




OFFICE OF THE CONTROLLER OF BUDGET  
Promoting Prudent Financial Management in the Public Sector



# ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR 2021/2022

 THE NATIONAL ASSEMBLY	
DATE: 15 JUN 2023	
Thur	
TABLED BY:	Hon. Kimani Ichung'wah, MP Leader of the Majority Party
CLERK AT THE TABLE:	Fintay Muriuki

**MAY , 2023**

# VISION, MISSION AND CORE VALUES



## OUR VISION

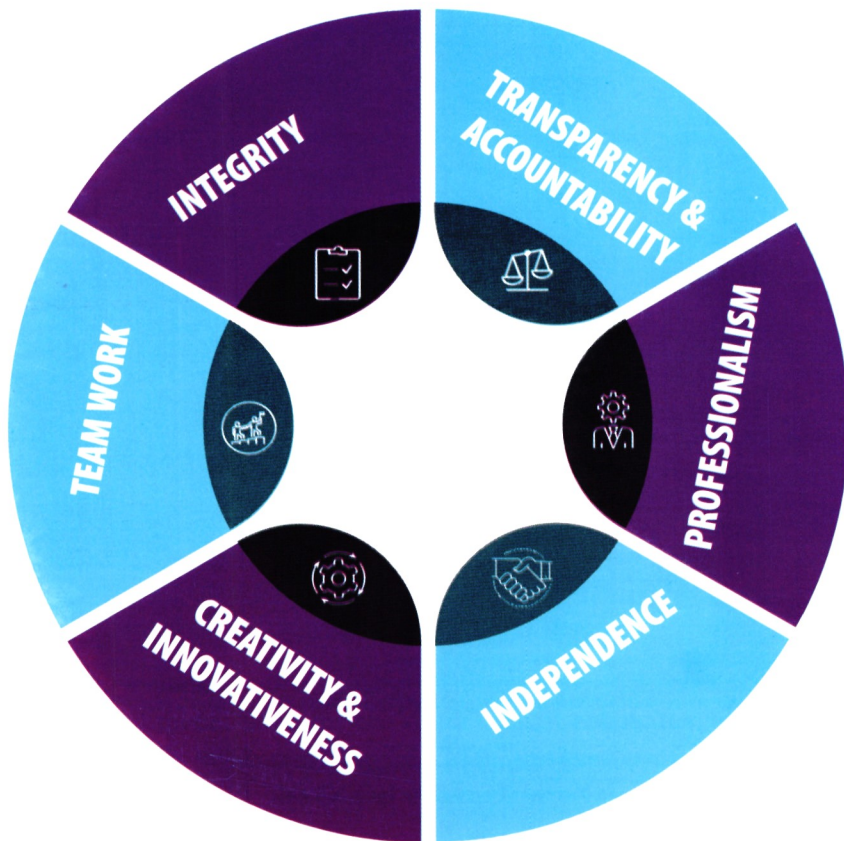
*A country where public funds are utilized prudently*



## OUR MISSION

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

## OUR CORE VALUES



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# OCOB KEY INFORMATION

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# ABBREVIATIONS AND ACRONYMS

<b>BIRR</b>	Budget Implementation Review Report
<b>BPS</b>	Budget Policy Statement
<b>CBEF</b>	County Budget and Economic Forum
<b>CFS</b>	Consolidated Fund Services
<b>CFSP</b>	County Fiscal Strategy Paper
<b>COB</b>	Controller of Budget
<b>CRF</b>	County Revenue Fund
<b>FiRe</b>	Financial Reporting
<b>FY</b>	Financial Year
<b>GPA</b>	Group Personal Accident
<b>HRMAC</b>	Human Resource Management Advisory Committee
<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>MDA</b>	Ministries Departments Agencies
<b>OCOB</b>	Office of the Controller of Budget
<b>PSASB</b>	Public Sector Accounting Standards Board
<b>PPAD</b>	Public Procurement Asset & Disposal Act
<b>WIBA</b>	Work Injury Benefit Act

# STATEMENT BY THE CONTROLLER OF BUDGET



**CPA Dr Margaret Nyakang'o, CBS**

I am pleased to present the Annual Report and Financial Statements for FY 2021/2022. This report has been prepared in conformity with Sections 81(1,2,3,4) of the Public Finance Management Act, 2012 and in accordance with the Public Sector Accounting Standards (IPSAS) cash basis, which requires the Accounting Officer for a national government entity to prepare financial statements in respect of the entity.

This report provides information on the office's key achievements, structure, and budget performance against actual amounts for the current and prior year based on the economic classification and programmes. It also presents information on the total annual exchequer issues and annual expenditures on recurrent activities.

Finally, the report provides information on emerging issues and discusses the challenges that hampered the effective implementation and realisation of the set activities and objectives. The report also provides some recommendations for dealing with the identified challenges.

I hope that as we continue to discharge our mandate, in collaboration with our stakeholders and members of the public, we will realize significant milestones in ensuring prudence in managing public funds. The OCOB continues to provide effective budget implementation oversight and reporting for the National and County governments. Parliament, the Presidency, and the public are regularly updated on our progress through our quarterly Budget Implementation Review Reports.



**CPA Dr Margaret Nyakang'o, CBS  
CONTROLLER OF BUDGET**

# CHAPTER ONE

## 1.1 Introduction

The Office of the Controller of Budget (OCOB) is an independent office established under Article 228 of the Constitution. The roles and functions of the Controller of Budget (COB) are further articulated in the Controller of Budget Act, 2016.

The core mandate of the COB is to oversee the implementation of the budgets of the National and County governments by authorizing withdrawals from public funds. In addition, the COB is mandated to prepare, publish and publicize budget implementation reports thirty days after the end of each quarter; conduct investigations on its initiative or upon receipt of a complaint by the public; undertake negotiations, conciliation and mediation to resolve disputes involving budget implementation; monitor, evaluate and make recommendations to both levels governments to improve budget implementation; enforcing budget ceilings set by Parliament and providing information to the public on budget implementation at both levels of government. The COB is also mandated to advise Parliament when the Cabinet Secretary responsible for finance stops the transfer of funds to state organs or other public entities.

In discharging the mandates mentioned above, Section 5 of the COB Act 2016 compels the Controller of Budget to ensure prudent and efficient utilization of public funds. In addition, the OCOB seeks to, *among other things*; promote fiscal discipline and equitable allocation of available resources whilst improving transparency and accountability in the budget implementation process, which is significant for the devolved system of government. Prudent financial management will ensure that the country fast-tracks the implementation of the flagship programmes and projects envisaged in Kenya's Vision 2030 and other international commitments.

## 1.2 The mandate of The Controller of Budget

The COB oversees the implementation of the budgets of both the National and County governments by authorizing withdrawals from public funds as provided under Articles 204, 206 and 207 of COK, 2010. The roles and functions of the COB are as stipulated in the Constitution of Kenya 2010, PFM Act, 2012 and the Controller of Budget Act, 2016, among other laws, as follows: -

## 1. Oversight

The oversight role involves overseeing the implementation of the budgets of both the National and County governments. The Controller of Budget performs in-year monitoring of public funds and reports to Parliament on how the funds have been utilized.

## 2. Controlling

The controlling function involves authorizing withdrawals from public funds. Before authorizing any withdrawal from public funds, the Controller of Budget must be satisfied that the withdrawal is permitted by law, as per Article 228 (5) of the Constitution. Public funds include: -

**Consolidated Fund:** All funds raised or received by or on behalf of the National Government are deposited into the Consolidated Fund. Article 206 (4) of the constitution states that money shall not be withdrawn from the Consolidated Fund unless the Controller of Budget approves the withdrawal.

**County Revenue Fund (CRF):** The CRF is the fund into which all money raised or received by or on behalf of a County government, including money raised from property rates, entertainment taxes, levies, fees, and charges, among others, is deposited (Article 207 (1)). Article 207 (3) of the Constitution of Kenya states that the Controller of Budget has the sole mandate and power to approve any withdrawal from a Revenue Fund.

**Equalization Fund (EF):** Article 204(1) of the Constitution establishes the Equalization Fund. The National Government uses the Fund to provide essential services, including water, roads, health facilities and electricity, to the marginalized areas to bring the quality of services in those areas to the same level as generally enjoyed by the rest of the nation.

## 3. Reporting on Budget Implementation

The reporting role entails the preparation of quarterly, annual and special reports to the Legislature and Executive on budget implementation matters of the National and County governments according to Article 228 (6). The types of reports produced by the office include but are not limited to; Quarterly statutory reports to each House of Parliament on the implementation of the budgets of the National and County governments under Article 228 (6) of the Constitution, Annual reports to the President and Parliament (Article 254 (1)); Special reports produced on the request of the President, Parliament Article 254 (2) and the COB Act, 2016 or a member of the public through a petition; Arbitration/ Mediation reports to Parliament on matters relating to Budget Implementation under Article 225 (7a) Article 252 (1)(a)(b), and Performance reports for the activities of the OCOB.

All the reports produced by the office are published and publicized in line with Article 254 (3) of the Constitution, which states that “Every report required from a commission or holder of an independent office under this Article shall be published and publicized” for transparency.

#### **4. Advisory on Prudent Public Financial Management**

The advisory function involves advising Parliament on financial matters where a Cabinet Secretary for Finance has stopped transferring funds to a State organ or public entity. The suspension of funds cannot be lifted or sustained before the Controller of Budget presents a report to Parliament. The Controller of Budget is expected to investigate the matter leading to the suspension of the transfer of funds to a state organ or public entity and, after that, prepare and present a report on the subject to Parliament, which will then be used to approve or renew the decision to stop the transfer of funds to a State organ or public entity as provided for under Article 225 (7) of the Constitution.

The Controller of Budget also advises government entities on improving budget implementation and promoting accountability in using public financial resources.

#### **5. Investigation**

Under Article 252 (1) (a) of the Constitution, the COB has the power to conduct investigations on its initiative or following a complaint made by a member of the public on budget implementation matters.

#### **6. Dispute Resolution on Budget Implementation Matters**

Under Article 252(1) (b) of the Constitution, the Controller of Budget has powers to initiate conciliation, mediation and negotiation matters touching on the use of public finances. The Mediation role involves resolving conflicts between the National government and the County governments or between County governments concerning budget implementation. The part consists in conducting alternative dispute resolution to resolve disputes relating to budget implementation.

#### **7. Public Sensitization**

The sensitization role involves the OCOB disseminating information to the public on budget implementation at both levels of government, as provided for under Section 39(8) of the Public Finance Management Act, 2012. This role is buttressed by Article 35 of the Constitution, which provides that the public has the right to access any information held by the State.

The Constitution further sets out public participation as one of the principles guiding public financial management under Article 201(a). The public can only be actively and effectively involved in the budget process through the timely dissemination of information.

#### **8. Enforcement of Budget Ceilings**

The Controller of Budget is mandated to ensure that all expenditure requisitions submitted by the national and county governments are within the approved budget ceilings as approved by Parliament and County Assemblies for national and county governments, respectively (COB Act, 2016, Sec. 5 (d)).

## 9. Monitoring and Evaluation

Section 5 (b) of the Controller of Budget Act 2016 mandates the COB to ensure prudent and efficient use of public funds by undertaking monitoring and evaluating programmes and projects at the National and County governments and making recommendations to improve budget implementation.

(a). Key Management



**CPA Dr Margaret Nyakang'o, CBS - Controller of Budget**

Dr Nyakang'o holds a Doctorate in Business Administration from the University of Liverpool, UK (2016). She also possesses an MBA in Strategic Management and a Bachelor of Commerce (Accounting) from the University of Nairobi. She is a Certified Public Accountant and a Member of Kenya's Institute of Certified Public Accountants.

Dr Nyakang'o is also an active member of the Women on Boards Network and a member of the Association of Women Accountants of Kenya (AWAK). Further, Dr Nyakang'o is a Certified Mediator and Coach.



**CPA Stephen Masha EBS**  
**Deputy Controller of Budget**

Mr Masha has over 25 years of progressive experience and a proven track record of performance turnaround in financial management in the public sector. He possesses a Master of Science (Finance) degree from the University of Leicester and a Bachelor of Education from Kenyatta University.

Mr Masha is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He represents the Office of the Controller of Budget in the Public Sector Accounting Standards Board (PSASB).



**CPA Macklin Ogolla-Director,**  
**Corporate Services**

Mr Ogolla has over 29 years of professional experience in the public sector. Mr Ogolla has a Master of Business Administration from Moi University and a Bachelor of Science (Actuarial Mathematics) from the University of Nairobi.

In addition, Mr Ogolla has a Post-graduate Diploma in Finance from Maastricht. He 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 Musyimi has over 26 years of professional experience in the public sector. He holds a Master of Arts degree in Economic Policy Management from the University of Ghana, Legon and a Bachelor of Science in Statistics and Computer Science from Kenyatta University.

Mr Musyimi is a member of the Institute of Economic Affairs (IEA).



**Ms Rhoda Rutto**  
**Director, Legal Services**

Ms Rutto holds a Master of Laws in Constitutional Law and Human Rights from the University of Dar-e-salaam (Tanzania), a Postgraduate Diploma in Law from the Kenya School of Law and a Bachelor of Law from Moi University.

She has also earned professional certificates in Constitutional Law, Human Rights, Conflict Resolution, Leadership and Company Secretarial duties. Ms Rhoda is a member of the Law Society of Kenya and the East Africa Law Society.



**CPA Joseph Tulula**  
**Chief Manager Internal Audit**

Mr Tulula has over 26 years of professional experience in Auditing, Finance, and Management in the public sector. He has a Master of Arts (Economics) and a Bachelor of Commerce (Accounting) from the University of Nairobi.

Mr Tulula is also 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).



