

PARLIAMENT  
OF KENYA  
LIBRARY

REPUBLIC OF KENYA



*Paper laid  
Wednesday  
14/2/2018  
Afternoon  
A.G.H*



**THE NATIONAL TREASURY**

**TREASURY MEMORANDUM**

**ON**

**PUBLIC ACCOUNTS COMMITTEE**

**REPORT**

**For The Year**

**2013/2014**

---

TABLE OF CONTENTS

TABLE OF CONTENTS.....	i
EXECUTIVE SUMMARY.....	iii
TREASURY MEMORANDUM ON PUBLIC ACCOUNTS COMMITTEE REPORT FOR THE FINANCIAL YEAR 2013/2014 .....	vi
GENERAL OBSERVATIONS.....	vii
HIGHLIGHTS FROM THE FY 2013/14 AUDITED ACCOUNTS.....	ix
THE NATIONAL TREASURY.....	1
MINISTRY OF INTERIOR AND COORDINATION OF NATIONAL GOVNT....	16
MINISTRY OF DEVOLUTION AND PLANNING.....	25
MINISTRY OF DEFENCE.....	26
MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE.....	32
MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY.....	37
MINISTRY OF HEALTH.....	46
MINISTRY OF TRANSPORT AND INFRASTRUCTURE.....	51
MINISTRY OF ENVIRONMENT, WATER AND NATURAL RESOURCES.....	57
MINISTRY OF LANDS, HOUSING AND URBAN DEVELOPMENT.....	59
MINISTRY OF INFORMATION, COMMUNICATIONS AND TECHNOLOGY.....	66
MINISTRY OF SPORTS, CULTURE AND ARTS.....	67
MINISTRY OF LABOUR, SOCIAL SECURITY AND SERVICES.....	68
MINISTRY OF ENERGY AND PETROLEUM.....	70
MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES.....	71
MINISTRY OF INDUSTRIALIZATION AND ENTERPRISE DEVELOPMENT...	74
MINISTRY OF EAST AFRICAN AFFAIRS, COMMERCE AND TOURISM.....	75

OFFICE OF THE ATTORNEY-GENERAL AND DEPT. OF JUSTICE.....	75
THE NATIONAL INTELLIGENCE SERVICE.....	77
COMMISSION FOR THE IMPLEMENTATION OF THE CONSTITUTION.....	77
KENYA NATIONAL COMMISSION ON HUMAN RIGHTS.....	78
INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION.....	78
PARLIAMENTARY SERVICE COMMISSION.....	80
TEACHERS SERVICE COMMISSION.....	80
NATIONAL POLICE SERVICE COMMISSION.....	82

## **EXECUTIVE SUMMARY**

Pursuant to Article 38 (1) f which requires the Cabinet Secretary to submit to the National Assembly a statement by the National Treasury specifying the measures taken by the National Government to implement any recommendations by the National Assembly with respect to the budget for the previous financial year or years, I herewith forward the Treasury Memorandum for the financial years 2013/2014 with the following comments.

### **Legislative Requirements**

The Public Finance Management Act 2012 was enacted on 24<sup>th</sup> July, 2012 and laid down structures and responsibilities necessary for Public Finance Management for the two levels of Government. This has facilitated the application of public funds in a lawful, effective, efficient and economic manner.

The Act under Section 192 established a Public Sector Accounting Standards Board which was gazette on 28<sup>th</sup> February, 2014 to provide a frame work and set generally accepted standard for the development and management of accounting and financial systems. The Board made pronouncements on its inaugural frame work for use by the State Organs and Public Entities on 8<sup>th</sup> August, 2014.

The National Treasury has undertaken training on the use of reporting templates for all Ministries, Departments and State Agencies to improve and enhance reporting standards as envisaged by the Act.

Regulations to guide implementation of Public Finance Management Act 2012 for the National government were made and gazette under Legal Notice No.34 of 20<sup>th</sup> March, 2015.

Public Procurement and Asset disposal Act, 2015 assented on 18<sup>th</sup> December, 2015 has been effected and vested responsibility on the Accounting Officers, which will improve procurement processes and enhance transparency and accountability.

### **Revenue Accounts**

Under-collection of revenue is caused by non-release of funds by the development partners when due and at times low absorption capacity by projects and programmes. The government has put in place an external resource policy document on official development assistance (ODA) which is intended to provide the legal, organizational, operational and accountable framework for guiding and managing of development partner funds.

In addition accounting officers have been encouraged to prepare accurate procurement plans which will guide in implementation of projects and programmes in a timely manner.

### **Pending Bills**

Pending bills are government expenditure commitment fully processed and authenticated for payment against existing adequate budget in the relevant financial year but for which financing is not availed during the year to which it refers and therefore carried over to the subsequent financial year.

Due to limitation of resources, MDAs are not fully funded. However they make their procurement based on budgetary provision which may not be fully funded by the exchequer. Ministries are encouraged to make pending bills a first charge in the ensuing financial year's provision.

