of public funds and reporting on budget implementation for the benefit of all Kenyans”*

**Core Values**

In carrying out its mandate, the Office of the Controller of Budget will uphold the following core values: Honesty and Integrity, Professionalism, Accountability and Transparency, Innovation and Creativity, Teamwork, Efficiency and, Independence.

**Strategic Objectives**

The office OCOB identified strategic objectives, strategies and activities that would drive the office to achieve results in its key mandate areas. The following are the strategic objectives.

- To ensure timely approval of withdrawals from the Consolidated Fund, County Revenue Fund and Equalization Fund.
- To oversee and regularly monitor the utilization of public funds released to government entities.
- To enhance openness, accountability and public participation in prudent public financial management.
- To provide advice on financial, planning and budgeting issues.
- To build capacity of the office to deliver on its mandate.
- To ensure the public has access to comprehensive, understandable, credible and timely information

**Principal Activities.**

The core mandate of the Office of the Controller of Budget is to oversee the implementation of budgets of both national and county governments, approve withdrawals from public funds and report to Parliament on budget implementation every four months.

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

**The roles and functions**

- Oversight Role
- Controlling Role
- Reporting Role
- Advisory Role
- Investigation Role
- Arbitration/Mediation Role
- Public Participation

**Key Strategic Priorities**

During the period under review, the Office of the Controller of Budget undertook the implementation of the key strategic priorities;

- Monitoring of budget implementation for both national and county governments projects and programs.
- Timely approval of withdrawal of public funds (Exchequer) to both National Governments entities (MDAs) and the 47 Counties.
- Capacity building of both OCOB staff and county staff on skills to improve budget execution.
- Preparing quarterly budget implementation reports and special reports to both houses of Parliament for the national and county governments.
- Reviewing budgets of the counties to ensure compliance with the law.
- Providing budget information to the public through media and public participation forums.
- Capacity building of the public through sensitization to effectively participate in the budget processing and hold public officials to account through social accountability audit frameworks.
- Performing research on budget implementation key issues raised in the Quarterly Budget Implementation Report to advise both Parliament and Executive accordingly.
- Providing advisory services to the Ministries Departments and Agencies(MDAs) and County Governments on budget implementation

**OFFICE OF THE CONTROLLER OF BUDGET**

**Reports and Financial Statements**

**for the year ended June 30, 2016 (Kshs)**

**b) Key Management.**

The entity's day-to-day management is composed of;

<b>O.</b>	<b>NAME</b>	<b>DESIGNATION</b>
	Mrs. Agnes Odhiambo	• Controller of Budget
	Mr. Stephen Masha	• Deputy Controller of Budget
	Mr. Macklin Ogolla	• Director Corporate Services
	Mr. Joshua Musyimi	• Director Research and Planning
	Ms. Selina Iseme	• Director Legal Affairs
	Mr. Joseph Tulula	• Chief Internal Auditor
	Mr. Patrick Kamore	• Chief Fiscal Analyst-National Government
	Mr. Mark Kipkoech	• Chief Fiscal Analyst-County Government
	Mr. Stephen Wangaji	• Chief Manager Public Relations & Communication
	Ms. Irene Arimi	• Chief Manager Human Resource & Administration
	Ms. Judith Muli	• Chief Manager Information Communication and Technology
	Ms. Pamela Okatch	• Manager Finance & Accounts
	Mr. Anthony Lusuli	• Manager Supply Chain Management
	Mr. George Tuti	• Manager Legal Affairs
	Mr. Shadrack Chando	• Manager Human Resource & Administration
	Grace Kimitei	• Principal Research and Planning Officer
	Mary Owii	• Personal Assistant to COB
	Enock Ngo'o	• Senior Internal Auditor
	David Ayimba	• Senior Internal Auditor
	Joseph Marigi	• Senior Internal Auditor

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

**(c) Fiduciary Management.**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2016 and who had direct fiduciary responsibility were:

S/NO.	NAME	DESIGNATION
1	Mrs. Agnes Odhiambo	• Controller of Budget
2	Mr. Stephen Masha	• Deputy Controller of Budget
3	Mr. Macklin Ogolla	• Director Corporate Services
4	Mr. Joshua Musyimi	• Director Research and Planning
5	Ms. Selina Iseme	• Director Legal Affairs
6	Mr. Joseph Tulula	• Chief Internal Auditor
7	Ms. Pamela Okatch	• Manager Finance & Accounts
8	Mr. Anthony Lusuli	• Manager Supply Chain Management

**(d) Fiduciary Oversight Arrangements**

**(i) Audit Committee Activities**

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

The OCOB established an Audit Committee whose main functions are as stated in PFM Act, 2012 regulations, section 175 to;

- a. Support the Accounting Officer with regard to their responsibilities for issues of risk, control and governance and associated assurance but the responsibility over the management of risk, control and governance processes remains with the management; and
- b. Follow up on the implementation of the recommendations of internal and external auditors.

The Audit Committee has direct access to the External Auditors, and OCOB internal auditors. The Committee's membership comprises the following membership;

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

S/NO.	NAME	ROLE
1	Mr. Joshua Musyimi	• Chairperson
2	Ms. Judith Muli	• Member
3	Ms. Pamela Okatch	• Member
4	Mr. Joseph Tulula	• Secretary

The key achievements during the year include the following:-

- The audit committee met and reviewed the Internal and external Audit's reports on various OCOB's functions
- The members of the committee attended training on how to effectively conduct the Audit Committees businesses.

**(ii)Parliamentary Committee Activities**

Article 228 (6) of the Constitution requires the Controller of Budget to submit to each house of parliament a report on budget implementation of the national and county governments every four months. In line with this requirement, OCOB has continually engaged Parliamentary Committees to increase awareness on budget implementation and debate on issues under consideration by Parliament. This has benefited the overall budget implementation process by informing the review of proposed laws, facilitating more informed policy-making and ensuring greater government accountability. The OCOB engagement with Parliament ranged from making written submissions, giving evidence and presentations during committee hearings, consultation on budget implementation, and provision of expert advice on findings and recommendations for action by Government and Parliament. Specifically, key engagements were with the following committees:

- Senate Committee on Finance, Commerce and Budget
- Standing Public Accounts Committee of the National Assembly
- Standing Committee on Budget and Appropriations of the National Assembly
- Departmental Committee on Finance, Planning and Trade of the National Assembly.