**CPA Patrick Kamore**  
**Chief Fiscal Analyst, National Government**

Mr Kamore has over 18 years of professional experience in the private and public sectors. He has a Master of Business Administration (Finance) and a Bachelor of Education Arts (Economics) from the University of Nairobi.

Mr Kamore is also a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).



**CPA Mark Kipkoech**  
**Chief Fiscal Analyst, County**  
**Governments**

Mr Kipkoech has over 15 years of professional experience in the private and public sectors. He holds a Master of Arts (Economics) from the University of Nairobi and a Bachelor of Arts (Economics) from Kenyatta University.

Mr Koech 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 17 years of professional experience in the private and public sectors. She has a Master of Business Administration (MBA) from Kenya Methodist University, a Bachelor's degree in Human Resource Management from UNISA and a Certificate in Executive Human Resource Management from the Institute of Human Resource Management. Ms Irene is a member of 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 the private and public sectors. She 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.

Judith 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**  
FPRSK Chief Manager, Public Relations  
& Communications

Mr Wangaji has over 18 years of professional experience in journalism, public relations, and communications. 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.

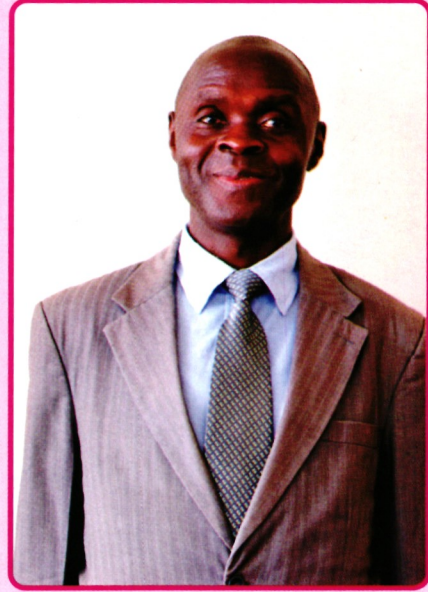
Wangaji is a fellow of the Public Relations Society of Kenya.



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

Mrs Okatch has over ten years of professional experience in the public sector. She has a Master of Business Administration from the University of Nairobi and a Bachelor of Commerce (Finance) from the Catholic University of Eastern Africa.

Mrs Okatch 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).



**Mr Boniface Ikumu Chimuani**  
**Chief Manager, Supply Chain Management**

Mr Chimuani has over 25 years of professional experience in the public sector. He holds a Master of Science in Procurement and Logistics, a Bachelor in Procurement and Supply Chain Management from the Jomo Kenyatta University of Agriculture and Technology and a Bachelor of Laws degree from Mount Kenya University.

He holds a Post-graduate Diploma in Law, a Final Diploma in Purchasing and Supply Management and a Foundation Diploma in Purchasing and Supply Management. Mr Chimuani is a Kenya Institute of Supplies Management (KISM) member.

# CHAPTER TWO

## 2.1 Institutional and Administrative Structure

The OCOB is headed by the Controller of Budget, who ensures effective and efficient management of the office's day-to-day operations. The COB is assisted by the Deputy Controller of Budget (DCOB), who is also the head of the Budget Implementation Directorate. The Office has the following four Directorates and one Division:

1. Directorate of Budget Implementation.
2. Directorate of Corporate Services.
3. Directorate of Research and Planning.
4. Directorate of Legal Services and,
5. Division of Internal Audit.

**Table 1: Composition of OCOB Senior Management**

NO.	DESIGNATION	NAME
1	Controller of Budget	CPA Dr Margaret Nyakang'o, CBS
2	Deputy Controller of Budget	CPA Stephen Masha, EBS
3	Director, Corporate Services	CPA FA Macklin Ogolla
4	Director, Legal Affairs	Ms Rhoda Rutto
5	Director, Research & Planning	Mr Joshua Musyimi
6	Chief Internal Auditor	CPA Joseph Tulula
7	Chief Fiscal Analyst-National Government	CPA Patrick Kamore
8	Chief Fiscal Analyst-County Government	CPA CS Mark Kipkoech
9	Chief Manager, Public Relations & Communication	Mr Stephen Wangaji
10	Chief Manager, Human Resource & Administration	Ms Irene Arimi
11	Chief Manager, Information Communication & Technology	Ms Judith Muli, CISA
12	Chief Manager Finance & Accounts	CPA Pamela Okatch
13	Chief Manager Supply Chain Management	Mr Boniface Ikumu

### **(b). Fiduciary Management**

The key management personnel who held office during the financial year that ended June 30, 2022, and who had direct fiduciary responsibility were as shown in Table 2:

**Table 2: Management with Fiduciary Responsibilities**

<b>NO.</b>	<b>DESIGNATION</b>	<b>NAME</b>
1.	Controller of Budget	CPA Dr Margaret Nyakang'o,CBS
2.	Deputy Controller of Budget	CPA Stephen Masha,EBS
3.	Director Corporate Services	CPA, FA Macklin Ogolla
4.	Director Legal Affairs	Ms Rhoda Rutto
5.	Director Research & Planning	Mr Joshua Musyimi
6.	Chief Manager, Human Resource & Administration	Ms Irene Arimi
7.	Chief Manager Finance & Accounts	CPA, Pamela Okatch
8.	Chief Manager Supply Chain Management	Mr Boniface Ikumu

### **(c). Fiduciary Oversight Arrangements**

The OCOB has established the following administrative structure to entrench good governance practices. Further, the OCOB has created the following ten committees to assist fiduciary oversight.

#### **(d). Executive Committee**

The purpose of the Executive Committee (EXCOM) is to oversee the Office of the Controller of Budget's (OCOB) overall performance and delivery. It focuses on strategic leadership, management and direction, ensuring the most effective prioritization of resources. Further, the Committee spearheads the developing and implementing policies and the OCOB Strategic Plan. The Executive Committee comprises the Controller of Budget, Deputy Controller of Budget, Directors and any such members as may be co-opted into the Committee on a need basis. The Executive Committee is responsible for the following:

- » Developing and monitoring the implementation of the OCOB Strategic Plan.
- » Approving and monitoring the implementation of OCOB Policies and Procedures.
- » Approving OCOB's Organization Structure.
- » Overseeing Risk Management in the organization.
- » Providing direction on Succession Planning.
- » Promoting stakeholder engagements as provided for in the OCOB Strategic Plan.

The composition of the Executive Committee is as shown in Table 3.

**Table 3: Composition of Executive Committee**

NO.	DESIGNATION	NAME
1	Controller of Budget	CPA Dr Margaret Nyakang'o
2	Deputy Controller of Budget	CPA Stephen Masha
3	Director, Corporate Services	CPAMacklin Ogolla
4	Director, Legal Services	Ms Rhoda Rutto
5	Director, Research & Planning	Mr Joshua Musyimi

#### (e). The Management Committee

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

- » Planning – establishing and reviewing strategic and operational plans for the office of the Controller of Budget (OCOB).
- » They establish policy, decision-making, and procedures that guide the operations of OCOB. They also record decisions and actions on matters concerning OCOB.
- » Management – ensuring that all staff members perform their tasks according to their job descriptions and that the OCOB mandate is appropriately executed.
- » Legal – ensuring that at all times, OCOB complies with the laws of Kenya in discharging 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, PFMA 2012 and Public Procurement and Asset Disposal Act, 2015 (PPADA) 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 executing their functions, the Executive Committee and the Management Committee can co-opt sub-committees to assist in discharging the office's mandate. In discharging their duties, Members of the Committees are guided by the organisation's policies and procedures, the Strategic Plan and other legislations.

**Table 4: Composition of OCOB Management Committee**

<b>NO.</b>	<b>DESIGNATION</b>	<b>NAME</b>
1	Controller of Budget	CPA DrMargaret Nyakang'o, CBS
2	Deputy Controller of Budget	CPA Stephen Masha, EBS
3	Director, Corporate Services	CPA, FA Macklin Ogolla
4	Director, Legal Affairs	Ms Rhoda Rutto
5	Director, Research & Planning	Mr Joshua Musyimi
6	Chief Internal Auditor	CPA Joseph Tulula
7	Chief Fiscal Analyst-National Government	CPA Patrick Kamore
8	Chief Fiscal Analyst-County Government	CPA, CS Mark Kipkoech
9	Chief Manager, Public Relations & Communication	Mr Stephen Wangaji
10	Chief Manager, Human Resource & Administration	Ms Irene Arimi
11	Chief Manager, Information Communication & Technology	Ms Judith Muli, CISA
12	Chief Manager Finance & Accounts	CPA, Pamela Okatch
13	Chief Manager Supply Chain Management	Mr Boniface Ikumu

#### **(f). Audit and Risk Committee**

The Audit and Risk Committee is appointed by the Controller of Budget (COB) according to Gazette Notice No. 2690 of April 15, 2016. The Committee is responsible for monitoring and reviewing the integrity of the financial statements and supporting the COB by observing and reviewing the risk, control and governance processes established in the Office of the Controller of Budget (OCOB). The objectives are met by introducing an independent perspective and a process of constructive challenge, not to undermine the management's actions but to help the management be fully assured that the most cost-effective control and governance processes are in place. The governance processes enhance the performance of the OCOB, and the Committee takes an independent view of these processes.

The Committee is composed of independent members that do not perform any executive functions of the OCOB. Consistent with this function, the Committee should encourage continuous improvement and adherence to the organization's policies, procedures and best practices at all levels.

The specific functions of the committee are;

1. Support the COB concerning the responsibilities of risk management, internal control, governance and associated assurance;
2. Follow up on the implementation of the recommendations of internal and external auditors;
3. Ensure that OCOB adopts, maintains and applies appropriate accounting and financial reporting processes and procedures;
4. Facilitate the independence of the internal audit process and address issues arising from the audit process; and
5. Ensure that OCOB maintains effective risk management and internal control systems.

During the financial year, the committee membership was as follows;

**Table 5: Composition of Audit and Risk Committee**

NO.	NAME	DESIGNATION
1.	CPA Joseph Sudi Ndinyo	Chairperson
2.	CPA Margaret Muinde	Member
3.	CPA Joel SimiyuWalucho	Member
4.	CPA Agnes MbaireMaina	Member
5.	CPA David Mwangi Gichimu	Member
6.	CPA Joseph Tulula	Secretary

The Committee held meetings, and the attendance at the meetings as shown in Table 6

**Table 6: Audit and Risk Committee Attendance list**

NO.	NAME	21.09.2021	16.11.2021	15.02.2022	17.05.2022
1.	CPA Joseph SudiNdinyo	√	√	√	√
2.	CPA Margaret Muinde	√	-	-	√
3.	CPA Joel SimiyuWalucho	√	√	-	√
4.	CPA Agnes MbaireMaina	√	√	√	√
5.	CPA David Mwangi Gichimu	√	√	√	√
6.	CPA Joseph Tulula	√	√	√	√

### (g). Budget Implementation Committee

The Committee ensures the resources are utilised per the OCOB budgetary allocation and work plan. The primary responsibility of the budget implementation committee is to assist the COB in discharging her duty in the following areas:

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

Some of the achievements included:

- » Preparation the OCOB Programme Based Budget
- » Preparation of sub-sector reports and Programme Performance Review Reports,
- » Preparation the Annual budget Estimates and participating in the Sector working group,
- » Advising the COB on the OCOB budget .

**Table 7: Composition of Budget Implementation Committee**

NO.	NAME	DESIGNATION
1	CPA Macklin Ogolla	<b>Chairperson</b>
2	Mr Joshua Musyimi	Vice Chairperson
3	Ms Judith Muli	Member
4	Ms Irene Arimi	Member
5	Dr Denis Okungu	Member
6	Mr Boniface Ikumu	Member
7	CPA PatricKebiro	Member
8	CPA Cheboi Thomas	Member
9	CPA AntonetteKanani	Member
10	CPA Pamela Okatch	<b>Secretary</b>

# CHAPTER THREE

## 3.1 Review of the OCOB Performance

During the FY 20/22, the office implemented a number of activities as contained in the OCOB 2018-2023 Strategic plan. The OCOB has one program: *Control and Management of Public Funds* and four sub-programmes. The four sub-programmes include; Authorization of Withdrawals from Public Funds, Budget Review and Analysis, Research and Planning, and Administration and Support Services. Each sub-programme has specific objectives to ensure the overall attainment of the OCOB mandate. This chapter reviews the achievements and highlights some of the challenges realized during the FY 2021/2022 for each objective.

### Objective 1. To ensure timely approvals of withdrawals from public funds

The Controller of Budget is mandated to authorize withdrawals from public funds. Article 228 (4) of the Constitution provides that the Controller of Budget shall oversee the implementation of the budgets of the national and county governments by authorizing withdrawals from public funds under Articles 204, 206, and 207.

The Controller of Budget has ensured timely approvals of withdrawals from the Consolidated Fund to the national government. Further, the COB approves withdrawal from the CRFs of the 47 County governments. The Authorization of Withdrawals from Public Funds Sub-Programme ensures the effective management of approvals of exchequer requisitions from the County Revenue Funds account and the Equalization Fund account. The COB is also charged with ensuring that all requisitions and withdrawals comply with relevant laws and regulations. Some of the achievements under this objective include the following;

**a. Review of Budget Planning and Budget Documents:** The OCOB reviewed the draft Budget Policy Statement 2021 and submitted comments to the Parliamentary Committee on Finance and National Planning. Further, the office also reviewed the Budget Review Outlook Paper 2021 and forwarded comments to the National Treasury for consideration in the final BROP. In addition, the office reviewed and made recommendations on the draft, the approved budgets and the Supplementary Budgets.

The OCOB further reviewed all 47 County Budgets and planning documents in FY 2021/22. The reviews were done for the draft budget estimates, approved budget estimates, the County Fiscal Strategy papers (CFSP), and the County Budget and Review and Outlook Papers (CBROP). The OCOB also reviews all the county supplementary

budgets and advises the Counties. All comments by the Controller of Budget were shared with County Governments for consideration and compliance.

