

REPUBLIC OF KENYA



THE NATIONAL TREASURY & PLANNING

PRESS RELEASE

AUDITED ACCOUNTS OF COUNTY GOVERNMENTS FOR THE YEAR ENDED 30TH JUNE 2018

Reference is made to reports appearing in the media on the subject matter.

The Auditor General's office carried out the audit of all the County Governments and the reports submitted to the Senate in accordance with the law. The Senate Committee on County Public Accounts and Investments is currently scrutinizing the audit reports in line with their mandate.

During the scrutiny of Kiambu County Executive audit report, the Committee noted anomalies in the annex summarizing expenditure by Programmes and Sub-Programmes.

The National Treasury wishes to clarify the matter as follows:

- 1) In general, the County Governments prepared their annual financial statements in accordance with the standard template prescribed by the Public Sector Accounting Standards Board.
- 2) As per the standard template, the primary statements that includes the Statement of Receipts and Payments, Statement of Assets and Liabilities and Cash Flow Statements were prepared per budget line items (also referred to as Economic Items), in adherence to the prescribed format.
- 3) In addition to the primary statements, there are a number of required annexes which provide further information on expenditures reported per Economic Items in comparison with the approved budget. These include:
 - (i) **Summary statement of appropriation for recurrent and development expenditure:** This report analyzes and compares actual expenditure reported under the primary statements against recurrent and development budget per economic item.
 - (ii) **Budget Execution report by Programmes and Sub-Programmes:** This report analyzes and compares actual expenditure reported under the primary statements against budgets by Programmes and Sub-Programmes. The detailed economic items are aggregated into relevant Programmes and Sub-programmes.
- 4) From a review of the County Government's audit reports, it is noted that the annexes referred to in (i) above were generally well prepared and presented by the County Governments. **However, for a number of County Governments, the Budget**

Execution reports by Programmes and Sub-programmes had erroneous descriptions reflecting typical National Government Programmes and Sub-Programmes rather than those that the County Governments actually budgeted and spent funds against. In total, 14 County Governments used the correct Programmes and Sub-Programmes descriptions while 11 County Governments used National Government descriptions. The other 22 County Governments did not submit the Budget Execution by Programmes and Sub-Programmes annex.

- 5) All expenditure reports are configured in the IFMIS system and the County Governments are required to generate the same from the system, review, verify and confirm the accuracy of the reports before submission for audit. It has since been noted that some County Governments generated the Programme and Sub-Programme reports with National Government descriptions and submitted for audit without adequate review to confirm whether the Programmes and Sub-Programmes related to their entities.
- 6) We wish to confirm that the County Governments that submitted the said annex with National Government descriptions did not budget or spend funds on the subject National Government Programmes and Sub-programmes. Further, we note that the audit reports of the affected County Governments did not contain findings of misappropriation of funds based on the wrongly described Programmes and Sub-programmes.
- 7) Through a letter to the County Executive Committee Members of Finance dated 6th May 2019, the National Treasury guided the County Governments on how to generate the reports with the correct descriptions. The affected County Governments are advised to re-submit the correct report to the Auditor General for verification and subsequently re-submit to the Senate.
- 8) Contrary to allegations by some Counties we wish to state that the National Treasury provides advise and technical assistance to all County Governments without bias. Further, the IFMIS system is a tool provided to the Counties to enable them operate more efficiently and transparently. As stipulated in the PFM Act, County Treasuries are responsible for preparation of comprehensive and accurate statutory financial reports in accordance with the prescribed standards.
- 9) We take note that the Council of Governors held a consultative meeting with the Office of the Auditor General and the Office of the Controller of Budget on the subject matter on 7th May 2019. The meeting resolved to form a multi-stakeholder technical team drawn from Controller of Budget, The National Treasury, Council of Governors and Auditor General to review the matter. The National Treasury shall provide the necessary input.
- 10) Finally, the National Treasury will continue building the requisite capacity within County Governments on Programme based budgeting, financial reporting and the use of IFMIS, among other public finance management aspects.

CABINET SECRETARY/NATIONAL TREASURY & PLANNING

Dated: Thursday, May 9, 2019