The main engagement with Parliament was in the submission of quarterly budget implementation review reports per Article 228 (6) of the Constitution. Other engagements were on financial management in the Public sector as follows:

**(iii) Development Partner Oversight Activities**

The Office of the Controller of Budget collaborates with development partners, in particular, DANIDA, USAID and World Bank to build capacity for staff, county government staff including staff of county assemblies to facilitate efficient delivery of its services and improve

budget implementation. Some of the activities undertaken under DANIDA funds through Public Finance Management Reforms(PFMR) programme includes: procurement computers to enhance reporting by the county budget coordinators, equip the county budget coordinators officers with fire proofs cabinets to safe guard data and records, revamping of the website for information dissemination on use of public funds, development of mobile application software, Adobe- in –design training of staff ,baseline survey on underperformance of revenue in collaboration with KIPPRA and holding of public participation forums on budget ,enhance social accountability and project ownership by the public.

**(iv) Other Oversight Activities.**

The Controller of Budget in running the office is assisted by various committees with specific terms and reference in carrying out the activities and includes; Executive Management Committee, Tender Committee, Human Resource Management Advisory /Training Committee, Budget Implementation Committee, ICT Steering Committee, Mediation Committee. Some of the key functions undertaken by the committees are as follow:

**1. Executive Management Committee**

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

- Planning – establishing and reviewing strategic and operational plans for office of the Controller of Budget (OCOB).
- Policy and decision making – establishing policies/procedures that guide the operations of OCOB and record decisions and actions on matters concerning OCOB.
- Management – ensuring that all staff properly performs their tasks according to their job descriptions and further ensuring that the OCOB mandate is properly executed.

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

- Legal – ensuring that at all times, OCOB complies with the laws of Kenya in discharge of its mandate.
- Financial – ensuring that all finances are properly managed; that financial records are audited annually and that the principles of public finance management articulated under Article 201 of the Constitution are adhered to.
- Evaluation – monitoring all activities of OCOB and ensuring that the feedback contributes to the continuous improvement in governance and service delivery.

In execution of its functions, the Management Committee has the power to appoint sub-committees to assist in discharging the mandate of the office.

In discharging their duties, Members of the Executive Management Committee are guided by:

- The organisations policies and procedures
- The organisation strategic plan and other legislations.

## **2. Tender committee**

This committee is constituted in accordance with the Public Procurement and Disposal Act, 2005 and the Public Procurement and Disposal Regulations, 2006. The Committee approved the procurement plan for FY 2015/16 including various methods of procurement used for the purchase of goods and services during the year under review.

The main function is to adjudicate on tender and procurement transactions to facilitate the office and advise COB on procurement related issues. The committee's also ensures goods and services supplied are as per specifications and there is value for money.

## **3. The Human Resource Management Advisory/Training Committee (HRMAC)**

The Human Resource Management Advisory Committee (HRMAC) is a standing committee that advises the Controller of Budget on HR issues and staff development. The Committee holds meetings quarterly. However, the Committee may call special meetings when necessary. The functions of the committee include the following;

- Discuss and make recommendations to Controller of Budget on general staff welfare and motivation issues among others;
- To discuss, consider and recommend officers training requests to the Controller of Budget for approval purposes;

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

- Investigate and make recommendations to the Controller of Budget on disciplinary matters;
- Discuss and make recommendations on existing HR regulations and policies to the Controller of Budget;

**4. Budget Implementation Committee**

This is a sub-committee of the Executive Management committee set up to ensure the resources are utilised as per the OCOB budgetary allocation and work plan. The main responsibility of the budget implementation committee is to assist the COB to discharge her responsibility in the following areas:

- Review the actual departmental expenditures to determine the absorption rate for the budgeted activities and identify the reasons behind non utilization of funds.
- Advise the Accounting Officer on any problems related to budget implementation.
- Review and recommend re-allocations.
- Review the utilization of donor funds.
- Review the commitments including pending bills and recommend solutions

**5. ICT Steering Committee**

The committee provides advice to the Controller of Budget with regard to strategic decision in Information and Communication Technology (ICT) with particular attention to ICT strategies, risk management, compliance and change management. The Committee ensures that OCOB's ICT strategic objectives and their implementation remain aligned with the mandate and strategic objectives of the organization.

During the FY 2015/2016

The ICT steering Committee strengthened ICT deliverables in the following areas:

- Operationalization of the OCOB ICT Plans, Policies and Service Charter.
- Connectivity and Technology infrastructure
- ICT risk management register development.
  - Assessment of user requirements and the adequacy of the available OCOB ICT systems
  - Operationalization of a new OCOB website and Intranet with improved navigation and capacity for information to the publics.
  - Development of a road map for advanced and widely accessible ICT system so as to broaden accessibility of OCOB content, reports and updates.

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

**6. Mediation Committee**

The committee assist in mediations in case of disputes in the Counties on budget implementation related matters. The office has developed procedures on mechanisms for conducting dispute resolution. So far several counties have been advised on the budget process.

**7. Legal Activities**

In the financial year 2015/16 the Controller of Budget was joined as a party to six (6) numbers of suits. In most of the cases the petitioners sought orders to bar the Controller of Budget from releasing funds pending final determination of the suits.

One outstanding suit is the High Court Petition Number 540 of 2015, filed by Honorable Benson Mutura, the Member of Parliament for Makadara Constituency, against the County Government of Nairobi, the Controller of Budget and five others. The petition is based on findings in the Controller of Budget, budget implementation review reports to the effect that the Nairobi County has been spending some revenue at source as opposed to depositing it in the County Revenue Fund as required by the Constitution.

The petitioner therefore seeks inter alia, a declaration that an injunction be granted to compel the Controller of Budget to ensure that she approves all withdrawals from the County Revenue Fund. The petition raises a number of complex constitutional and legal issues, therefore, the Controller of Budget procured the services of Messers Rachier and Amollo advocates as defense counsel and paid a deposit of Kshs.600, 000 towards fees.

The application seeking conservatory orders was dismissed on 10<sup>th</sup> June 2016, but in the ruling the judge made a finding that the petitioner had demonstrated violation of the Constitution. The full hearing for the petition is however yet to be conducted.

**8. Public Participation Activities**

The Office has held two public forums in Mombasa and Kisumu during the period under review. This was to ensure that the public is informed on their roles in;

- public financial management at national and county level;
- monitoring and evaluation during budget making process and implementation;
- Social accountability audit and interaction between the public and the OCOB in order to address emerging issues concerning the OCOB and budget implementation.