**b. The OCOB is collaborating with the National Treasury and the Central Bank of Kenya to automate the exchequer process:** The project involves mapping and automating the cash management system in IFMIS to ensure a seamless flow from cash flow planning, invoicing and payments to the exchequer process. The OCOB is optimistic that the remaining steps in the exchequer automation process will be completed in FY 2022/23.

**c. The OCOB collaborated with the Judiciary, the National Treasury and the Central Bank of Kenya to operationalize the Judiciary Fund:** Budget Implementation participated in operationalising the Judiciary Fund (JF) in the period under review.

The Technical Committee achieved the following:

- » Developed precise operating modalities for the Judiciary Fund bank account in terms of incoming and outgoing funds;
- » Defined the banking arrangements for operational bank accounts for the Judiciary;
- » Advised on the setup of the financial systems to manage the JF ensuring the approved system is integrated with CBK Internet Banking and Kenya Revenue Authority Tax Systems;
- » Ensured the Plan to Budget Module was operational before uploading the FY 2022/23 budget;
- » Defined budgeting modalities to confirm to one-line Judiciary Budget on the Integrated Financial Management Information System effect FY 2022/23;
- » Addressed and guided on legal issues on the operationalization of the JF; and
- » Drafted an operational guidelines unique circular on what would happen once the JF is operationalized.

**d. Exchequer Issues:** Table 8 provides a summary of the total exchequer issues to the national and county governments for FY 2021/2022.

**Table 8: Summary of Exchequer Issues for FY 2021/22**

<b>VOTE</b>	<b>Revised Gross Estimates Kshs. Billion</b>	<b>Revised Net estimates Kshs. Billion</b>	<b>Cumulative Exchequer Issues Kshs. Billion</b>	<b>% of Exchequer to Revised Net Estimates</b>
<b>Recurrent</b>	<b>2,773.34</b>	<b>2,540.63</b>	<b>2,396.98</b>	<b>94.3</b>
: MDAs	1,463.87	1,231.16	1,205.91	97.9
: CFS	1,309.47	1,309.47	1,191.07	91.0
<b>Development</b>	<b>688.75</b>	<b>424.19</b>	<b>341.01</b>	<b>80.4</b>
<b>Sub-Totals</b>	<b>3,462.09</b>	<b>2,964.81</b>	<b>2,737.99</b>	<b>92.3</b>
<b>County Governments</b>	<b>535.74</b>	<b>535.74</b>	<b>409.44</b>	<b>76.4</b>
Recurrent:	342.21	342.21	315.25	92.1
Development:	193.53	193.53	94.18	48.7
<b>Grand Total</b>	<b>3,997.83</b>	<b>3,500.55</b>	<b>3,147.43</b>	<b>89.9</b>

In FY 2021/22, the COB approved a total of Kshs. 3.15 trillion to fund the budgets of both levels of government.

Table 9 summarises the sub-programmes, strategic objectives and targets, outcome indicators and actual performance recorded during the FY 2021/2022.

Table 9: Analysis of Programme Targets and Achievements

Programme	Strategic Objectives	Output/Outcome	Indicator	Performance FY 2021/22	Comments
Sub-Programme					
SP.1.1 Authorization of withdrawal from public funds	To ensure timely approvals of withdrawals from public funds	Timely approval of exchequer requests	No. of days taken to review, process and approve/decline requests for withdrawal of funds	1	Once completed, Exchequer automation by NT (still in progress) will improve efficiency.
			No. of requests for withdrawal of funds, reviewed, processed and approved/declined per day (National Government)	15	All requests submitted by TNT were reviewed, processed and approved
			No. of requests reviewed, processed and approved/declined per week (County Government)	130	There were 315 declined requests in FY 2021/22.
			No. of legislation and Bills reviewed to ensure compliance with the Constitution and PFM Act (National and County Government)	203	The process involves a review of the Appropriation Act and the various national and county government legislations.
			No. of days taken to review legislations, Bills and advisories to ensure compliance with the Constitution and PFM Act (National and County Government)	5	The OCOB reviewed 100% of received legislation & Bills

Programme	Strategic Objectives	Output/Outcome	Indicator	Performance FY 2021/22	Comments
Sub-Programme			No. of the Complaints handled and addressed	205	Pending Bills, failure to remit statutory deductions, lack of public participation in the budget process, diversion of funds and salary deductions by counties, misappropriation of funds and abuse of office by some of the Counties, recruitment of staff without budgets, the legality of implementing budgets, stalled and unimplemented projects.
			No. of disputes addressed through negotiation, conciliation and mediation.	3	The disputes involved budget implementation between the county executive and the assemblies.
			No. of cases filed involving budget implementation where the OCOB is listed as either a respondent or an interested party	13	The cases included: lack of public participation in the budget process; misappropriation of funds; gazettelement of the Appropriation Bills and Act, funding of national government functions contrary to Schedule 4 of the Constitution; use of the vote of accounts, the failure by the County Executive to disburse funds to fund County Assembly activities; changes in the office of the County Executive Committee Member of Finance and the Chief Officer Finance, and non-adherence to the 35% ceiling on personnel emolument
		Consolidated Fund Services	No. of days taken to review, process and approve/decline public debt files	5	All requests under the Consolidated Fund Services were approved after review.

Programme	Strategic Objectives	Output/Outcome	Indicator	Performance FY 2021/22	Comments
<b>Sub-Programme</b>					
			No. of public debt files reviewed, processed and approved in a week.	192	On average, processed files (per vote) for public debt were 192 per week, including those declined.
		Consolidated Fund	No. of days taken to review, process and approve pension and gratuity files	4	Within the target
			No. of pension and gratuity requests processed per week	600	Fewer retirees during the year provided an average number of processed files per week.
0730020 SP.1.2 Budget Review and Analysis	To ensure the provision of quality advice on budgeting and budget implementation	Enhanced reporting on Budget Implementation review	No. of National and County Government Budget Implementation review reports produced	8 (4 for NG and 4 CGs)	Twenty-three thousand four hundred reports were produced/printed, comprising 10,500 reports for the NG and 12,900 for county governments.
			No. of County Specific budget implementation review reports produced	564	Capacity challenges experienced in the publication and publicization of reports.
			The number of popular national and County government budget implementation review report versions.	8	OCOB developed the popular versions but could not be publicized due to budget constraints.

Programme	Strategic Objectives	Output/Outcome	Indicator	Performance FY 2021/22	Comments
<b>Sub-Programme</b>	To ensure the provision of quality advice on budgeting and budget implementation To ensure the provision of quality advice on budgeting and budget implementation	Enhanced reporting on Budget Implementation review	Preparation of special reports	3	The OCOB prepared special reports to Parliament during the MTEF period. Such reports included a report on the Utilization of COVID funds, a report on gaps in IFMIS, pending bills, and budget utilization by the Bungoma County Government.
		Enhanced reporting on Budget Implementation review	No. of Planning Documents for National government reviewed (Debt Management Strategy Paper, BRPOP and BPS)	3	There was, however, a challenge in receiving the planning documents on time due to a lack of supporting legislation.
		Enhanced reporting on Budget Implementation review	No. of Budget Documents for the National government (Draft Budget Estimates, the Approved Budget and Supplementary Budgets) reviewed.	4	The OCOB reviewed all the budget documents in FY 2021/22.
		Enhanced reporting on Budget Implementation review	No. of Planning Documents for County government (CIDP, CBROP, ADP, CFSP and County Debt Management Strategy Paper) reviewed.	235	There was, however, a challenge in receiving the planning documents on time due to a lack of supporting legislation.

Programme	Strategic Objectives	Output/Outcome	Indicator	Performance FY 2021/22	Comments
Sub-Programme		Enhanced reporting on Budget Implementation review	No. of Budget Documents for County government (Draft Budget, Approved Budgets, Supplementary Budgets) reviewed.	188	All submitted Draft Budgets, Approved Budgets and Supplementary Budgets were reviewed. Counties had, on average, two supplementary budgets each.
		Enhanced reporting on Budget Implementation review	No. of training undertaken on building capacity on budget implementation	1	Staff performing budget reviews trained on Programme Based Budgeting at Kenya School of Government.
		Public sensitization forums on budget implementation held	Number of public participation forums and media engagements	8	There were media engagements and comments by the OCOB on budget implementation issues regular coverage of OCOB activities in the print and electronic media each quarter on publication of BIRRs.
SP.1.3 Administration and Support Services	To enhance operational efficiency	Efficient service delivery	Percentage (%) of Human Resources trained.	57	Due to inadequate funding.
		Efficient service delivery	Percentage (%) of achievement of the staff establishment	54	Due to inadequate funding to procure office space and equipment. A total of 136 staff are employed against a target of 253.
		Efficient service delivery	Customer satisfaction surveys	1	A customer satisfaction and public perception survey in 2021 was undertaken. The overall satisfaction index was 77% among the staff and 88% among other stakeholders.

Programme	Strategic Objectives	Output/Outcome	Indicator	Performance FY 2021/22	Comments
Sub-Programme					
		Efficient service delivery	No. of Annual reports produced to the Executive and Parliament under Article 254 (1) of the Constitution.	1	Three hundred copies of the annual report were produced.
		Efficient service delivery	Percentage of dispute resolutions received, investigated and concluded	100%	Dispute resolutions were undertaken for the county of Nyandarua
		Efficient service delivery	Data Capture and Reporting System in Place.	100%	Central Data Management Retrieval System (CDMRS) for access counties, MDAs and public portal access. <i>Development partners funded it.</i>
		Efficient service delivery	Percentage of aging ICT assets and infrastructure maintained.	80%	Inadequate ICT funding has hindered the complete maintenance of ICT Infrastructure and assets.
		Efficient service delivery	OCOB data centre (redundancy and business continuity site). Percentage (%) completion	-	Target not met due to inadequate ICT funding hindering the acquisition of a Critical Data Centre hardware and software
SP.1.4 Research & Planning	To Enhance Good Governance	Research on budget implementation	No. of Surveys and Research Reports completed	2	Budget credibility reports were done.
	To Enhance Good Governance	Monitoring and Evaluation of projects	No. M&E activities undertaken at the National and County Governments	47	Desk review of programmes and sub-programmes for the 47 county governments done.

Programme	Strategic Objectives	Output/Outcome	Indicator	Performance FY 2021/22	Comments
Sub-Programme	To Enhance Good Governance		No. of M&E reports produced for county governments	44	Counties not covered included Nairobi City, Wajir, Mandera,
	To Enhance Good Governance	Development and review of OCOB policies	No. of Policies developed and reviewed.	3	Transport Policy, Library Policy & Communication Policy.
	To Enhance Good Governance	Partnerships and collaborations	No. of collaborations and partnerships established	11	We developed and signed MOUs with 11 partners and stakeholders to implement the OCOB mandate.
	To Enhance Good Governance	Online subscriptions to journals and magazine	No. of online subscriptions	24	We subscribed to twenty(20) international online databases that provide journals, e-books and other reference materials. We subscribed to four (4) digital e-papers - 38 daily Nation licenses, 32 Business Daily, 33 Standard and 14 Star e-papers.

## Objective 2. To ensure the provision of quality advice on budgeting and budget implementation

The objective is to ensure prudent financial management in the public service and enhance reporting on budget implementation. It also ensures the public is sensitized on the budgeting process and social accountability audits. The critical outputs in this area included; (i) preparation and publication of the National and County Governments Budget Implementation Review Reports (BIRRS), (ii) management of exchequer records, (iii) compliance with the public financial management framework, (iv) sensitization of the public on the budget implementation and (v) tracking and monitoring the implementation of budgets.

Other achievements include the preparation of summary reports with critical issues in BIRRs to national and County government Executives, including a continuous review and provision of recommendations on planning and budgeting documents such as the budget review and outlook papers (BROPs), county budget review and outlook papers (CBROP), budget policy papers (BPS), and county fiscal strategy papers (CFSP). The office has also undertaken capacity building for its staff on complaints handling and alternative dispute resolution. The specific achievements during the period under review are highlighted below:

**a. Engagement with Development Partners:** The OCOB collaborated with Development Partners to support capacity building on public finance management and promote accountability at both levels of government. During the period under review, the OCOB partnered with the following organizations; UNICEF/UNDP, DANIDA, IDLO, PFMR, and the Institute of Public Finance (IPF).

**b. Engagement with Parliamentarians:** Over the period, the OCOB engaged with members of Parliament to complement their oversight role. The OCOB shared the monthly county government's exchequer reports with Senators in FY 2020/21. The OCOB made presentations and sensitized the following Parliamentary Committees;

- » Public Accounts Committee for the National Assembly.
- » Finance and Planning Committee for the National Assembly.
- » County Public Accounts and Investments Committee of the Senate.
- » Budget and Appropriations Committee of the National Assembly.
- » Provided information to the Senate during the impeachment proceedings for the Governor of Kirinyaga County;
- » Gave information to the Senate on the Budget Implementation issues touching on Bungoma County;

- » Presented a report on the national government's release and utilization of COVID-19 pandemic funds;
- » Prepared and submitted a report to the Finance and Budget Committee of the Senate on the Wage Bill for Public Officers by County Government;
- » Submitted a report on the status of pending bills to the Senate Finance and Budget Committee.

