

THE LOCAL GOVERNMENT FY 2016/17 BUDGET CONSULTATIVE WORKSHOPS

Implementation of the PFM Act 2015

Accountant General's Office
Ministry of Finance, Planning and Economic
Development

Structure of the Presentation

Introduction

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graph TD; A[Introduction] --> B[PFMA: Key Performance Areas of Concern]; B --> C[Implementation Issues]; C --> D[Way forward];
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PFMA: Key Performance Areas of Concern

Implementation Issues

Way forward

Introduction: Purpose of the New PFMA

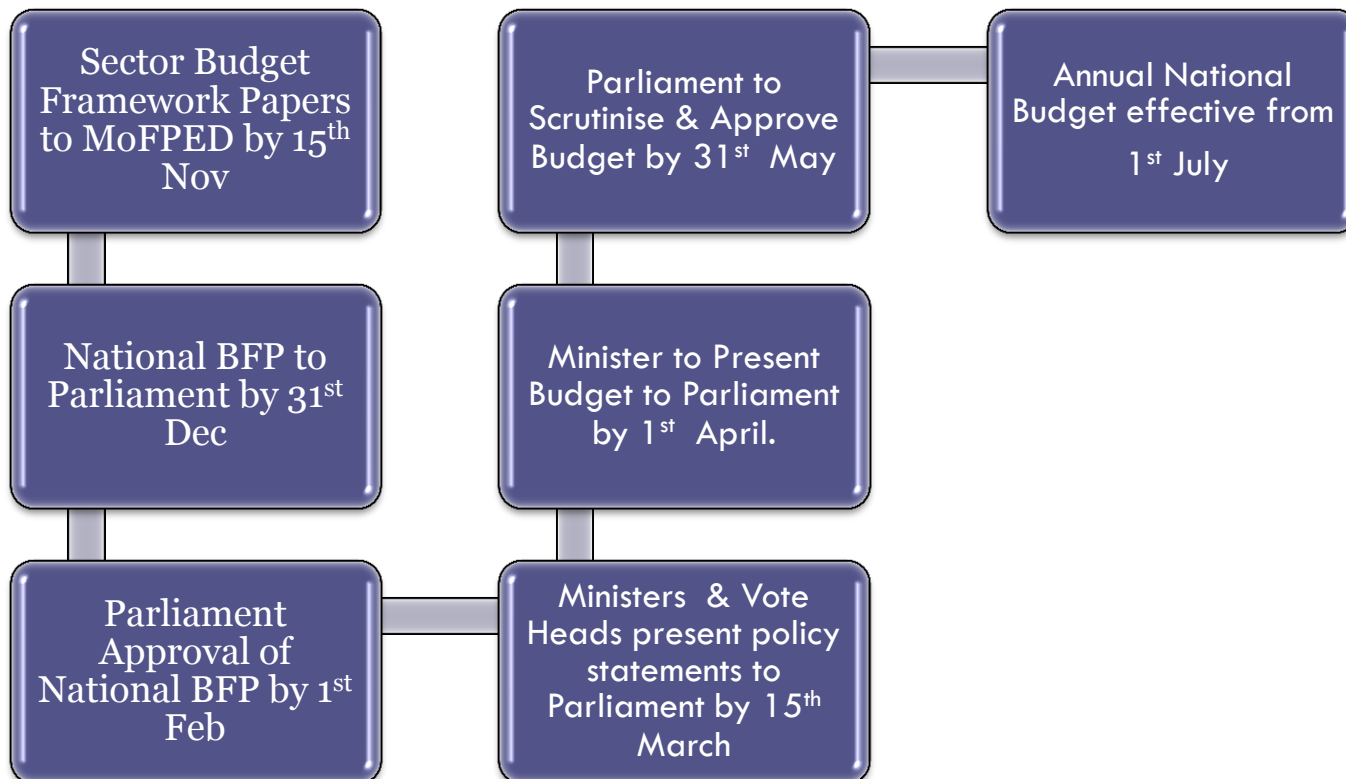
PFM Act 2015 assented to by H.E 23/2/2015 & Effective Date: **6/3/2015**

Effect:

- 1. Provide for Public Financial Management in the whole of Government**
- 2. Applicable to MDAs, LG, State Enterprise and Public Corporations**
- 3. In the event of conflict with any other laws, Guidelines, Instructions etc on matters of PFM, The other laws, Guidelines, etc shall be invalid to the extent of the inconsistency**
- 4. Repealed the PFAA, 2003**
- 5. A Bible you should read and internalize**

PFMA: Key Performance areas of concern

- **Annual Budget:** The Act brings forward the budget preparation and approval process so that the national budget is approved and effective by 1st July.