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

The Office further participated in two other public sensitization forums with the National Tax Payers Association and the National Aids Control Council during the period under review. The Office has also developed a communication policy to guide on how to engage our various stakeholders.

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

**(i) Office of the Controller of Budget**

P.O. Box 35616-00100  
Bima House 12<sup>th</sup> Floor  
Harambee Avenue  
Nairobi, Kenya

**(j) Contacts**

Telephone: (254) 020-2211068  
E-mail: [cob@cob.go.ke](mailto:cob@cob.go.ke)  
Website: [www.cob.go.ke](http://www.cob.go.ke)

**(k) Bankers**

Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya

**(l) Independent Auditors**

Auditor General.  
Kenya National Audit Office.  
Anniversary Towers, University Way.  
P.O. Box 30084.  
GOP 00100  
Nairobi, Kenya

**(m) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

**II. FORWARD BY THE CONTROLLER OF BUDGET**

This report covers the FY 2015/16. During this period, the Office of the Controller of Budget (OCOB) was allocated Ksh.580.8 million which was revised to Ksh.529.1 million in the Supplementary Estimates to cater for the main programme of *control and management of public finances* in four sub-programmes, namely; Administrative Support Services, Research and Planning, Budget Review and Analysis; and County Services. The actual expenditure of Ksh.485.9 million was based on economic classification and included: Compensation of employees (Kshs.214.2m), use of goods and services (Kshs.175.2m), social security benefits (Kshs.85.3m) and acquisition of non -financial assets (Kshs.11.1m). To realise its strategic objectives, the Office relied on its strategic plan to guide activities, policy formulation and work plans and made the following progress and achievements towards its targeted objectives.

The following are key activities implemented by the Office under each sub programme:-

**1.0 Administrative Support Services**

**1.1 Operationalization of the Office**

The Office acquired additional office space and facilities to set up its headquarters to cater for additional staff due to increased workload. Initial staff were sourced from various ministries to operationalize the OCOB. The Office carried out trainings to staff in collaboration with key stakeholders to understand the functions of a devolved system of government in order to execute the mandate effectively. The OCOB is continuously building capacity of the staff to facilitate proper and efficient delivery on its mandate. The Office has equipped its staff in the counties to enable them deliver the requisite services to the stakeholders.

**1.2 Staffing of the Office**

The Office of the Controller of Budget reviewed its Job Evaluation to inform on optimum staffing levels and job descriptions that would enable the Office deliver on its mandate. This was as a result of full operationalization of county governments. The recruitment of the staff has been designed by the management to be in a phased order as the workload increase. The job evaluation report is continually used to guide the recruitments. The Office carried out recruitment to replace staff that had left and fill some of the existing critical vacancies during the year.

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

**1.3 Systems**

The OCOB has developed an elaborate ICT system infrastructure to assist in delivery of information to stakeholders which includes an interactive website. The Office has developed a library management system, an asset management system, a mail system for staff, and also put in place a system to enable the public access budget implementation information online using their mobile phones. The other systems in place are for analyzing budget information to facilitate reporting. The Office has also implemented the Voice Over Internet Protocol (VOIP) to reduce telephones expenses.

**1.4 Legal Framework**

The Office participated, with other key stakeholders, in drafting and development of regulations for the Public Finance Management Act (PFMA), 2012 which were gazzeted in 2015. The Office of the Controller of Budget is still awaiting the enactment of the Controller of Budget Bill, 2011 to facilitate full operationalization of the office. The Bill has been passed by Parliament and currently awaiting assent. The Office is planning to embark on development of regulations to the Act as soon as it is enacted to further facilitate delivery of its mandate. The Office has also developed policies to guide access of information, investigations and how to handle complaints by the members of the public.

**1.5 Capacity Building**

The Office carried out capacity building of staff and county governments' staff on budget implementation.

**2.0 Monitoring and Reporting on Budget Implementation**

**2.1 Quarterly Budget Implementation Review Reports**

The OCOB monitors and prepares statutory reports to Parliament on the implementation of the budgets of the national and county governments in compliance with Article 228(6) of the Constitution of Kenya 2010. These quarterly budget implementation review reports are used to monitor the implementation of the budgets of the MDAs and counties. A total of eight reports per annum were published, submitted to Parliament and widely publicized. They

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

consisted of four quarterly reports for each level of government - National Government and County Governments. The Office of Controller of Budget has through these reports identified the following challenges affecting budget implementation: -

**National Government:-**

- Low absorption of developments funds.
- Procurement related challenges.
- Large uncleared and outstanding imprests in some of the MDAs.
- Unfunded exchequer requests for MDAs resulting in pending bills.
- Non provision of counterpart funding on time by some MDAs.
- Under-reporting of Appropriations in Aid by some MDAs.
- Inadequate authority on expenditure of capital transfers.

**County Governments:-**

- Low absorption of developments funds.
- Underperformance in local revenue collection.
- High expenditure on non-core activities by most of the county entities in particular on domestic and foreign travel.
- Delay by some of the entities in submission of financial reports affecting timely production of quarterly budget implementation review reports.
- Inaccurate financial statements from entities requiring frequent validation hence delaying production of statutory reports by the office.
- Increasing wage bill.
- Recruitment and remuneration of ward employees.
- Lack of internal audit functions and committees in most of the county governments
- Frequent budget revisions by some counties eroding budget credibility.
- Inadequate staffing and skills capacity in some county governments.
- Inadequate administration and reporting on public funds established by county governments.

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

**2.2 Special Reports**

The Office produced special reports on the request of the legislature or on own volition on issues of national interest in compliance of Article 252(1) (a). During the period under review the office prepared special reports for the Parliamentary oversight committees on various issues and on matters of policy to address budget implementation challenges and achievements and chart the way forward. Other reports include:-

- County Revenue baseline study which has been published and shared with key stakeholders and the public. 500 copies of the report were printed for stakeholders.
- Monitoring reports for all the 47 counties on selected projects using the monitoring framework.
- The Office also prepared its annual reports as required by law.

**2.3 Investigations**

The office carried out investigations on financial management issues raised by the Senate on some county governments, the Law courts and members of the public in compliance with the law.

**2.4 Advice to the Legislature and Executive on Budget Implementation Issues.**

The office of the Controller of Budget has held various meetings with the committees of parliament to discuss the issues raised in BIRR reports and provided advice on the way forward. The Office has also continually provided advice to the Executive on budget implementation including providing advice on prudent management of the public debt.