**c. Engagement with other legislators:** The OCOB engaged with the Senators of Wajir, Nandi, and Taita Taveta, following formal requests. The details of budget implementation were shared and discussed for their respective counties. Further information on BIRRs was shared with the Speaker of Murang'a upon request. Further, the office conducted training for Speakers and Clerks of County Assemblies held in Naivasha with support from PFMR. A total of 29 Counties were invited to attend the training. These included; Tharaka Nithi, Nyeri, Kirinyaga, Kiambu, Muranga, Machakos, Kajiado, Nyandarua, Makueni, Bungoma, Trans Nzoia, Elgeyo Marakwet, Baringo, Meru, Nandi, West Pokot, Nakuru, Uasin Gishu, Kilifi, Kwale, Taita Taveta, Mombasa, Migori, Kisii, Narok, Nyamira, Kakamega, Bomet and Nairobi City.

**d. Trained all senior staff on Mediation and Conflict resolution:** The office has trained its senior staff on mediation and conflict resolution. The training was aimed at equipping the staff with the requisite skills to support the OCOB in discharging its conciliation function in line with Article 252(b) of the Constitution.

### **Objective 3. To enhance public access to government budget implementation reports**

The OCOB has continued to provide BIRR reports and uploaded the same on the OCOB website. The OCOB has also conducted stakeholder dissemination forums on budget implementation matters. However, the translation of the popular version into Swahili has not been done, as well as the production of reports accessible to PWDs due to inadequate funding and capacity constraints.

The following were the key achievements under this objective:

**a. Quarterly Budget Implementation Review Reports:** In the FY 2021/2022, eight (8) budget implementation review reports for the national and county governments were prepared and submitted to Parliament. To ensure the accessibility of budget information to the public, the OCOB published 14,641 copies of the quarterly reports, 7,010 for the national government and 7,631 for the county government in the period under review. These reports were submitted to Parliament and widely publicized across both levels of government. In addition, the OCOB prepared monthly budget implementation review reports for all 47 county Governments. However, these monthly budget implementation review reports were not published due to budget constraints. Instead, they were disseminated by email to the key stakeholders.

**b. Development of COBMIS data management system:** The OCOB received support from UNICEF to automate data collection by developing suitable data capture and reporting system with a portal for input and generation of reports and visualizations necessary. The modules in COBMIS include;- Budget Module, Own Source Revenue Module, Exchequer Issues Module, Expenditure Module, Monitoring and Evaluation Module, and Document Manager Module. The next stage planned for FY 2022/23 is system testing and piloting by identified MDAs and County Governments.

#### **Objective 4. To enhance operational efficiency**

The objective seeks to achieve efficient service delivery by enhancing the capacity of the OCOB to deliver on its mandate. To improve service delivery to the members of the public and stakeholders, the office has developed the OCOB service charter. The charter, available at all OCOB offices countrywide, provides information on the services offered by the office with corresponding delivery times.

The office has also partnered with international online databases to access research material, updated its staff's Online Public Access Catalogue (OPAC) and sensitized users on accessing and using the knowledge repository system. In addition, the OCOB developed policies and procedures to guide the delivery of services to the public. The OCOB leveraged ICT equipment and infrastructure to improve efficiency in delivering service to the public. The significant achievements under this objective are presented below:

##### **a. Human Resource Development and Capacity Building:**

- » **Training:** The OCOB has continuously undertaken relevant training to improve the productivity and efficiency of its human resource capital. To this end, the OCOB launched capacity-building programs and facilitated officers to attend professional development courses, seminars and workshops. These training interventions are aligned with the organization's performance management systems.
- » **Staffing:** The OCOB recruited staff to fill the following positions: Chief Manager of Supply Chain Management, two Senior Internal Auditors, a Research Officer, a Legal Officer and an Administrative Officer. Further, the OCOB recruited officers for Principal Monitoring and Evaluation Officer, Manager ICT and two Senior Fiscal Analysts within the organization's establishment.
- » **Staff Welfare:** The OCOB has continued to provide mortgage facilities to its staff to promote the government's agenda of access to affordable housing under the Big Four Agenda. A total of 13 staff have accessed the facility, four at various application stages. To manage the Covid-19 pandemic, the OCOB provides staff with face masks and sanitisers.

- » **Values & Principles Award by PSC:** The OCOB continues to report on ethics and good governance in line with the guidelines from public service on Ethics and Good Governance.

#### **b. Information Communication & Technology**

The Office collaborated with the National Treasury and Central Bank of Kenya in the ongoing process of automation of the exchequer system. In addition, the OCOB acquired additional IT equipment through the support of the PFMR, maintained the existing ICT Infrastructure for efficient service delivery, ensured the OCOB's interactive website is regularly updated and implemented and managed the current service level agreement for IT equipment. The office also enabled its staff to use online facilities during the Covid-19 pandemic.

#### **c. Financial Reporting**

The OCOB received an unqualified audit report from the Auditor General for the Financial Statements for FY 2021/22. Furthermore, the OCOB got a letter of commendation from the National Treasury for its excellent performance in financial management reporting, urging the OCOB to share the experience with other spending entities.

#### **d. Supply Chain Management**

The OCOB prepared a consolidated annual Procurement Plan, prepared statutory reports to the Public Procurement Regulatory Authority and National Treasury, prepared tender documents and followed up tender processing for the contract signing for the provision of Medical, Group Life, Accident/WIBA Insurance Covers; OCOB Staff recruitment; and team building. Further, the OCOB facilitated Access to Government Procurement Opportunities (AGPO) for reserved groups at 15.7 percent below the minimum 30 percent required by Government.

#### **e. Internal Audit**

The OCOB reviewed the adequacy of the OCOB Internal control systems, Risk Management framework and governance processes and reviewed public debt payments for compliance with the law before approval by the Controller of Budget. The OCOB also reviewed pension and gratuity payments for compliance with the law. The OCOB has established an Audit Committee, which aligns with section 155 of the PFM Act, 2012 and with the National Treasury guidelines issued in 2016.

#### **f. Public Relations & Communication**

The OCOB has ensured that the public can access understandable, credible and timely information on budget implementation. The office is developing a social media policy to enable structured engagement with stakeholders on social media platforms. Some of the achievements include:

- » Regular coverage of OCOB activities in print and electronic media;
- » Regular content for the website update;

- » Daily media monitoring and reporting;
- » Production of regular staff newsletter; and
- » Developed a Customer Service Charter.
- » Developed a partnership with PAWA254 Youth Group;
- » Undertook a Customer Satisfaction Survey; and
- » Produced and distributed Public Information materials.

### g. Legal Activities

The Directorate of Legal Services undertook the following activities in the FY 2021/22 under the following heads;

#### Litigation

In the FY 2021/22, thirteen (13) cases were filed in Court against the OCOB. The office was listed either as a Respondent or an Interested Party.

The subject matter of the cases included: lack of public participation in the budget process; misappropriation of funds; gazettment of the Appropriation Bills and Act, funding of national government functions contrary to Schedule 4 of the Constitution; use of the vote of accounts, the failure by the County Executive to disburse funds to fund County Assembly activities; changes in the office of the County Executive Committee Member of Finance and the Chief Officer Finance, and non-adherence to the 35% ceiling on personnel emolument.

The cases are as follows:

- i) *Kitui-High Court Petition No.002 of 2021; Peter MakauMusyoka& Another Vs County Public Service Board, Kitui County & 4 Others.*

The Controller of Budget was listed as the 4th Respondent.

The petition challenged the proposed recruitment of Chief Officers, urging that the County Government had exceeded the budgetary ceilings on personnel emoluments and that the Controller of Budget had recommended adherence to the budgetary ceilings. The Petitioners also urged the diversion of funds from development to recurrent expenditure and that the County had projected an unrealistic Own Source Revenue.

- ii) *Garissa High Court Petition 5B of 2022 Ibrahim Adan Hassan & 2 Others v County Government of Wajir& 6 Others (Formally Nairobi High Court (Constitutional & HR Division) Petition No. E336 of 2022)*

The Controller of Budget was listed as an Interested Party.

The Petitioners sought to impugn the Wajir County Appropriation Act 2021/22 because public participation was not undertaken, the pending bills were not factored in the appropriation, multiple projects, and the County Government was undertaking National Government functions without following due process.

- iii) *Bungoma High Court Petition No E007 of 2021 Francis Simiyu Tome & Another Vs The Bungoma County Public Service Board (CASB) & 9 Others & Controller of Budget Interested party-*

The Controller of Budget was listed as an Interested Party.

The Petitioner challenged the recruitment exercise by the Bungoma CASB because it contravened the National Treasury Circular No.7 of 2021, which froze recruitment within the Public Service, including County governments. The Controller of Budget had reported that the wage bill for Bungoma County exceeded the statutory ceiling as it stood at 58% against the statutory requirement of 35%.

- iv) *Nairobi High Court (Constitutional & Human Rights Division) Petition No.E348 of 2021 Senator Paul Njoroge Ben Vs The IEBC & 5 Others*

The Controller of Budget was listed as an Interested Party.

The petition challenged the decision by the IEBC to declare and direct that the elections be held on 9th August 2022 because the Commission did not have a substantive Secretary, it did not have a proper quorum, and five years would not have lapsed since the swearing-in of the 4th President. The Petition thus sought stoppage of disbursement of funds to prepare for the general election.

- v) *Nyahururu High Court Petition. No E011 of 2021 Nyandarua County Assembly Board v Governor Nyandarua County & Others-*

The Controller of Budget was listed as an Interested Party.

The petitioners impugned the Nyandarua County Appropriation Act 2021/22 because it was enacted contrary to express orders of the Court; that the Speaker of the County Assembly did not sign the vellum; that the Clerk of the Assembly was not aware of the sittings of the Assembly and that in the absence of a valid Appropriation Act, the County should be allowed to access money under vote on account.

- vi) *Nyahururu High Court Petition E012 of 2022; James Gacheru Kariuki & Another v CEC-F Nyandarua County & Others-*

The Controller of Budget has been sued as the 5th Respondent. The petition challenged the constitutionality of the Nyandarua County Appropriation Bill because the Nyandarua County Assembly legislation is published in supplements of the Kenya Gazette and which Supplements of the Kenya Gazette have not been published as such in the Kenya Gazette.

It alleged that the Controller of Budget had approved the withdrawal of funds from the Nyandarua County Revenue Fund over time without enabling legislation.

- vii) *Kisumu Employment and Labour Relations Court Petition. No. E005 of 2022; Samuel Otieno Omuga v Migori County Public Service Board & Others-*

The Controller of Budget was listed as an Interested Party.

The Petitioner, a Chief Officer -Finance & Economic Planning, challenged the decision of the Migori County Public Service Board to send him on compulsory leave. Yet, he was a signatory to the Central Bank of Kenya and the Controller of Budget mandates.

- viii) *Garissa High Court Petition No. 6B of 2022; Gulled Osman Gure & County Government of Wajir & 3 Others (Formally Nairobi High Court (Constitutional & Human Rights Division) Petition E053 of 2022)-*

The Controller of Budget was listed as an Interested Party.

The Petitioner alleged that Wajir County Assembly passed and adopted the budget estimates for FY 2021/22 illegally and unlawfully without proper substantive public participation.

- ix) *Nairobi Employment and Labour Relations Court Petition No E068 of 2022; Kenya County Government Workers Union (Nairobi Branch) & 2 Others Vs Nairobi City County & 7 Others-*

Controller of Budget was sued as a 5th respondent on the ground that the Controller of Budget had approved the withdrawal of Kshs 765,000,000 to Nairobi City County Government (NCCG) to pay salaries, allowances, statutory deductions and remittances of the claimant's members as per their contractual agreements. However, the Nairobi County Government had failed to pay the claimant's members' full salaries and benefits and to make deductions and remittances as authorized by the claimants. The Petitioners alleged that the County Government had diverted the funds for activities other than the permitted use as requisitioned.

- x) *Garissa High Court Petition No. E002 of 2022; Ismail Abdullahi Abdirahman v Mandera County Govt & Others-*

The Controller of Budget is listed as the 1st Interested Party.

The Petitioner sought to impugn the Mandera County Supplementary Budget because there was no public participation, and the county is allocating funds to National Government functions without following due process.

- xi) *Petition No. 46 of 2015; Idriss Aden Mukhtar & 2 Others v The County Government of Garissa & Another*

The Controller of Budget was summoned to appear before the Court to explain why she could not authorize withdrawing funds from the Garissa County Revenue Fund to satisfy a judgment debt for the Petitioners.

- xii) *Vihiga Petition No. 008 of 2021; Francis Anguya Ominde & Another v Vihiga CEC-F & Others.*

The Controller of Budget was sued as the 1st Interested party.

The Petitioners challenged the 2021/22 Annual Budget Estimates and the ensuing Appropriation Bill for Vihiga County. They contended that the Budget Estimates and the Appropriation Bill had not been discussed or approved by the County Executive Committee before being submitted to the County Assembly for approval.

- xiii) *Civil Appeal No. E312 of 2022; Mandera County Government & Others v Ismail Abdullahi & Others*

The matter was an appeal against the Garissa High Court No ruling. E002 of 2022 was delivered on 19th May 2022. The appeal sought a grant of conservatory orders against the High Court Judgement under Rule 5(2)b) of the Court of Appeal Rules.

### Legislative Reviews

In executing its mandate, the office continues to review various legislations that form the basis for grant approval of funds' withdrawals. During the period under review, the directorate reviewed fifty-nine (59) pieces of legislation. In addition, as part of stakeholders' engagement, the office gave various recommendations to the National Assembly and Senate on the various proposed Bills, including the County Additional Allocations Bill.

### Complaints Handling

In executing its mandate, the office handled two hundred and five (205) complaints. The complaints were in respect of:

- a) Pending Bills, which accounted for approximately one hundred and fifty-eight (158) complaints;
- b) Failure to remit statutory deductions;
- c) Lack of public participation in the budget process;
- d) Diversion of funds and salary deductions by Counties;
- e) Misappropriation of funds and abuse of office by some of the Counties;
- f) Recruitment of staff without budgets;
- g) The legality of implementing budgets, and
- h) Complaints on stalled and unimplemented projects

Most of the complaints relating to pending bills were addressed by:

- a) Referring the complaint to the relevant Institution for their consideration;
- b) Seeking further clarification on the status of the Pending Bill from the County; and
- c) Requesting relevant Institutions to facilitate payment of the Pending Bill and noting for our tracking.