### **Management of Bank Cash Accounts**

The National Treasury through IFMIS Department has automated cash management module which is intended to manage cash accounts, it has the capability of doing Auto Bank Reconciliation. We have also adapted internet Banking (IB) in our payment system which guarantees seamless transfer of funds to the recipients enabling daily tracking of available cash balances.

### **Statement of Assets**

An inter-Ministerial Taskforce to address old outstanding Assets in all Accounting Units was formed. The Committee has been able to assist Ministries to adjust the balances in the Statements of Assets and Liabilities. The exercise will ensure all the old balances are addressed and cleared from the books of accounts.

### **Maintenance of Accounting Records**

We have embedded Financial Reporting Templates in the IFMIS System to ensure harmonized data in the ledger and trial balance for preparation of Financial Statements as recommended by Public Sector Accounting Standard Board which was constituted in accordance with PFM Act 2012.

### **Other Measures Taken**

A Financial Reporting Unit (FRU) has been established as a stopgap to review and analyze the quality of the in-year financial reports, which will substantially reduce audit queries at source. The National Treasury is keen in consolidating all the National Government appropriated accounts in order to give the net worth of government of Kenya.

Indeed, National Treasury has continued to improve on the Integrated Financial Management Information System (IFMIS) by bringing in additional modules. IFMIS was rolled to the County Governments as the financial management tool for effective use, control, monitoring and reporting of public funds. Additional module to enhance efficiency and accountability installed lately is exchequer requisition which links payments with budgeted allocations.

## **TREASURY MEMORANDUM ON PUBLIC ACCOUNTS COMMITTEE REPORT FOR THE FINANCIAL YEAR 2013/2014**

The latest report of the Public Accounts Committee on the government of Kenya Accounts for the financial year 2013/2014 was tabled on the floor of parliament and adopted on 18<sup>th</sup> August, 2016. The adopted report was received at The National Treasury on 6<sup>th</sup> June, 2017 vide letter Ref No. KNA/L&P/CORR/2017 (142) dated 24<sup>th</sup> May 2017.

The National Treasury vide letter Ref No. AG.18/01Vol.14/ (50) of 15th June, 2017 advised the accounting officers to commence implementation of the Public Accounts Committee recommendations on paragraphs relating to their votes and thereafter submit a status report on the implementation to enable National Treasury prepare the Treasury Memorandum.

The responses from Ministries/Departments /Agencies were slow while in some cases inadequate information was provided and National Treasury had to keep reminding them. Failure by the ministries to submit the status reports as required caused delay in the preparation of the Treasury Memorandum.

National Treasury has endeavored to maintain standard and quality reports for purposes of current and future references. Responses are captured in a tabular form indicating action taken by MDAs from pages 1-83.

In accordance with Public Finance Management Act, Section 38 subsection 1(f), the National Treasury is required to prepare a statement specifying measures taken by the National Government to implement any recommendations made by the National Assembly with respect to the budget for the previous financial year or years. The treasury memorandum for financial year 2013/2014 is now presented.

## **1.0 GENERAL OBSERVATIONS**

### **1.1 Non – Compliance to Accounting Standards.**

The Public Sector Accounting Standard board pronounced use of financial reporting frame work and use of templates in July 2014 which was new and required immediate use for reporting financial statement for 2013/2014. National Treasury has trained its accounting staff on the new required templates and standards. To date over three thousand staff (3000) for both Ministries/Departments, Agencies, State Corporations and parastatals have been trained.

### **1.2 Challenges with the Integrated Financial Management Information Systems (IFMIS)**

IFMIS audit has been done by an independent body, the Auditor General and has indicated a positive outcome on efficiency, applicability and assurance on safety and security of the system which is widely used by both National and County Government.

### **1.3 Delayed Exchequer Releases**

There is marked improvement in system management which has been programmed to link budget, cash flow projections, work plan and exchequer requisition. This will improve disbursement of budgetary allocation in a timely manner.

### **1.4 Resolved Audit Queries**

The Auditor General is holding entry and exit meetings where agreements on resolved audit issues are documented.

### **1.5 Poor Implementation of Government Projects**

The National Treasury noted the concerns and has made changes in revised Public Procurement and Asset Disposal Act 2015 to address issues raised on the delayed completion of projects. Procurement Regulations are under way which will cover areas pointed out.

### **1.6 Unwarranted Attack on the Office of the Auditor General**

The Cabinet Secretaries were making political statements to defend the image of the government after establishing the content of newspaper reports were extracts from the auditor's report but not a brief from the Auditor General. This was to forestall freight of foreign investors and to restore confidence in Kenya's financial processes.

### **1.7 Weak Financial Management and Control by the National Treasury**

National Treasury has enacted laws that have laid bare financial regulations to manage and control public finances as follows:

- Public Finance Management Act 2012 regulations gazetted through notice No. 34 and 35 of 20th March 2015.-Enactment of Public Procurement and Asset Disposal Act 2015,
- Public Audit Act 2015, and gazzetement of Internal Audit Committee guidelines.