**2.5 Monitoring and Evaluation Framework**

The Office has developed a Monitoring and Evaluation (M&E) framework to enable the Office monitor implementation of budget of the national and county government effectively and efficiently. The framework will enable the Office to effectively advice both Executive and the Legislature on budget implementation matters.

The Office has also undertaken a scoping analysis of the public finance process, programmes and funding for Gender Responsive Budgeting (GRB) in Kenya to determine the entry points for the deepening of gender related budgets within the Public Financial Management Reform in collaboration with UN Women and other key stakeholders.

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

The Office has further developed a framework to partner with key stakeholders including UNICEF to ensure budgets are responsive to issues affecting women and children.

In the FY 2015/16, the Office undertook two rounds of monitoring and evaluation of programmes/projects undertaken by all the 47 County Governments. The main objective of the monitoring and evaluation exercise was to provide information on the implementation status of planned projects/programmes and an assessment of the achievement of outputs and outcomes as a result of the implementation of the programmes as provided for in the respective county budgets.

The Monitoring involved the collection and analysis of data about budget activities. The data collected is meant to inform budget implementers to determine whether budget objectives are being achieved and make an assessment of of outputs and outcomes as a result of the implementation of the programmes and hence the budget performance. The exercise provides information to all stakeholders.

From the monitoring exercise, the OCOB established that all the counties are making good progress in service delivery to the public. Progress has been made in a number of sectors namely: the Health sector, Water and Sanitation sector, Infrastructure and Roads, Education particularly the ECDs and Youth Polytechnics, Trade, Investment and Industrialization sector, and the Agriculture Sector among others.

The Office observed that, there is still no linkage between planning and budgeting and many projects are not completed within the anticipated time frame. This is attributed mainly to delay in release of funds, non-payment of contractors and inadequate capacity of some contractors.

The OCOB recommends the need for counties to link planning to budget to ensure enhanced implementation of projects and programmes. The National and County Governments should embrace Programme Based Budgeting (PBB) which lay more emphasis on outputs and outcomes for increased benefits to the public. Further, the governments should enhance their internal M&E functions to continuously monitor their project implementation and address issues arising as the projects are being implemented with corrective actions being taken in

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

real time. Monitoring and evaluation should be an integral part of the operations of both national and county governments and must be used as a management tool if governments are to achieve their aspirations.

**2.6 County Revenue Baseline Study, 2015**

During FY 2015/16, the Office finalized and published the County Baseline Study 2015 on underperformance of county revenue. In their budgets, Counties estimated to collect substantial amount of local revenue that would be used to supplement the shareable revenue from the National Government to implement the planned activities. In cases where budgeted local revenue was not realized, the counties were compelled to scale down implementation of some planned activities. This affected the implementation of County Budgets.

It is against this background that the Office undertook the baseline study to evaluate the County Governments' revenue management systems and performance with a view to address the factors affecting budget implementation in the Counties. The results of this study shall assist the county leadership in setting realistic local revenue targets in order to improve budget execution.

**3.0 Control of Withdrawals from Public Funds**

**3.1 Exchequer Releases and Resource Absorption**

The Office of the Controller of Budget continues to approve withdrawals from public funds in a timely manner to facilitate the implementation of budget at both levels of government. In the year under review OCOB approved the release of a total of Ksh.1529.7 billion to fund national government's activities. The total expenditure was Kshs.1658.72 billion against a gross estimate of Kshs.1988.18 billion resulting in an overall absorption of 83.43 per cent.

Table 1 below shows the total exchequer release for consolidated fund services, recurrent and development expenditures for the national government for the Fiscal year 2015/16 up to 30<sup>th</sup> June.

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

**Table 1: Exchequer Issues Processed During the FY 2015/16**

Type of Expenditure	Revised Gross Estimates (Kshs. Billion)	Net Estimates (Kshs. Billion)	Exchequer Issues Released (Kshs. Billion)	Actual Expenditure (Kshs. Billion)	% Exchequer Issues Released To Net Estimates	Absorption (% of Actual Expnd. To Revised Gross Estimates)
Recurrent	811.55	734.51	720.28	735.43	98.1 %	90.62 %
Development	681.95	369.66	333.17	448.8	90.1 %	65.81 %
Consolidated Fund Services	494.68	494.68	476.25	474.54	96.3 %	95.93 %
<b>Total</b>	<b>1,988.18</b>	<b>1598.85</b>	<b>1529.7</b>	<b>1658.72</b>	<b>95.7 %</b>	<b>83.43 %</b>

Source: OCOB

**3.1.1 Recurrent Exchequer Releases and Absorption**

The total Recurrent Budget Estimates for the Financial Year 2015/2016 for the national government was Kshs. 811.55 billion, which was 40.82 per cent of the total budget. The OCOB released a total of Kshs. 720.28 billion to MDAs to fund recurrent expenditure, all of which was utilized. In addition to Ksh. 15 billion was collected and spent as Appropriations-In-Aid (AIA) by the MDAs, resulting into an absorption rate of 90.42 per cent.

**3.1.2 Development Exchequer Releases and Absorption**

The total development budget estimates for the period under review was Kshs. 681.95 billion for which OCOB released exchequer amounting to Kshs.333.17 billion representing 90.13 per cent of the total development net estimates. The MDAs were able to spend Kshs.448.8 billion inclusive of AIA collected resulting in 65.81 per cent absorption rate.

**3.1.3 Exchequer Releases for Consolidated Fund Services**

The OCOB also facilitated the release of funds to cater for expenditure for consolidated fund services. The Office released Kshs. 476.25 billion to cater for consolidated fund services out of which Kshs.474.54 billion was absorbed. The Office of the Controller of Budget continues

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

to enforce the compliance with regulations for all debt payments by ensuring they are supported by the loan agreements and other supporting documents.

### **3.2 Exchequer Releases to County Governments**

The total budget for county governments was Kshs.287 billion. The office released Kshs.266.04 billion to county governments from the consolidated funds as shareable revenue and another Ksh.37.5 billion for conditional grants. The absorption rate by the county governments was 82.05 %.