### Dispute Resolution

The office undertakes alternative dispute resolution through mediation negotiation and conciliation, where the dispute is on budget implementation. In FY 2021/22, the office was involved in three (3) mediation disputes involving budget implementation of Nyandarua County.

### Investigations

According to the OCOB mandate to undertake investigations, the court directed the Controller of Budget to investigate *Bungoma High Court Petition No. E007 of 2021 Francis Simiyu Tome & Another Vs The Bungoma County Public Service Board (CASB) & 9 Others & Controller of Budget Interested party-*

In the case, the Petitioner challenged the recruitment exercise by the Bungoma CASB because it contravened the National Treasury Circular No.7 of 2021, which froze recruitment within the Public Service, including County governments and that the Controller of Budget had reported that the wage bill for Bungoma County exceeded the statutory ceiling as it stood at 58% against statutory requirement of 35%.

The office investigated the County Government of Bungoma budget and the allegations in the Petition and filed a report with the court.

### Rendering of Legal Opinions

To ensure the office effectively delivered on its mandate, the Directorate researched and rendered legal opinions to the Controller of Budget on several issues. Some of the problems include the transfer of functions between the two levels of government and

the flow of funds; automation of the Exchequer Process; budgetary ceilings, compliance with court cases, vote on account, the legal threshold for compliance with the law to authorize the withdrawal of funds and payment of gratuity to former members of the County Public Service Board and implementation of payments arising from judgements of the Court as well as the impact of various court orders.

#### **Objective 5. To attract and retain productive and motivated human resource**

The office relies on its national and county-level staff to deliver on its mandate. The office has reviewed the organizational structure to attract, retain, and motivate its team. The office has continued to train its staff in critical work areas to improve service delivery. Further, the OCOB staff mortgage scheme has ensured that team members can access affordable housing.

#### **Objective 6. To strengthen the Legal and Regulatory Framework**

The OCOB has continued to undertake a legal audit to ensure compliance with the law and has reviewed all agreements to ensure compliance with the law. However, the OCOB is yet to develop a structured framework for engagement with stakeholders in law enforcement, i.e. EACC, DCI, and DPP. Some of the achievements under this objective included:

#### **Objective 7. To Enhance Organizational Image and Visibility**

The OCOB undertook to brand its offices at headquarters and county offices. Further, the office conducted engagements with media professionals to promote understanding of the OCOB work among media professionals. In addition, the OCOB continued to publish a periodic OCOB newsletter which provides information on the activities undertaken by the office. The office has also developed a communication policy to guide its interaction and communication with external stakeholders. It has also engaged in public outreach programmes, including engagement with the public through digital communication platforms.

Other achievements include Regular coverage of OCOB activities in the print and electronic media; regular content for website updates; daily media monitoring and reporting; development of a Customer Service Charter; development of a partnership with Powa 254 Youth Group; undertaking a Customer Satisfaction Survey, produced and distributed Public Education Information materials.

#### **Objective 8. To Enhance Good Governance**

The office has developed the Enterprise Risk Management (ERM) framework, continuously reviewed the internal control systems, conducted capacity building of staff members on auditing, constantly monitored and implemented work plans, and prepared status reports. The key activities of this sub-Programme include research activities on budget

implementation issues and undertaking monitoring and evaluation of the projects under implementation at both the national and county government levels.

The specific achievements during the period under review are highlighted below:

### Objective 9. Monitoring and Evaluation of projects in the counties

The OCOB conducted monitoring and evaluation in 44 counties, as shown in Table 10. The office plans to extend the monitoring and evaluation of programmes to cover those projects implemented by the national government when funds become available.

Table 10: List of Counties visited during the Monitoring Exercise

	Period of the Exercise	Counties visited
Phase 1	12 <sup>th</sup> September to 9 <sup>th</sup> October 2021	Kilifi, Lamu, Tana River, Garissa, Bomet, Embu, Kericho, Kirinyaga, Meru, Migori, Nandi, Narok, Nyamira, Siaya, Tana River, Tharaka Nithi
Phase 2	14 <sup>th</sup> November to 4 <sup>th</sup> December 2021	Baringo, ElgeyoMarakwet, Nakuru, Trans Nzoia, Uasin Gishu, Kakamega, Machakos Makueni, Kitui, Isiolo, Laikipia, Marsabit
Phase 3	27 <sup>th</sup> February to 26 <sup>th</sup> March 2022	Turkana, West Pokot, Busia, Bungoma, Kisumu, Vihiga, Kiambu, Homa Bay, Mombasa, Kajiado, Kwale, Taita Taveta, Muranga, Samburu, Nyeri, Nyandarua

#### a. Sample Projects visited during the Monitoring and Evaluation Exercise

The OCOB team visited Embu County to monitor the implementation of the Makina Social Hall in Makima Ward, Mbeere South in Embu. The office noted that the project stalled, and the contractor was not at the site.



**Figure 1: Makina Social Hall in Makima Ward, Mbeere South, Embu County**

The office also visited the construction of the Kitengela market in Kajiado County. It was observed that the project is complete but not in use over disputes on allocations of stalls to traders.



**Figure 2: Construction of Kitengela Market-Kajiado County**

In Marsabit County, the OCOB visited the construction of the County Assembly chambers at the County Headquarters. It was observed that the project is ongoing but delayed due to the suspension of works following the Commission for Revenue Allocation (CRA) decision to cap the expenditure ceiling at Kshs.250 million.



**Figure 3: Constructions of County Assembly Chambers -Marsabit County**

The OCOB team also visited the implementation of a water drainage project in Kericho County. The performance of the World Bank project, funded under the Kenya Urban Support Programme (KUSP), was behind schedule. The team also established that the stormwater drainage had overgrown plants, and waste had been dumped in the tunnel.



**Figure 4: Construction of stormwater drainage facility-Kericho County**

# CHAPTER FOUR

## 4.1 Environmental and Sustainability Reporting

The OCOB's primary purpose is to improve impact and effectiveness in promoting prudent financial management in the public sector and contribute to the achievement of Kenya's development plan, including the Big Four agenda.

## 4.2 Sustainability strategy and profile

### a) Clearance of pending bills

In compliance with the OCOB mandate and the requirements of the PFM Act, 2012, the OCOB has regularly provided reports on the status of pending bills as required by law. In these reports, the OCOB has observed a trend where pending bills owed by County and National Governments continue to accumulate in each financial year.

To resolve the problem of accumulating pending bills, the COB has issued circulars to the National and County governments stating the legal requirements and the need to treat pending bills as a first charge on the approved budgets. For instance, the COB issued Circular No.5/2022 to all County Clerks of the County Assembly, Circular No.6/2022 to all County Executive Members for Finance, and Circular No 8/2022 to all National Government Accounting Officers advising County Governments and National governments to settle all genuine pending bills before 30th June 2022 and come up with a repayment plan on how the outstanding pending bills will be paid in FY 2022/23.

In FY 2021/22, the office handled different complaints regarding pending bills that were addressed effectively.

### b) Sustainable management of public finances

The OCOB is committed to operating sustainably with finances, people and places, living our core values of integrity, transparency & accountability, professionalism, independence, creativity & innovation and teamwork. The effective sustainability strategies have delivered several benefits to the OCOB, including innovation and growth, risk management, good reputation, cost savings and staff motivation.

**ICT Strategy - Infrastructure:** The OCOB has developed a robust ICT infrastructure to support the OCOB in achieving its Mandate. Having a reliable LAN and WAN network, the OCOB has improved its internal communication and collaboration, thus faster achievement of its strategic activities.

The OCOB has invested in ICT and networking equipment. The statutory reports required by law are uploaded on the Budget Yetu Mobile Application available on Google Play, Apple Store and Microsoft Store and can be downloaded at no cost.

The OCOB intranet has provided a forum for collaboration and communication, information sharing, exchange and transmission to facilitate the work of the different teams in OCOB, which translated into the improved overall utilization of resources

**Phased recruitment of staff:** The OCOB has adopted a phased approach in recruiting staff for vacant positions based on OCOB needs and workload analysis, resulting in savings in personnel emoluments.

**Savings on rent and OCOB utilities:** The OCOB adopted sharing OCOB space with County and National governments, translating into tremendous savings on office rent, electricity, security, water and sewerage, among other services.

The capacity building for staff in-house has reduced travel and accommodation costs. The OCOB focus mainly was on group training as opposed to individual training.

The OCOB has also subscribed to digital newspapers instead of printed ones to save on costs associated with the subscription of newspapers.

### c) **Environmental performance/Climate Change/Mitigation of Natural Disasters**

OCOB has mainstreamed its environmental sustainability goals within all its operation areas as part of its corporate strategy to enhance the core mandate. The OCOB, therefore, continues to comply with applicable environmental laws and regulations in the public sector. The OCOB has allocated in its budget funds for contracted cleaning service, supplies of cleaning material and services to facilitate general cleanliness in all its offices at the county and headquarter.

The Office has embraced climate-smart technologies to mitigate climate change impacts and other emerging issues. Such interventions include cutting out plastics, recycling and reusing, and properly disposing of e-waste. Further, the ongoing automation of office mandates is geared towards paperless institutions.

On the disposal of waste products, the OCOB is guided by Section 163 of the PPADA 2015 and has established an Asset Disposal committee for identifying assets for disposal and making recommendations to the Accounting Officer on disposal methods through the Annual Disposal Plan.

## **4.3 Employee Welfare**

The OCOB has an elaborate recruitment policy that provides a structured framework for managing human resources processes of recruitment, selection appointment, development and promotions. The Human Resource Procedure Manual guides staff awards. The policy emphasizes the need to consider the OCOB's commitment to diversity to represent the face of Kenya. It is the policy of OCOB to provide continuous, high-quality training and development to staff to improve their skills and competencies that will contribute to improved organizational performance. The office has a medical cover, work injury benefits (WIBA), and workers' compensation insurance.

### **a) Staff Welfare Kitty**

The OCOB has established a staff welfare scheme to cater for welfare matters. The scheme aims to empathize with members and show solidarity during challenging times of sickness and bereavement.

### **b) Staff Mortgage Scheme**

The OCOB has also established a Mortgage Scheme for its staff. The scheme is aimed at providing an opportunity for staff to purchase either houses or land to construct their residences, in line with the government programme of the big four agenda.

### **c) Staff Capacity building**

The OCOB recognizes the importance of training and development to enhance productivity and efficiency. Towards this realization, the OCOB undertook capacity-building programs and facilitated OCOBs to attend professional development courses, seminars and workshops. These training interventions are aligned with the organization's performance management systems.

### **d) Occupational Safety and Health Hazard (OSHA) Activities**

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

The OCOB, in collaboration with Vimak Dental Centre Limited, an established Dental Service Centre, organized a free Dental Health Education Talk for OCOB staff to empower them with knowledge on common dental problems, their treatment and prevention, and provide free medical consultation. Vimak Dental Centre brought a team of dentists and nurses who offered free consultations during the event.

### **e) First Aid Kits**

The OCOB acquired functional First Aid kits. The aim is to ensure first aid is given to staff during minor injuries or accidents before the case is handed over to professional

medics. A first aid kit can help reduce the risk of infection or injury severity. As part of the Kenya government's safety requirements within the work environment, organizations must train at least five staff to handle the kits.

#### f) Risk Management

OCOB continues undertaking a risk assessment of its operations to strengthen the controls and prevent disruptions, entailing developing measures to avoid an incident. A risk register is maintained and regularly reviewed for relevance, as the conditions of our workplaces are dynamic. When an incident occurs, the OCOB focuses on protecting life and has put measures to safeguard life and property. These include;

- » Adherence to safety designs in the OCOB;
- » Strengthening barriers that reduce the spread of harm;
- » Training and staff awareness with skills to detect and appropriately respond to emergencies; and
- » Disaster recovery plans and measures and continuity planning to enable the resumption of the operation of critical services as fast as possible.

### 4.4 Market practices

#### a) Anti-corruption issues

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

The establishment of the Integrity Committee is aimed at institutionalizing the anti-corruption initiatives in the operations of the OCOB. The committee's primary mandate is to formulate, coordinate, and implement Codes of Conduct and Ethics, Anti-Corruption Policy, Integrity Testing Programme, Whistle Blowers Protection Systems, Corruption reporting channels, Customer service charters for all Departments, Financial, Procurement, and Human Resource Manuals, Corruption Risk Assessment and mitigation plan and Performance contracting targets.

**Institutional capacity-The OCOB has developed the following policies:** Alternative Dispute Resolution Policy; Investigation Policy; Risk Management Policy Framework, Wealth declaration, Complaints Handling Policy; Code of conduct and ethics: Functional departmental manuals and procedures to strengthen the institutional capacity in dealing with anti-corruption issues.

**Public Education:** The OCOB has two trained Integrity Assurance Officers and 14 members of the Integrity Committee. The OCOB also taught the 166 staff members about leadership and integrity. The Committee also ensured that the integrity policy, conflict of interest register and gift register were implemented, maintained and operationalized.

The OCOB is finalizing the whistleblowing policy, corruption Risk Assessment and training of the integrity committee members.

### **b) Political Involvement**

The OCOB is an Independent Office established under Article 228 of the Constitution, with the core mandate being to oversee the implementation of the budgets of the National and County Governments by authorizing withdrawals from public funds. The OCOB's independence is further ensured by the constitutional provisions under Article 249 of the Constitution of Kenya 2010, which stipulates that they are subject only to the Constitution and the law and are not to be directed or controlled by any person or authority. The OCOB provides elaborate checks and balances mechanisms that ensure prudent financial management of public resources as the law envisages. The office is not involved in any political activities.

### **c) Responsible for Supply chain and supplier relations**

The supply chain plays a pivotal role in the timely procurement of quality goods, works and services. The procurement process is guided by the Public Procurement and Assets Disposal Act 2015, relevant regulations, policy and procedures and best practices in the industry. The main objective of the supply chain function is to improve processes and service delivery to stakeholders for sustained economic development.

The OCOB maintains good business practices and treats its suppliers responsibly by honouring contracts and respecting payment practices; specifications are given under what is required to ensure that there is value for money for the goods procured or services rendered. The OCOB, while carrying out its mandate, has endeavoured to follow the generally accepted good procurement standards. By doing this, the right quality, quantity and time are always observed. All her procurement processes are carried out in IFMIS.

The OCOB carried out the following activities during the year under review to ensure best practices are adhered to;

The OCOB complied with the 30 percent rule reservation for women, youth and persons with disabilities about procurement. The OCOB also complied with Section 155 of the Public Procurement and Asset Disposal Act, 2015, making it mandatory for public entities to comply with Part XII of the Act on Preference and Reservations provisions in Procurement. Sections 53 (6), 157 (5) and (10) of the Act require 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 groups in society. In this regard, the OCOB awarded contracts worth Kshs.23.74 million to the underprivileged Groups (Women, Youth and PWDs) against the procurement budget of Kshs.73.4 million. The total contracts awarded to the target group translated to 32.3 per cent of the total procurement budget of the OCOB for 2021/22.

During the period, the COB appointed various Ad hoc committees to undertake procurement-related activities such as tender evaluation, disposals, and inspection and acceptance committees. Some of the tender requests opened, evaluated, awarded and inspected include; Medical Cover contracts, the Framework Contract for Printing of Budget Implementation Review Reports, Recruitment of Staff and Team Building training for staff. The members of the Disposal Committee appointed by the Controller of Budget also identified assets for disposal, set reserve prices for disposable assets and made recommendations to the Accounting Officer on disposal methods through the Annual Disposal Plan.

#### **4.5 Community Engagements**

Corporate Social Responsibility (CSR) is an essential component that enables an organization to participate in promoting the Environmental, ethical and socio-economic concerns of the communities. During the period under review, OCOB did not participate in community engagements and other CSR activities.

# CHAPTER FIVE

## 5.1 Statement of 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 for 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 preparing and presenting the entity's financial statements, which give a true and fair view of the entity's state of affairs for and as of the financial year ending on June 30, 2022. This responsibility includes:

- a) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- b) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- c) 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;
- d) Safeguarding the assets of the entity;
- e) selection and application of appropriate accounting policies, and
- f) making accounting estimates that are reasonable in the circumstances.

The Controller of Budget accepts responsibility for the entity's financial statements, prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies under International Public Sector Accounting Standards (IPSAS). The Accounting Officer believes that the *entity's* financial statements give a true and fair view of the state of the entity's transactions during the financial year that ended June 30, 2022, and of the entity's financial position as of that date. The 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.

The Controller of Budget confirms that the entity has complied 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 intended and were adequately accounted for. Further, the Accounting

Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

### Approval of the financial statements

The Controller of Budget approved and signed the OCOB financial statements on January 19, 2023.

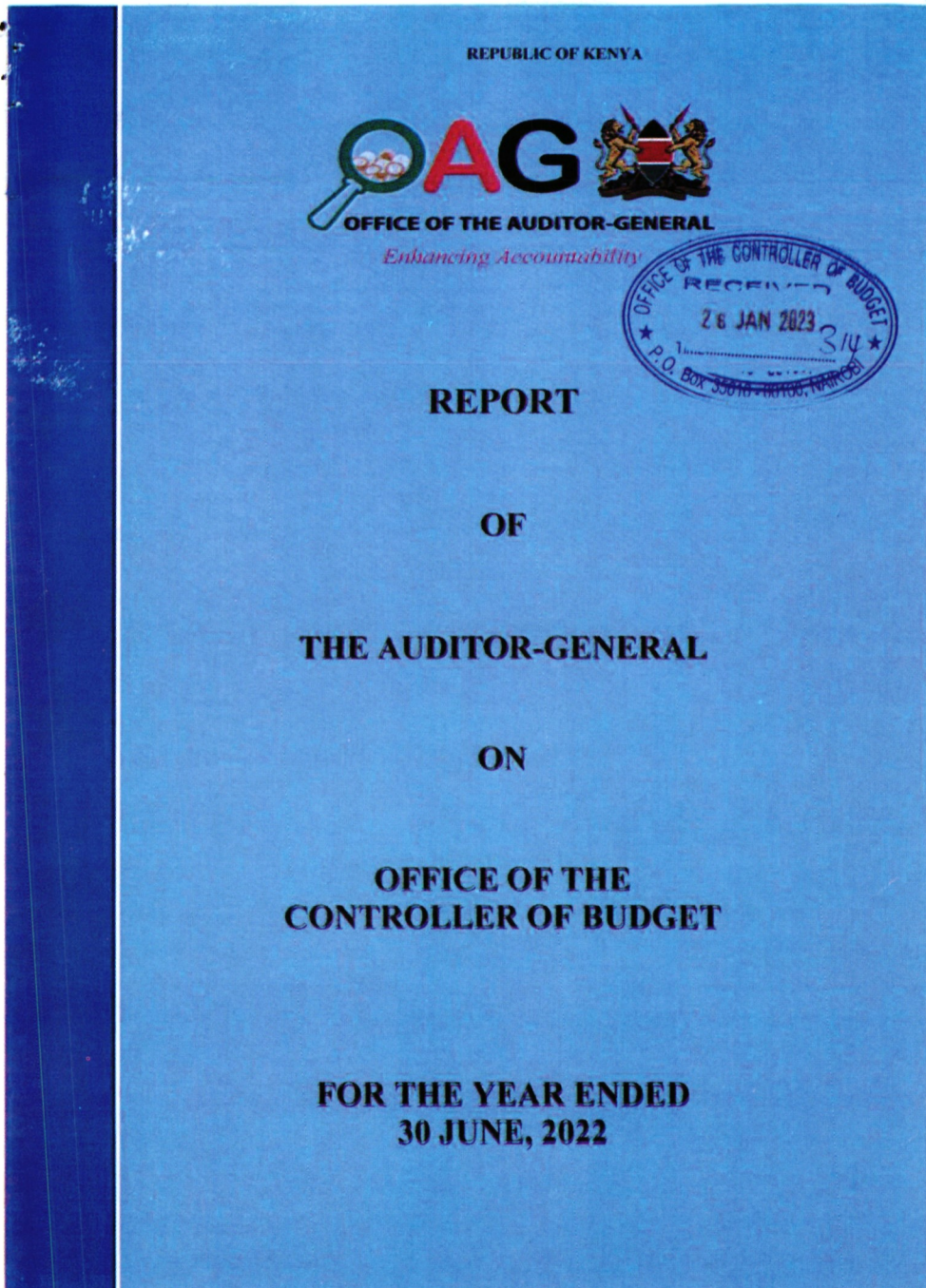
#### Controller of Budget



Name: CPA Dr Margaret N. Nyakang'o, CBS

ICPAK Member: 2145

## 6. Report of the Independent Auditors on the Office of the Controller of Budget for the Year Ended June 30, 2022



OFFICE OF THE CONTROLLER OF BUDGET



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OFFICE OF THE CONTROLLER OF BUDGET

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of The Controller of Budget as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

#### **Basis for Opinion**

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

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*Report of the Auditor-General on Office of The Controller of Budget for the year ended 30 June, 2022*

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 overall 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 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 applicable 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 Office of The Controller of Budget's ability to continue 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 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.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

23 January, 2023

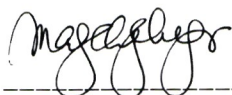
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*Report of the Auditor-General on Office of The Controller of Budget for the year ended 30 June, 2022*

## 7. Statement of Receipts and Payments for the Year Ended 30<sup>th</sup> June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Receipts</b>			
Proceeds from Domestic and Foreign Grants	1	1,167,200	-
Exchequer Releases	2	644,434,737	563,215,747
<b>Total Receipts</b>		<b>645,601,937</b>	<b>563,215,747</b>
<b>Payments</b>			
Compensation of Employees	3	334,098,453	318,692,265
Use of goods and services	4	161,604,705	120,034,832
Social Security Benefits	5	19,717,310	278,918
Acquisition of Assets – Non-Financial	6	3,979,490	1,211,982
Acquisition of Assets – Financial	7	100,000,000	100,000,000
Expenditure from Domestic and Foreign Grants	1	1,167,200	-
<b>Total Payments</b>		<b>620,567,158</b>	<b>540,217,997</b>
<b>Surplus/Deficit</b>		<b>25,034,779</b>	<b>22,997,750</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity's financial statements were approved on January 19, 2023, and signed by:



Controller of Budget  
Name: CPA Dr Margaret Nyakang'o  
ICPAK Member: 2145



Chief Manager Finance & Accounts  
Name: CPA Pamela Okatch  
CPAK Member Number: 7884



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

## 8. Statement of Assets and Liabilities as at 30<sup>th</sup> June 30, 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	8A	25,452,675	24,824,200
Cash Balances	8B	254,630	15,270
<b>Total Cash and cash equivalent</b>		<b>25,707,305</b>	<b>24,839,470</b>
Imprests and Advance	9	2,346	-
<b>TOTAL FINANCIAL ASSETS</b>		<b>25,709,651</b>	24,839,470
<b>FINANCIAL LIABILITIES</b>			
Third-Party Deposits and Retention	10	(674,853)	(1,841,720)
<b>NET FINANCIAL ASSETS</b>		<b>25,034,798</b>	<b>22,997,750</b>
<b>REPRESENTED BY</b>			
<b>Fund balance b/f</b>	11	22,997,750	1,562,063
Prior year adjustment	12	(22,997,750)	(1,562,063)
<b>Surplus/Deficit for the year</b>		25,034,798	22,997,750
<b>Net Financial Position</b>		<b>25,034,798</b>	<b>22,997,750</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity's financial statements were approved on January 19, 2023, and signed by:



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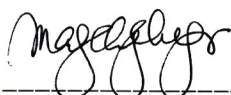
Director Corporate Services  
Name: CPA Macklin Ogolla  
ICPAK Member: 4077

## 9. Statement of Cash Flows for the Year Ended 30th June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Receipts from operating income</b>			
Proceeds from Domestic and Foreign Grants–Ford Foundation	1	1,167,200	-
Exchequer Releases	2	644,434,737	563,215,747
		<b>645,601,937</b>	<b>563,215,747</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	3	334,098,453	318,692,265
Use of goods and services	4	161,604,705	120,034,832
Social Security Benefits	5	19,717,310	278,918
Other Expenses - Ford Foundation Grant Expenditure	1	1,167,200	-
		<b>516,587,668</b>	<b>439,006,015</b>
<b>Adjusted for:</b>			
Adjustments during the year			
Decrease/(Increase) in Advances and Imprest	13	(2,326)	51,333
Increase/(Decrease) in Retention and Third-Party Deposits	14	(1,166,867)	(16,867)
Prior Year Adjustments	12	(22,997,750)	(1,562,063)
<b>Net cash flow from operating activities(A)</b>		<b>104,847,325</b>	<b>122,682,135</b>
<b>Cash Flows from Investing Activities</b>			
Acquisition of Assets-Non Financial	6	(3,979,490)	(1,211,982)
Acquisition of Assets- Financial	7	(100,000,000)	(100,000,000)
<b>Net cash flows from Investing Activities(B)</b>		<b>(103,979,490)</b>	<b>(101,211,982)</b>
<b>Cash flows From Borrowing Activities</b>			
<b>Net cash flow from financing activities</b>		-	-
<b>Net Increase-in-Cash and Cash Equivalentents</b>		<b>867,835</b>	<b>21,470,153</b>

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Receipts from operating income</b>			
<b>Cash and cash equivalent at the beginning of the year</b>		<b>24,839,470</b>	<b>3,369,317</b>
<b>Cash and cash equivalent at the end of the year</b>		<b>25,707,305</b>	<b>24,839,470</b>

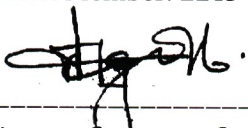
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity's financial statements were approved on January 19, 2023, and signed by:



Controller of Budget  
Name: CPA Dr Margaret Nyakang'o  
ICPAK Member: 2145



Chief Manager Finance & Accounts  
Name: CPA Pamela Okatch  
CPAK Member Number: 7884



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

## 10. Statement of Comparison of Budget and Actual Amounts for FY 2021/22

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Exchequer releases	689,122,143	(39,500,000)	649,622,143	644,434,737	5,187,406	0.8
<b>Total Receipts</b>	<b>689,122,143</b>	<b>(39,500,000)</b>	<b>649,622,143</b>	<b>644,434,737</b>	<b>5,187,406</b>	<b>0.8</b>
<b>Payments</b>						
Compensation of employees	386,790,000	(46,500,000)	340,290,000	334,098,453	6,191,546	98
Use of goods and services	174,071,607	7,000,000	181,071,607	161,604,705	19,466,902	89
Social security benefits	23,563,393	0	23,563,393	19,717,310	3,846,083	84
Acquisition of assets (non-financial)	4,697,143	0	4,697,143	3,979,490	717,653	85
Acquisition of assets (financial)	100,000,000	0	100,000,000	100,000,000	-	100
<b>Total Payments</b>	<b>689,122,143</b>	<b>(39,500,000)</b>	<b>649,622,143</b>	<b>619,399,958</b>	<b>30,222,184</b>	<b>95</b>
<b>Surplus/ Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,034,779</b>	<b>-25,034,778</b>	<b>0</b>

### 11. (a) Summary Statement of Appropriation: Recurrent Budget FY 2021/22

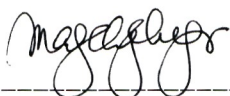
Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>Receipts</b>						
Exchequer releases	689,122,143	(39,500,000)	649,622,143	644,434,737	5,187,406	99
<b>Total Receipts</b>	<b>689,122,143</b>	<b>(39,500,000)</b>	<b>649,622,143</b>	<b>644,434,737</b>	<b>5,187,406</b>	
<b>Payments</b>						
Compensation of Employees	386,790,000	(49,500,000)	340,290,000	334,098,453	6,191,546	98
Use of goods and services	174,071,607	7,000,000	181,071,607	161,604,705	19,466,902	89
Social Security Benefits	23,563,393	0	23,563,393	19,717,310	3,846,083	84
Acquisition of Assets- Non-Financial	4,697,143	0	4,697,143	3,979,490	717,653	85
Acquisition of Assets - Financial	100,000,000	0	100,000,000	100,000,000	0	100
<b>Total Payments</b>	<b>689,122,143</b>	<b>(39,500,000)</b>	<b>649,622,143</b>	<b>619,399,958</b>	<b>30,222,184</b>	<b>95</b>
<b>Surplus/ Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-25,034,779</b>	<b>(25,034,778)</b>	<b>0</b>

The OCOB does not have A-I-A; hence the receipts are only exchequer issues during the period.