## **4.0 County Services and Enabling Activities**

### **4.1 The Budgets for F/Y 2015/16 for County Governments**

Through the advice of the Office of the Controller of Budget some of the Budget Estimates for F/Y 2015/16 for county governments were revised to comply with the law. The revision also reduced the high and unrealistic local revenue projections. In general the recommendations of the Office resulting in:-

- Improvement in absorption by most of the county governments.
- Improvement in revenue collection in some of the county governments.
- Improvement in the reporting of expenditure by the county governments.
- All public funds being established now by the county governments comply with the legislation.
- Improved service delivery in some entities due to capacity building of their staff.
- To avoid conflict of interest and ensure County Assemblies carry out their oversight roles most county governments have given financial autonomy to their County Assemblies to deliver on their mandates.

The Office continues to participate in the budget process as required by the law.

### **4.2 Advisories to County Governments**

The office also facilitated the analysis of county budgets and provided the necessary advice to various county governments on the need to reduce unrealistic revenue projections and provisions on non-core items. Further, the Office has ensured that the county government

budgets comply with the legislation.

#### **4.3 County Visits**

The Office has continuously carried out county visits to sensitise the county governments on the mandate of the Office and to capacity build on effective budget implementation. During the visits, the Office identified the various challenges being faced by the county governments, such as inadequate systems for budget implementation, especially with regard to revenue collection; skills gaps for budget preparation and execution among the county staff; inadequate staffing; and lack of internal audit function and audit committees. The visits also revealed that the exchequer records were not properly maintained due to capacity challenges.

#### **4.4 Mediation**

OCOB has developed procedures on mechanisms for conducting dispute resolution and has a committee in place that assist in mediations in case of disputes in the Counties on budget implementation related matters. So far several counties have been advised on the budget process.

#### **4.5 Public Sensitization**

The Office has held two public forums covering 12 county governments, 6 in Mombasa and 6 in in Kisumu to ensure they participate effectively in the budgeting process and enable them to hold to account those involved in budget implementation. The fora sensitized over 1000 members of the public. The objectives of forums are to ensure: - the public is informed of their role in public financial management at national and county level; they are informed of their role in monitoring and evaluation during budget making process and implementation; the public is informed of their role in social audit; and that there is interaction between the public and the OCOB in order to address emerging issues concerning the OCOB and budget implementation.

The Office also participated in two other public sensitization forums with the National Tax Payers Association and the National Aids Control Council during the period under review. The Office has also developed a communication policy to guide on how to engage our various stakeholders.

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

**5.0 Emerging Issues/Challenges**

**5.1 Emerging Issues**

With regard to budget implementation, the Office has identified a number of emerging issues and challenges which may impact on its operations. The emerging issues include:

- There is lack of clear understanding on the mandate of the Controller of Budget by the stakeholders.
- There is a lot of passage of legislation which breaches the Constitutional and the law by the county government particularly the principle of separation of powers
- The office of the Controller of Budget has held various meetings with the committees of parliament to discuss the issues raised in Quarterly Budget Implementation Review reports and provided advice. The Office has also continually provided advice to the Executive on budget implementation.
- Due to lack of inadequate staff capacity at county level, the Office collaborated with key stakeholders to train county staff.

**5.2 Challenges**

The challenges encountered by the office include:

- Delay in submission of expenditure returns and incomplete financial statements by MDAs;
- Lack of clear understanding on the mandate of the Controller of Budget by stakeholders and members of the public;
- Lack of awareness by the public on their role in the budget making process.

These Constraints and Challenges are being addressed by sending reminder letters to MDAs every quarter and follow up with individual CFOs to submit their expenditure returns; Recruitment and training of staff to effectively deliver on Office mandate; Sensitization of stakeholders and the public on the mandate of the OCOB; Advisories issued to both levels of government pointing out the anomalies and Sensitization of the public through public forums.

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

*Agnes Odhiambo*

Mrs. Agnes Odhiambo

**CONTROLLER OF BUDGET**

*17/1/17*

**DATE**

**OFFICE OF THE CONTROLLER OF BUDGET**

**Reports and Financial Statements**

**For the year ended June 30, 2016 (Kshs)**

---

**III. STATEMENT OF ENTITY 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.

Controller of Budget is responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2016. 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 *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

Controller of Budget accepts responsibility for the *entity's* 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 *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2016, and of the *entity's* financial position as at that date. Controller of Budget further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.

Controller of Budget confirms that the entity 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

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

confirms that the *entity's* 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 *entity's* financial statements were approved and signed by Controller of Budget on 17<sup>TH</sup> JANUARY 2017.



Mrs. Agnes Odhiambo

**CONTROLLER OF BUDGET**

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-mail: oag@oagkenya.go.ke  
Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON THE OFFICE OF CONTROLLER OF BUDGET FOR THE YEAR ENDED 30 JUNE 2016

---

#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Office of the Controller of Budget set out on pages 29 to 45, which comprise the statement of assets as at 30 June 2016, and the statement of receipts and payments, statement of cash flows, summary statement of appropriation- recurrent, summary statement of provisions for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with 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.

#### **Management's Responsibility for the Financial Statements**

The Accounting Officer – Office of the Controller of Budget is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (Cash Basis) and for such 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.

The 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.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of

---

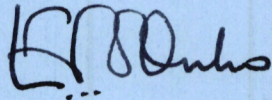
*Report of the Auditor-General on the Financial Statements of the Office of Controller of Budget for the year ended 30 June 2016*

accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Controller of Budget as at 30 June 2016, 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.



**FCPA Edward R.O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**09 March 2017**

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

<b>V. STATEMENT OF RECEIPTS AND PAYMENTS</b>			
	<b>Note</b>	<b>2015-2016</b>	<b>2014-2015</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>RECEIPTS</b>			
Exchequer releases	1	496,000,000.00	341,500,000.00
<b>TOTAL RECEIPTS</b>		<b>496,000,000.00</b>	<b>341,500,000.00</b>
<b>PAYMENTS</b>			
Compensation of Employees	2	214,177,677.15	189,982,181.00
Use of goods and Services	3	175,234,388.70	144,334,340.30
Transfer to other Government Units	4	35,668,574.65	-
Social Security Benefits	5	85,334,303.40	4,047,923.70
Acquisition of Assets	6	11,117,072.05	30,451,469.70
<b>TOTAL PAYMENTS</b>		<b>521,532,015.95</b>	<b>368,815,914.70</b>
<b>SURPLUS/DEFICIT</b>		<b>-25,532,015.95</b>	<b>-27,315,914.70</b>

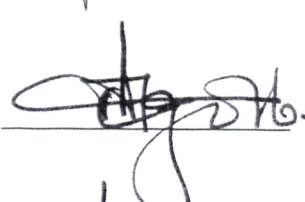
The Statement has been prepared, reviewed and approved by the following:

Prepared By: Ms.Pamela Okatch



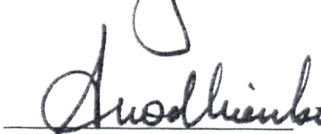
Date: 17/1/17

Reviewed By: Mr.Macklin Ogolla



Date: 17/1/17

Approved By: Mrs. Agnes Odhiambo



Date: 17/1/17

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

<b>VI.STATEMENT OF ASSETS</b>			
	<b>Note</b>	<b>2015-2016</b>	<b>2014-2015</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	7A	12,990,537.05	39,271,391.10
Cash Balances	7B	377,255.00	370,145.00
<b>Total Cash And Cash Equivalents</b>		<b>13,367,792.05</b>	<b>39,641,536.10</b>
Accounts Receivables - Outstanding Imprest	8	301,881.00	469,825.00
<b>TOTAL FINANCIAL ASSETS</b>		<b>13,669,673.05</b>	<b>40,111,361.10</b>
<b>Financial Liabilities</b>			
Accounts Payables-Deposit and Retentions	9	3,088,549.35	3,998,221.45
<b>NET FINANCIAL ASSETS</b>		<b>10,581,123.70</b>	<b>36,113,139.65</b>
<b>REPRESENTED BY</b>			
<b>Fund Balance b/fwd</b>	10	36,113,139.65	63,429,054.35
<b>Surplus/Deficit for the Year</b>		-25,532,015.95	-27,315,914.70
<b>NET FINANCIAL POSITION</b>		<b>10,581,123.70</b>	<b>36,113,139.65</b>

The Statement has been prepared, reviewed and approved by the following:

Prepared By: Ms.Pamela Okatch



Date:

17/11/17

Reviewed By: Mr.Macklin Ogolla



Date:

17/01/17

Approved By: Mrs. Agnes Odhiambo



Date:

17/11/17

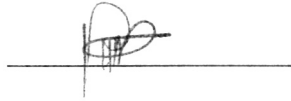
**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

<b>VII. STATEMENT OF CASH FLOW</b>			
	<b>Note</b>	<b>2015-2016</b>	<b>2014-2015</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Receipts and operating income</b>			
Exchequer releases	1	496,000,000.00	341,500,000.00
<b>Payments for Operating Expenses</b>			
Compensation of Employees	2	-214,177,677.15	-189,982,181.00
Use of goods and Services	3	-175,234,388.70	-144,334,340.30
Transfer to other Government Units	4	-35,668,574.65	-
Social Security Benefits	5	-85,334,303.40	-4,047,923.70
<b>Adjusted for :</b>			
Changes in Receivables	11A	167,944.00	187,944.00
Changes in Payables	11B	-909,672.10	1,505,129.75
<b>Net Cash From Operating Activities(A)</b>		<b>-15,156,672.00</b>	<b>4,828,628.75</b>
<b>Cash Flow From Investing Activities</b>			
Acquisition of Assets	6	-11,117,072.05	-30,451,469.70
<b>Net Cash Flow From Investing Activities(B)</b>		<b>-11,117,072.05</b>	<b>-30,451,469.70</b>
<b>Cash Flow From Borrowing Activities</b>			
<b>Net Cash Flow From Financing Activities(C)</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT(A+B+C)</b>		<b>-26,273,744.05</b>	<b>-25,622,840.95</b>
<b>Cash and Cash Equivalent at BEGINNING of The Year</b>		<b>39,641,536.10</b>	<b>65,264,377.05</b>
<b>Cash and Cash Equivalent at END of The Year</b>	<b>7A+7B</b>	<b>13,367,792.05</b>	<b>39,641,536.10</b>

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

The Statement has been prepared, reviewed and approved by the following:

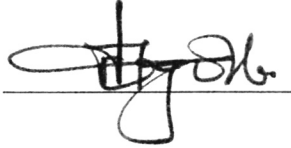
Prepared By: Ms. Pamela Okatch



Date:

17/1/17

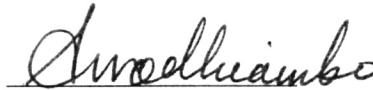
Reviewed By: Mr. Macklin Ogolla



Date:

17/1/17

Approved By: Mrs. Agnes Odhiambo



Date:

17/1/17

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

<b>VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT</b>						
<b>Receipt/Expense Item</b>	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual on Comparable Basis</b>	<b>Budget Utilization Difference</b>	<b>% of Utilization</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>%</b>
<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>
<b>Exchequer releases</b>	<b>580,830,272</b>	<b>-51,736,096</b>	<b>529,094,176</b>	<b>496,000,000</b>	<b>33,094,176</b>	<b>94</b>
<b>PAYMENTS</b>						
Compensation of Employees	268,524,127	-39,936,096	228,588,031	214,177,677.15	14,410,353.85	94
Use of goods and services	194,606,354	5,008,979	199,615,333	175,234,388.70	24,380,944.30	88
Social Security Benefits	101,200,000	-14,908,979	86,291,021	85,334,303.40	956,717.60	99
Acquisition of Assets	16,499,791	-1,900,000	14,599,791	11,117,072.05	3,482,718.95	76
<b>TOTALS</b>	<b>580,830,272</b>	<b>- 51,736,096</b>	<b>529,094,176</b>	<b>485,863,441.30</b>	<b>43,230,734.70</b>	<b>92</b>
Transfers to Other Government Entities-Refer to Note 4	-	-	-	35,668,574.65	-	
<b>TOTALS</b>	<b>580,830,272</b>	<b>-51,736,096</b>	<b>529,094,176</b>	<b>521,532,015.95</b>	<b>43,230,734.70</b>	<b>92</b>

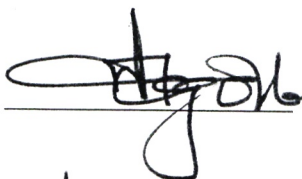
The Statement has been prepared, reviewed and approved by the following:

Prepared By: Ms.Pamela Okatch



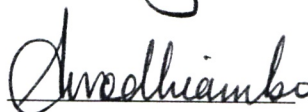
Date: 17/1/17

Reviewed By: Mr.Macklin Ogolla



Date: 17/1/17

Approved By: Mrs. Agnes Odhiambo

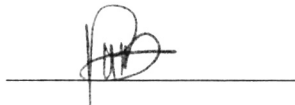


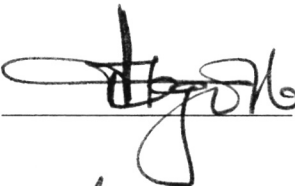
Date: 17/1/17

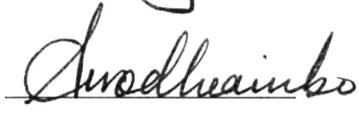
**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