- (a) The changes between the original budget and the final budget of Kshs. 39,500,000 was the savings in the PE due to the delayed recruitment process undertaken during Supplementary Budget Estimates during the period under review

- (b) The significant underutilization of economic classification of Social security benefits and Acquisition of Assets (Non-Financial) at 84% and 85%, respectively, was due to delayed recruitments and resignations, which affected the pension scheme contributions and under-expenditure of budget, allocated on the purchase of office furniture and general equipment respectively. This was a result of the late approval of the supplementary budget estimates.

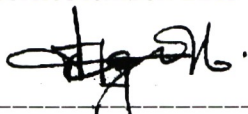
The entity's financial statements were approved on January 19, 2023, and signed by:



Controller of Budget  
Name: CPA Dr Margaret Nyakang'o  
ICPAK Member: 2145




Chief Manager Finance & Accounts  
Name: CPA Pamela Okatch  
CPAK Member Number: 7884



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

## 11.(b) Summary Statement of Appropriation: Development Budget FY 2021/22

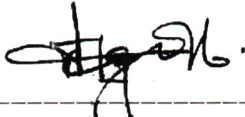
The OCOB does not have a Development vote



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Controller of Budget  
Name: CPA Dr Margaret Nyakang'o  
ICPAK Member: 2145



-----  
Chief Manager Finance & Accounts  
Name: CPA Pamela Okatch  
CPAK Member Number: 7884



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

## 11(c) Budget Execution by Programmes and Sub-Programmes for FY 2021/22

Programme/Sub-programme	Final Budget 2021/2022 Kshs	Indicators	Outcomes	Actual on a comparable basis 2021/2022 Kshs	Budget utilization difference
<b>Programme: Control and Management of Public Finance</b>					
S.P.1: Authorization of Withdrawals from Public Funds	168,631,773	Number of requisitions from national and county governments processed	Timely withdrawals from public funds	156,288,581	12,343,192
S.P.2: Budget Review and Analysis	39,840,440	Number of budget documents reviewed and analysed	Quality advice on budgeting and budget implementation	39,463,708	376,733
S.P.3: Administrative Support Services	403,119,572	Number of staff to support efficient and effective services	Enhanced operational efficiency	386,934,837	16,184,734
S.P. 4: Research and Planning	38,030,358	Number of research and monitoring activities undertaken at the national and county level	Enhanced operational efficiency	36,712,833	1,317,525
<b>Total</b>	<b>649,622,143</b>			<b>619,399,959</b>	<b>30,222,184</b>

## 12. Notes to the Financial Statements

The principal accounting policies adopted in the preparation of these financial statements set out in this section have been applied consistently and are set out below:

### 1. Statement of compliance and Basis of Preparation

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

### 2. Reporting Entity

The financial statements are for the Office of the Controller of Budget. The financial statements encompass the reporting entity specified under section 81 of the PFM Act 2012 and comprise the following development projects implemented by the entity: This does not include any development projects implemented as the OCOB does not have any projects.

### 3. Reporting Currency

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

### 4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Office of the Controller of Budget for all the years presented.

#### a) Going Concern Principle

The OCOB is an independent OCOB 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 a withdrawal from public funds and reporting on the utilization. The financial statements are prepared assuming that the OCOB is a going concern and will continue in operation and meet its statutory obligations in the foreseeable future.

**b) Recognition of Receipts**

The OCOB recognises all receipts from various sources when the event occurs and the entity has received the related cash. During the period under review, the office receipts comprised exchequer releases.

**c) Transfers from the Exchequer**

When cash is received, transfers from the exchequer are recognized in the books of accounts. Cash is considered received when payment instruction is issued to the bank and notified to the receiving entity. During the period under review, the office received exchequer amounting to Kshs. 644,434,737.

**d) External Assistance**

External assistance is received through grants from a development partner. During the period under review, OCOB received financial aid under UNICEF/UNDP to develop the Controller of Budget Management Information System (COBMIS), which is a Central Data Management Retrieval System (CDMRS); DANIDA to undertake public participation forum and ICT Equipment; and PFMR to develop the Controller of Budget Regulations.

The external assistance as direct payments by the donors is not recorded in the financial statements. During the year ended June 30, 2022, there were no instances of non-compliance with terms and conditions, resulting in the cancellation of external assistance Grants/loans.

**e) Other Receipts**

These include Appropriation-in-Aid and relate to receipts such as proceeds from the disposal of assets and the sale of tender documents. These are recognized in the financial statements when associated cash is received. During the period under review, there were no disposals.

**f) Recognition of payments**

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

**g) Compensation of Employees**

Salaries, wages, allowances, and statutory contributions are recognized when compensation is paid.

**h) Use of Goods and Services**

Goods and services are recognized as payments when the goods/services are paid for. The office made all payments for the goods/services consumed during the period under review. Hence there were no pending bills.

### **i) Acquisition of Fixed Assets (Non-Financial)**

The payment on acquiring property plant and equipment items is not capitalized. The cost of acquisition and proceeds from the disposal of these items are treated as payments and receipts, respectively. A contra transaction is recorded as receipt and payment when an asset is acquired in a non-exchange transaction for nil or nominal consideration. The asset's fair value can be reliably established. The OCOB maintains a fixed asset register, providing a summary for consolidation purposes (see Annex 2).

### **j) Acquisition of Assets- Financial (Domestic Lending and On Lending)**

The OCOB received Kshs.100 million to cater for the staff mortgage housing scheme. This amount was transferred to the Fund Manager (Housing Finance Corporation). The fund details are reported in the Mortgage Report and Financial Statement.

### **k) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and at the 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 an insignificant risk of changes in value. The office Bank accounts a recurrent, and deposit balances are held at the Central Bank of Kenya, while the Mortgage Fund account is held at Housing Finance at the end of the financial year.

### **l) 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 refunding third-party deposits. As of June 30, 2022, this amounted to Kshs 674,853 compared to Kshs 1,841,720 in the prior period, as indicated on note 11. The OCOB refunded Kshs.214775 to the exchequer account as monies collected in payroll commissions.

### **m) Accounts Receivable**

In these financial statements, imprests and advances to authorised public officers and institutions that had not been accounted for at the end of the financial year are treated as receivables, in recognition of the government practice where the imprest payments are only recognized as payments when fully accounted for by the imprest or AIE holders. The treatment of imprests is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements. There was one outstanding imprest of Kshs.2, 336 at the close of the financial year under review.

### **n) Accounts Payable**

In these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payable). The treatment is in

recognition of the government practice of retaining a portion of contracted services and works pending the contractor's obligations and holding deposits on behalf of third parties. The treatment of retention monies is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities, including pending bills, are disclosed in the financial statements.

During the period under review, the OCOB had an outstanding balance of Kshs. 674,853 in the deposit account comprising monies for 3<sup>rd</sup> parties. Included were monies held for compensation by Insurance for the loss of equipment, medical refunds and bid bonds.

#### **o) Pending Bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during or in past years. As pending bills do not involve cash payment in the reporting period, they are 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 the payments are made. During the period under review, the office had a pending bill of Kshs. 761,365. The bill was to have been funded by PFMR, but OCOB was made aware after the closure of the credit period. However, the goods had been received and are in use.

#### **p) 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 account classification basis, and for the same period as the financial statements. The original budget was approved by Parliament in June 2021, covering 1<sup>st</sup> July 2021 to 30<sup>th</sup> June 2022 as required by law. There were two additional 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.

#### **q) Comparative Figures**

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

#### **r) Subsequent Events**

There have been no events after the financial year-end with a significant impact on the financial statements for June 30, 2022.

#### **s) Related Party Transactions**

Related party disclosure is encouraged under the non-mandatory section of the Cash Basis IPSAS. The following comprises related parties to the office.

- i) Key management personnel include Cabinet Secretaries and Accounting Officers.

- ii) Other Ministries, Departments and Agencies, and Development Projects;
- iii) County Governments; and
- iv) State Corporations and Semi-Autonomous Government Agencies.

## Notes to the Financial Statements cont.

### 1. Proceeds from Domestic and Foreign Grants

Name of Donor	Date received	Direct payment	Amount in foreign currency	2021-2022	2020-2021
				Kshs	Kshs
<b>Grants Received from Multilateral Donors (International Organizations)</b>					
Ford Foundation			-	1,167,200	-
<b>TOTAL</b>			<b>-</b>	<b>1,167,200</b>	<b>-</b>

The OCOB received a grant from Ford Foundation in the FY 2018/19 amounting to Kshs.10,085,000. The fund was to cater to capacity building to increase the office's capability to oversee public resources. During the period under review, the office paid Kshs.1,167,200 for the provision of Consultancy Services for the Customer and Public Perception Survey. These are treated as receipts and payments in the financial statements for the FY 2021/22 as the office uses IPSAS Cash-Basis reporting.

### 2. Exchequer Releases

Description	Item Code	2021-2022	2020-2021
		Kshs	Kshs
Total Exchequer Releases for quarter 1	9910201	126,930,225	57,325,974
Total Exchequer Releases for quarter 2	9910201	126,788,232	125,598,550
Total Exchequer Releases for quarter 3	9910201	54,767,041	150,410,200
Total Exchequer Releases for quarter 4	9910201	335,949,239	229,881,023
<b>TOTAL</b>		<b>644,434,737</b>	<b>563,215,747</b>

The OCOB budgeted exchequer amount was Kshs. 689,122,143. This was revised downwards to Kshs—649,622,143 during Supplementary Budget Estimate. The OCOB received exchequer amounting to Kshs. 644,434,737 in Financial Year (FY) 2021/22 compared to Kshs. 563,215,747 recorded in the FY 2020/21, representing a 14% increase in the two consecutive periods.

### 3. Compensation of Employees

Description	Item Code	2021-2022	2020-2021
		Kshs	Kshs
Basic salaries of permanent employees	2110100	212,201,865	202,736,448
Basic wages of temporary employees	2110200	413,734	698,102
Personal allowances paid as part of the salary	2110300	87,854,121	82,677,669
Employer Contributions Compulsory national social security schemes	2120100	33,628,733	32,580,047
<b>TOTAL</b>		<b>334,098,453</b>	<b>318,692,265</b>

The total expenditure for the compensation of employees for FY 2021/22 stood at Kshs. 334,098,453 representing a 5% increase compared to Kshs. 318,692,265 recorded in the FY 2020/21. The increase is attributed to the annual growth of staff basic salaries, salaries for new staff recruited during the financial year, and employer contributions to the staff pension scheme at 20% of the basic pay upon staff conversion from contract terms to permanent and pensionable terms. The employer does not contribute to compulsory National Health Insurance Schemes.

### 4. Use of Goods and Services

Description	Item Code	2021-2022	2020-2021
		Kshs	Kshs
Utilities, supplies and services	2110100	-	-
Communication, supplies and services	2110200	6,564,719	8,943,170
Domestic travel and subsistence	2210300	18,216,555	8,052,092
Foreign travel and subsistence	2210400	884,910	768,346
Printing, advertising and information supplies & services	2210500	29,353,621	32,504,824
Rentals of produced assets	2210600	1,034,722	2,300,148
Training expenses	2210700	8,115,610	2,202,145
Hospitality supplies and services	2210800	7,180,369	5,336,796
Insurance costs	2210900	45,917,928	39,549,961
Specialized materials and services	2211000	781,760	902,800
Office and general supplies and services	2211100	5,828,476	6,910,562
Fuel Oil and Lubricants	2211200	2,593,792	2,700,615
Other operating expenses	2211300	27,306,765	6,039,639

Routine maintenance–vehicles and other transport equipment	2220100	5,807,315	2,547,049
Routine maintenance – other assets	2220200	2,018,163	1,276,685
<b>TOTAL</b>		<b>161,604,705</b>	<b>120,034,832</b>

The total payment for goods and services for FY 2021/22 stood at Kshs. 161,604,705 representing a 35% increase compared to Kshs. 120,034,832 recorded in the FY 2020/21. This increase is due to the domestic travel expenses undertaken during the FY 2021/22 as monitoring and evaluation exercises at the county level and the development of Human Resource (HR) instruments.

### 5. Social Security Benefits

Description	Item Code	2021-2022	2020-2021
		Kshs	Kshs
Government pension and retirement benefits	2710100	19,717,310	278,918
<b>TOTAL</b>		<b>19,717,310</b>	<b>278,918</b>

The social security benefit relates to the pension payments to seconded staff and gratuity for the staff whose contracts ended during the year. The total payment for the social security benefits for FY 2021/22 stood at Kshs. 19,717,310 representing a 97% increase compared to Kshs. 278,918 recorded in the FY 2020/21.

### 6. Acquisition of Assets (Non-Financial Assets)

Description	Item Code	2021-2022	2020-2021
		Kshs	Kshs
Refurbishment of Buildings	3110100	979,225	-
Purchase of Office Furniture and General Equipment	3111000	2,573,265	1,211,982
Purchase of specialised plant, Equipment and Machinery	3111100	427,000	-
<b>TOTAL</b>		<b>3,979,490</b>	<b>1,211,982</b>

The total expenditure for acquiring assets for FY 2021/22 stood at Kshs. 3,979,490 representing a 228% increase compared to Kshs. 1,211,982 recorded in the FY 2020/21. The significant increase is attributed to the purchase of equipment for new staff who reported during the year under review and the decentralization of acquisition of ICT equipment and services budget to MDAs as opposed to consolidation under the Ministry of Information, Communication and Technology.

## 7. Acquisition of Assets (Financial Assets)

Description	Item Code	2021-2022	2020-2021
		Kshs	Kshs
Domestic Public Financial Institutions(Mortgage Scheme)	4110000	100,000,000	100,000,000
<b>TOTAL</b>		<b>100,000,000</b>	<b>100,000,000</b>

During the year under review, the mortgage fund receipts stood at Kshs.100,000,000,- catering to implementing the Big 4 Agenda projects and enablers as contained in Medium Term Plan III 2018-2022 (Affordable Housing) for the staff mortgage scheme. The mortgage scheme is held in Housing Finance Corporation. The accounting treatment is made in a separate mortgage fund financial statement.

## 8. Cash and Bank Accounts

### 8A: Bank Accounts

Name of Bank, Account No. & currency	Currency	Recurrent Development Deposit	Exchange rate (if in foreign currency)	Item Code	2021-2022	2020-2021
					Kshs	Kshs
Central Bank of Kenya 1000181338 (Kshs.)	Kshs.	Recurrent	-	6530000	24,777,822	22,982,480
Central Bank of Kenya 1000182369 (Kshs.)	Kshs.	Deposit	-	6550000	674,853	1,841,720
<b>TOTAL</b>					<b>25,452,675</b>	<b>24,824,200</b>

### 8 B: Cash-In-hand

Description	Item Code	2021-2022	2020-2021
		Kshs	Kshs
Cash in Hand-Held in domestic currency	6580000	254,630	15,270
<b>TOTAL</b>		<b>254,630</b>	<b>15,270</b>

Detailed analysis of cash at hand is as follows:

Description	Item Code	2021-2022	2020-2021
		Kshs	Kshs
Location: Headquarters, Bima House Building, 12th-floor cash office	6580000	254,630	15,270
<b>TOTAL</b>		<b>254,630</b>	<b>15,270</b>

**NB:** Cash Count Certificates (F.O 51) for the above amount have been attached to the financial statements.

### 9. Imprest and Advances

Description	Item Code	2021-2022	2020-2021
		Kshs	Kshs
Temporary Imprest	6760000	2,336	-
Other Debtors and prepayments	6740000	10	
<b>TOTAL</b>		<b>2,346</b>	<b>-</b>

Accounts receivable related to an outstanding imprest during the period under review.

\*\*Other debtors and prepayments of Kshs.10 comprised a payment that was wrongly made to an inactive account, thus recognized as a returned cheque.

### 10. Third-Party deposits and Retention

Description	Item Code	2021-2022	2020-2021
		Kshs	Kshs
Retention	7320000	200,000	200,000
Deposits	7320000	474,853	1,641,720
<b>TOTAL</b>		<b>674,853</b>	<b>1,841,720</b>

This amount includes retention on bid bond fees paid by Losagi Insurance after bidding for insurance services. Deposits comprised the amount received from Insurance refunds for medical and loss of equipment.

### 11. Fund Balance Brought Forward

Description	Item Code	2021-2022	2020-2021
		Kshs	Kshs
Opening Bank accounts	9990100	24,824,200	3,039,878
Opening Cash in hand	9990200	15,270	329,439

Description	Item Code	2021-2022	2020-2021
		Kshs	Kshs
Opening Balance Accounts Receivables- Advances, imprest, clearance accounts	9990300	-	51,333
Opening Balance Accounts Payables- Retention and Deposit	9990100	(1,841,720)	(1,858,587)
<b>TOTAL</b>		<b>22,997,750</b>	<b>1,562,063</b>

The opening bank and cash balance brought forward represent an unutilized balance at the closure of the financial year 2020/21. The unspent balance is refunded to the Exchequer account under Section 45(2) of the PFM Act, 2012. The difference in the opening balance in the deposit account results from the remittance of retention monies, receipts from the sale of assets, and payroll commissions.

## 12. Prior Year Adjustments

Description of the error	Balance b/f FY 2020/2021, as per audited financial statements  Kshs	Adjustments during the year relating to prior periods  Kshs	Adjusted ** Balance b/f FY 2020/2021  Kshs
Bank account Balances	24,824,200	-	22,982,480
Cash-in-hand	15,270		15,270
Accounts Payables- Retention and Deposits	(1,841,720)	-	(1,841,720)
Receivables	-	-	
<b>TOTAL</b>	<b>22,997,750</b>		<b>22,997,750</b>

\*\* (The adjusted balances are not carried down on the face of the financial statement)

The prior year adjustment comprises recurrent bank and cash balances amounting to Kshs 24,824,200 and Kshs.15,270, respectively, unspent during FY 2020/21. These monies were refunded to the Exchequer account under Section 45(2) of the PFM Act, 2012.

**13. (Increase)/ Decrease in Advances and Imprest**

	2021-2022	2020-2021
	Kshs	Kshs
Receivables as of 1 <sup>st</sup> July (a <sub>1</sub> )	-	51,333
Other debtors and prepayments (a <sub>2</sub> )	10	
Receivables as of 30 <sup>th</sup> June (b)	2,336	-
<b>(Increase)/ Decrease in Receivables (c=(b-a<sub>1,2</sub>))</b>	<b>(2,326)</b>	<b>51,333</b>

Other debtors and prepayments of Kshs.10 comprised a payment wrongly made to an inactive account, thus recognized as a returned cheque.

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

	2021-2022	2020-2021
	Kshs	Kshs
Payables as of 1 <sup>st</sup> July	1,841,720	1,858,587
Payables as of 30 <sup>th</sup> June	674,853	1,841,719
<b>Increase/ (Decrease) in payables</b>	<b>(1,166,867)</b>	<b>(16,868)</b>

**15. Related Party Disclosures**

Related party disclosure is encouraged under the non-mandatory section of the Cash Basis IPSAS. The following comprises related parties to the OCOB.

- » Key management personnel include the Accounting Officer.

The office key management personnel are internal staff and not related parties. The National Treasury and Planning processes the Accounting Officer's compensation; no transactions were recorded during the review period.

- » Other Ministries, Departments, Agencies and Development Projects;
- » County Governments; and
- » State Corporations and Semi-Autonomous Government Agencies.

**a) Related Party Transactions**

	2021-2022	2020-2021
	Kshs	Kshs
<b>Purchase of Goods and Services</b>		
Rent charges paid to govt. agencies (Nairobi City County, Kenya Railways, County rent)	1,034,722	1,905,000
Training fees paid to government agencies (Kenya School of Government, KIHBT)	3,479,234	493,440
Conference facilities hired from govt. agencies	2,332,135	-
<b>Total goods and services paid to govt. agencies</b>	<b>6,846,091</b>	<b>2,398,440</b>
<b>Transfers from related parties</b>		

	2021-2022	2020-2021
	Kshs	Kshs
Transfers from the Exchequer	644,434,737	563,215,747
<b>Total Transfers from related parties</b>	<b>644,434,737</b>	<b>563,215,747</b>

## b) Other Important Disclosures

### • Other Pending Payables

Description	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities	-	638,417	(638,083)	334
Amounts due to OCOB	1,641,720		(1,167,200)	474,520
Amounts due to third parties	200,000	-	-	200,000
<b>TOTAL</b>	<b>1,841,720</b>	<b>638,417</b>	<b>(1,805,283)</b>	<b>674,854</b>

### External Assistance relating to Loans and Grants

	2021-2022	2020-2021
	Kshs	Kshs
Ford Foundation Grant	1,167,200	-
<b>TOTAL</b>	<b>1167200</b>	<b>-</b>

## c) External Assistance

### a) External Assistance paid on behalf of the Office of the Controller of Budget by Source

The assistance relates to external aid given directly by third parties to settle obligations on behalf of the office.

	2021-2022	2020-2021
Description	Kshs	Kshs
National government (The National Treasury and Planning Through Public Finance Management Reforms(PFMR))	4,450,000	21,927,000
International assistance organization(UNICEF/UNDP)	-	7,214,000

	2021-2022	2020-2021
Description	Kshs	Kshs
International assistance organization (IDLO)	--	5,284,300
NGOs(Institute of Public Finance)	-	31,000
<b>Total</b>	<b>4,450,000</b>	<b>34,456,300</b>

The OCOB collaborated with Development Partners to support capacity building on public finance management and promoting accountability at both levels of government.

During the period under review, the OCOB partnered with the following organisations;

- » UNICEF/UNDP to develop the Controller of Budget Management Information System (COBMIS), a Central Data Management Retrieval System (CDMRS), which will assist in data capture, analysis and reporting. Once fully developed, the COBMIS system will automate data management and reporting.
- » PFMR funded the development of the draft Controller of Budget Regulations. The components included the public participation sessions that brought together the Stakeholders to review and give their comments on the draft Regulations.

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

Payments Made by Third Parties	2021-2022	2020-2021
	Kshs.	Kshs.
Use of goods and services	-	28,359,300
Acquisition of Assets	4,450,000	6,097,000
<b>TOTAL</b>	<b>4,450,000</b>	<b>34,456,300</b>

#### c) A schedule of assets acquired

Asset/ Equipment	Description of Activity	Total (Kshs)	Remarks
Laptop Computers	Ten laptops were procured and issued to staff	1,650,000	Data analysis and reporting
<b>TOTAL</b>		<b>1,650,000</b>	

## 16. Annexs

### Annex 1: Progress on Follow-Up of Prior Year's Auditor's Recommendations

The following is the summary of issues raised by the external auditor and management comments provided to the auditor.

Reference No. on the external audit Report	Issue/ Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Management addressed all the issues to the satisfaction of the Auditor General during the audit period, and she issued a clean audit opinion on the Financial Statements of the Office of the Controller of Budget.

## Annex 2: Analysis of Other Pending Payables (Deposit Account)

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2022	Outstanding Balance 2021	Comments
		a	b	c	d=a-c		
<b>Amounts due to National Govt Entities</b>							
The National Treasury	Payroll commission	441,649	N/A	441,315	334	-	
<b>Sub-Total</b>							
<b>Amounts due to County Govt Entities</b>							
NONE	-	-	-	-	-	-	
<b>Sub-Total</b>							
<b>Amounts due to Third Parties</b>							
Tender Bond-Real Insurance	Retention	200,000	N/A	-	200,000	200,000	
<b>Sub-Total</b>							
<b>Others (Payable to OCOB)</b>							
Jubilee Insurance Refund(Medical)	Insurance Compensation	782,400	N/A	387,840	394,560	394,560	
CIC Insurance Refund(Equipment)	Insurance Compensation	456,440	N/A	376,480	79,960	82,540	
Ford Foundation	Grant	10,085,000	N/A	10,085,000	0	1,164,620	
<b>Grand Total</b>		<b>11,965,487</b>		<b>11,290,635</b>	<b>674,854</b>	<b>1,841,720</b>	

**Annex 3: Summary of Fixed Asset Register**

Asset class	Historical Cost b/f (Kshs) 2020/2021	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/ (out) during the year	Historical Cost c/f (Kshs) 2021/22
Buildings and structures(Refurbishment of buildings)	2,328,000	-	-	-	2,328,000
Transport equipment(Vehicles and Other Transport Equipment	48,786,259	-	-	-	48,786,259
Office equipment, furniture and fittings	76,206,456	3,979,490	-	-	80,185,946
ICT Equipment(Specialized Plant, Equipment and Machinery)	22,915,035	-	-	-	22,915,035
<b>Total</b>	<b>150,235,750</b>	<b>3,979,490</b>	<b>-</b>	<b>-</b>	<b>154,215,240</b>
Intangible assets(Domestic Lending and On-Lending(Mortgage)	250,000,000	100,000,000	-	-	350,000,000
<b>Total</b>	<b>250,000,000</b>	<b>100,000,000</b>	<b>-</b>	<b>-</b>	<b>350,000,000</b>
	<b>400,235,750</b>	<b>103,979,490</b>			<b>504,215,240</b>

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

Additions during the year amounting to Kshs.3,979,490are assets acquired during the year (see notes6). However, the amount reported in the table above;

- » The vehicle figure does not include the cost of vehicles worth Kshs 45,484,472, bought through the National Treasury funding before the OCOB was voted.
- » Include payment for staff loan mortgage scheme amounting to Kshs.100,000,000
- » During the year, there were no assets disposed of.

**Annex 4: Projects Implemented by the Office**

Ref	Project Name			
1	The Office did not have any capital formation project during the year under review			

**Annex 5: State Corporations, SAGAs and Public Funds under the OCOB**

Ref	SC, SAGA or Public Fund's name	The principal activity of the entity	Accounting Officer	The amount transferred during the year	Are inter-entity reconciliations done?(yes/no)
1	Public Fund- OCOB Mortgage Fund	Provide loan scheme for OCOB Staff members	Controller of Budget	Ksh.100 million	Yes