<b>IX. SUMMARY STATEMENT OF PROVISIONS</b>			
<b>Details of General Accounts On Vote</b>			
	<b>2015-2016</b>		<b>2014-2015</b>
	<b>Kshs</b>		<b>Kshs</b>
GAV Provisioning account balance	43,230,734.70		27,146,825.30

<b>Details of Exchequer Account</b>			
	<b>2015-2016</b>		<b>2014-2015</b>
	<b>Kshs</b>		<b>Kshs</b>
Exchequer Provisioning account balance	33,094,176.00		54,462,740.00

Prepared By: Ms.Pamela Okatch  Date: 17/1/17

Reviewed By: Mr.Macklin Ogolla  Date: 17/1/17

Approved By: Mrs. Agnes Odhiambo  Date: 17/1/17

## **X. SIGNIFICANT ACCOUNTING POLICIES**

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

### **1. Going Concern Principle**

The entity 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 entity is a going concern and will continue in operation and meets its statutory obligations for the foreseeable future.

### **2. Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the *entity*. 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.

### **3. Recognition of revenue and expenses**

The *entity* recognises all revenues from the various sources when the event occurs and the related cash has actually been received. In addition, the *entity* recognises all expenses when the event occurs and the related cash has actually been paid out.

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

**4. In-kind contributions**

In-kind contributions are donations that are made to the *entity* 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 *entity* includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded. During the period under review, the *entity* did not have any in-kind contributions.

**5. 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**6. 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 is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as expenditure when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**7. Accounts Payable**

For the purposes of these financial statements, deposits and retentions held on behalf of third parties has been recognized 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

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

and agencies. Other liabilities including pending bills are disclosed in the financial statements.

**8. Non -current assets**

Non -current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the entity fixed asset register a summary of which is provided as a memorandum

to these financial statements. The *entity* recognises the fixed assets at cost value.

**9. 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 *entity* did not have any pending bills.

**10. Budget**

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The *entity's* budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the *entity's* actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

**11. Comparative figures**

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

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

---

**12. 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 June 30, 2016

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

**XI. NOTES TO THE FINANCIAL STATEMENTS**

**1. Exchequer releases**

<b>Item Description</b>	<b>Item Code</b>	<b>2015-2016</b>	<b>2014-2015</b>
		<b>Kshs</b>	<b>Kshs</b>
Exchequer Releases/ Provisioning Account	9910201	496,000,000.00	341,500,000.00
<b>TOTAL</b>		<b>496,000,000.00</b>	<b>341,500,000.00</b>

**2. Compensation of Employees**

<b>Item Description</b>	<b>Item Code</b>	<b>2015-2016</b>	<b>2014-2015</b>
		<b>Kshs</b>	<b>Kshs</b>
Basic Salaries - Permanent Employees	2110100	148,691,616.55	135,192,003.05
Personal Allowances paid as part of Salary	2110300	65,266,060.60	54,590,177.95
Employer Contributions to Compulsory National Social Security Schemes	2120100	220,000.00	200,000.00
<b>TOTAL</b>		<b>214,177,677.15</b>	<b>189,982,181.00</b>

**3. Use of Goods and Services**

<b>Item Description</b>	<b>Item Code</b>	<b>2015-2016</b>	<b>2014-2015</b>
		<b>Kshs</b>	<b>Kshs</b>
Utilities, Supplies and Services	2210100	454,828.80	245,517.00
Communication, Supplies and Services	2210200	9,174,535.20	8,303,120.45
Domestic Travel and Subsistence, and Other Transportation Costs	2210300	19,397,714.40	20,385,967.70
Foreign Travel and Subsistence, and other transportation costs	2210400	2,478,888.00	4,283,208.75
Printing , Advertising and Information Supplies and Services	2210500	56,452,800.00	34,337,441.00

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

Rentals of Produced Assets	2210600	1,833,600.00	1,279,800.00
Training Expenses	2210700	15,401,888.00	12,073,465.70
Hospitality Supplies and Services	2210800	9,833,460.25	10,190,480.00
Insurance Costs	2210900	32,058,760.80	28,704,199.80
Specialized Materials and Supplies	2211000	1,050,894.00	1,434,158.00
Office and General Supplies and Services	2211100	8,432,644.40	6,899,499.30
Fuel Oil and Lubricants	2211200	3,683,741.00	3,152,249.00
Other Operating Expenses	2211300	9,081,543.80	8,656,083.00
Routine Maintenance - Vehicles	2220100	4,253,800.05	2,671,254.10
Routine Maintenance - Other Assets	2220200	1,645,290.00	1,717,896.50
<b>TOTAL</b>		<b>175,234,388.70</b>	<b>144,334,340.30</b>

**4 Transfer to Other Government Units**

<b>Item Description</b>	<b>Item Code</b>	<b>2015-2016</b>	<b>2014-2015</b>
		<b>Kshs</b>	<b>Kshs</b>
Exchequer Provisions-FY 2015/16 Recurrent Bank and Cash opening Balance Transferred to The National Treasury	9910200	35,659,643.65	-
Exchequer Provisions - FY 2015/16 Recurrent Additional Cash opening Balance Transferred to The National Treasury	9910200	8,931.00	-
<b>TOTAL</b>		<b>35,668,574.65</b>	<b>-</b>

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

**5 Social Security Benefits**

Item Description	Item Code	2015-2016	2014-2015
		Kshs	Kshs
Government Pension and Retirement Benefits	2710100	85,334,303.40	4,047,923.70
<b>TOTAL</b>		<b>85,334,303.40</b>	<b>4,047,923.70</b>

**6 Acquisition of Assets**

Item Description	Item Code	2015-2016	2014-2015
		Kshs	Kshs
Refurbishment of Buildings	3110300	1,999,800.00	15,403,182.40
Purchase of Office Furniture and General Equipment	3111000	7,032,499.00	11,800,941.00
Purchase of Specialized Plant, Equipment and Machinery	3111100	2,084,773.05	3,247,346.30
<b>TOTAL</b>		<b>11,117,072.05</b>	<b>30,451,469.70</b>

**7A Bank Balances**

Item Description	Item Code	2015-2016	2014-2015
		Kshs	Kshs
Recurrent Bank Accounts- Central Bank of Kenya Bank A/C 1000181338	6530000	9,901,987.70	35,298,429.65
Deposit Bank Account- Central Bank of Kenya Bank A/C 1000182369	6550000	3,088,549.35	3,972,961.45
<b>TOTAL</b>		<b>12,990,537.05</b>	<b>39,271,391.10</b>

**7B Cash Balances**

Item Description	Item Code	2015-2016	2014-2015
		Kshs	Kshs
Cash in Hand	6580000	377,255.00	370,145.00
<b>TOTAL</b>		<b>377,255.00</b>	<b>370,145.00</b>

OFFICE OF THE CONTROLLER OF BUDGET  
 Reports and Financial Statements  
 For the year ended June 30, 2016 (Kshs)

8 Accounts Receivables - Outstanding Imprest

Item Description	Item Code	2015-2016	2014-2015
		Kshs	Kshs
Other Debtors & Pre-payments	6740000	281,881.00	469,825.00
Government Imprests-Temporary	6760000	20,000.00	-
<b>TOTAL</b>		<b>301,881.00</b>	<b>469,825.00</b>

9. Accounts Payable

Item Description	Item Code	2015-2016	2014-2015
		Kshs	Kshs
Other Liabilities	7320000	2,560,061.55	3,547,172.35
Deposits	7310000	528,487.80	451,049.10
<b>TOTAL</b>		<b>3,088,549.35</b>	<b>3,998,221.45</b>

10. Fund Balances Brought Forward

Item Description	Item Code	2015-2016	2014-2015
		Kshs	Kshs
Opening Balance Bank-Recurrent	9990100	39,271,391.10	64,872,141.05
Opening Balance Cash	9990200	370,145.00	392,236.00
Opening Balance Receivables - Imprest and Clearance Accounts	9990300	469,825.00	657,769.00
Opening Balance Bank – Deposit	9990100	-3,998,221.45	-2,493,091.70
<b>TOTAL</b>		<b>36,113,139.65</b>	<b>63,429,054.35</b>

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

**11A. Changes in Receivables**

<b>Item Description</b>	<b>Item Code</b>	<b>2015-2016</b>	<b>2014-2015</b>
		<b>Kshs</b>	<b>Kshs</b>
Receivables at the beginning of the Year-Dennis Okungu	6740000	469,825.00	657,769.00
Changes during the Year -Dennis Okungu	6740000	-187,944.00	-187,944.00
Receivables at the end of the Year-Temporary Imprests	6760000	20,000.00	-
<b>TOTAL</b>		<b>301,881.00</b>	<b>469,825.00</b>

**11B. Changes in Payables**

<b>Item Description</b>	<b>Item Code</b>	<b>2015-2016</b>	<b>2014-2015</b>
		<b>Kshs</b>	<b>Kshs</b>
Payables at the beginning of the Year	7320000	3,998,221.45	2,493,091.70
Changes during the Year	7320000	-909,672.10	1,505,129.75
<b>TOTAL</b>		<b>3,088,549.35</b>	<b>3,998,221.45</b>

**12.A Prepayment**

<b>Name of Officer</b>	<b>Balance B/F</b>	<b>Amount Recovered</b>	<b>Balance C/F</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Dennis Okungu (Training Levy)	469,825.00	187,944.00	281,881.00

**12.B Outstanding Imprest**

<b>Name of Officer</b>	<b>Date Imprest Taken</b>	<b>Amount Taken</b>	<b>Amount Surrendered</b>	<b>Balance</b>
		<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Mrs. Agnes Odhiambo	23/06/2016	209,914	189,914	20,000 (Surrendered on 4 <sup>th</sup> July 2016)

**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

**13. Analysis of the Deposit Account**

Item Description	Item Code	2015-2016	2014-2015
		Kshs	Kshs
Retention –Fine Tops Enterprises	7320200	229,511.80	1,216,822.60
Retention –Specicom Technologies Ltd	7320200	497,000.00	497,000.00
Retention –Africa Management Solutions Ltd	7320200	132,600.00	132,600.00
Retention –Pong Agencies	7320200	1,256.50	1,256.50
Tender Bond-Real Insurance	7320200	200,000.00	200,000.00
Commissions(payload)	7310100	52,017.50	75,649.10
Insurance Refund	7310100	310,940.00	310,940.00
AIA-Sale of tender	7310100	-	39,000.00
Retention-Pekals Ltd	7320200	1,499,693.25	1,499,693.25
Tender Bond-Losagi Insurance	7310100	145,500.00	-
AIA-Joel Muema	7310100	11,099.30	-
The National Treasury-Exchequer refund	7310100	8,931.00	-
<b>TOTAL</b>		<b>3,088,549.35</b>	<b>3,972,961.45</b>


**OFFICE OF THE CONTROLLER OF BUDGET**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016 (Kshs)**

ANNEX I- SUMMARY STATEMENT OF DEPOSITS		
Description	2015-2016	2014-2015
	Kshs	Kshs
Opening Balance	3,972,961.45	2,493,091.70
Transfers of retentions & deposits during the Year	217,547.70	1,591,582.25
Payments made out of deposit account during the year	-1,101,959.80	-111,712.50
<b>CLOSING BALANCE</b>	<b>3,088,549.35</b>	<b>3,972,961.45</b>

**ANNEX II-SUMMARY OF FIXED ASSET REGISTER**

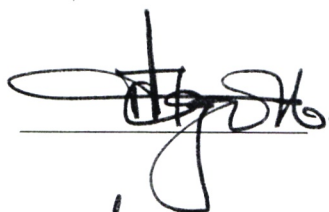
Asset class	Item Code	Current Cost (Kshs) 2015/16	Historical Cost (Kshs) 2014/15
Refurbishment of buildings	3110300	1,999,800.00	0
Vehicles and Other Transport Equipment	3110700	-	26,799,000.00
Office Furniture and General Equipment	3111000	7,032,499.00	57,256,645.00
Specialised Plant, Equipment and Machinery	3111100	2,084,773.05	10,755,846.30
<b>Total</b>		<b>11,117,072.05</b>	<b>94,811,491.30</b>

Prepared By: Ms.Pamela Okatch



Date: 17/1/17

Reviewed By: Mr.Macklin Ogolla



Date: 17/1/17

Approved By: Mrs. Agnes Odhiambo



Date: 17/1/17