PFMA: Key Performance areas of concern

Annual Budget shall indicate:

- Financing estimates for the financial year including
 - Financing from Petroleum fund to UCF, domestic and external financing, plan for debt and guarantees, money recovered as a result of OAG recommendations and Divestment of GoU assets.
- Expenditure estimates –preceding, current & proceeding FY
- Multi-year commitments to be made in the FY
- Tax expenditures of GoU
- Budgets of self accounting departments, commissions and organization set up under the Constitution
- Grants to LG and any subventions for the FY
- The Minister shall also present with the Annual budget the following:
 - Appropriation Bill, Treasury Memorandum, Statement attesting to reliability and completeness, list of appointed or designated AOs, Certificate of Gender and equity responsiveness and budgets of public corporations and state enterprises

PFMA: Key Performance areas of concern

Ministerial Policy Statement:

- Achievements of the vote for the previous FY
- Annual & 3 months work plans and performance indicators
- Annual procurement and recruitment plan
- Statement of actions taken by the vote on Parliaments recommendation of OAG reports
- The cash flow projections of the vote
- Certificate issued by MoFPED in consultation with Equal Opportunities Commission on gender and equity responsiveness
- Vehicle utilization report
- Asset register of the vote

PFMA: Key Performance areas of concern

Expenditure control systems introduced based on programmed cash flow management (Sec 15 & 16)

- Commitment of the Approved Budget is based on Annual Cash flow plan issued by PS/ST after Annual budget is approved
- Votes to prepare and submit individual Annual Cash flow plan based on the approved **procurement plan, work plans and recruitments plans** Release of funds by Acc. Gen shall also be based on the Annual cash flow plan.
- **Accounting Officer to commit the budget based on the Annual Cash Flow Plan issued by ST**

Report on actual, forecast commitments and cash position of the vote to be submitted by AO to PS/ST every 3 months

PFMA: Key Performance areas of concern

- **Re-allocations:** Parliament may **reallocate** funds from one vote to another where functions of a vote are transferred.
- **Virements:** Limits have been introduced in the Act
 - The Minister can only authorize up to 10% of the allocation to an item or activity within a vote.
 - Implication: Estimates need to be accurate!
- **Multi year expenditure commitments** of more than one year require Parliamentary approval
 - AO is required to submit annualized estimates to be included in the MTEF & report on their performance.

Classified Expenditure: only monies appropriated for Defense and national security purposes (Section 24)

Implementation Issues

- **Supplementary budget to be financed from the Contingencies Fund**
 - ✓ **Access Criteria – Unabsorbable, Unavoidable, Unforeseeable.**
- **Every Appropriation by Parliament shall expire by 30th June & repay unspent money to UCF.**
- **Appropriation by LG Council to be returned to LG for supplementary appropriation as part of proceeding year's budget.**
- **AO to explain in writing to Minister reasons for failure to utilize (60%) unconditional or equalization grants**

Implementation Issues

- ▶ ST to prescribe framework within which to conduct **Banking and Cash Management** Activities – Bank operation guidelines issued
- ▶ Accountant General to authorize opening and closing of all bank accounts (Both CG & LG) & may suspend or close any Bank Account if it is necessary in public interest. **This includes request from another vote to a LG and is effective 6th March 2015 for all new Bank Accounts**
- ▶ Financial institutions to provide information on any bank account within 14 days from request by Auditor General or Accountant General.
- ▶ Database of LG Bank accounts to be maintained at Treasury: Require all AOs to submit list of all existing Bank Accounts.

Implementation Issues

- ❑ Accounting Officer is responsible for Asset and inventory Management.
 - ▶ Asset Register to be maintained and must be complete.
 - ▶ Inventory Management
 - ▶ Board Survey to be conducted at end of FY
 - ▶ Recommendations of BoS implemented - Disposal Management
- ❑ Public Debt, Grants and Guarantees
 - Authority to raise loans/issue guarantees/take any action resulting into a liability to Govt/LG is vested in the Minister S.36, 39, 40
- ❑ All Project Funds to be appropriated and form part of the UCF S. 43

Implementation Issues

▶ **Treasury Memorandum**

- ▶ As part of Ministerial Policy Statement – A statement of action taken by the vote to implement recommendations of Parliament in respect of the report of the Auditor General of the preceding FY

▶ **Abandonment of claims and write off of Public money and stores**

- ▶ The Minister may abundant or write off amounts not more than 10m
- ▶ Otherwise the abandonment or write off must be approved by resolution of Parliament
- ▶ Accounting Officers must communicate and intended abandonment or write off to the Minister

▶ **Inspection: Both Secretary to the treasury and Accountant General to inspect offices of a vote.**

- ▶ Gain access to any information required

Implementation Issues

Enhanced Roles of Accounting Officer Sec. 45

Increased responsibility and given timelines

- ▶ Control the regularity and proper use of money appropriated to a vote
- ▶ Be responsible for authorizing any commitment made by a vote, and
- ▶ Control the resources received, held or disposed of by or on account of a vote
- ▶ Put in place effective systems of risk management, internal control and internal audit
- ▶ Annual Budget Performance contract with ST
- ▶ Personally accountable to Parliament

Implementation Issues

Financial Reporting

- **Budget Performance Reporting:** Accounting Officers to report to PS/ST on vote activities by 31st Sept and every 3 months thereafter – Sec 21(3)
- Accounts for CG, LG, Public Corporations & state enterprises to be consolidated
- Accountant General to issue reporting template
- **Financial reporting calendar:**
 - In year reporting 15th Feb (Acc. Gen 15th Mar)
 - Annual reporting 31st August (Acc. Gen 30th Sept)
 - Public corporations to prepare statement of Financial Performance by 31st August

Implications for Accountability

External Oversight

- The PFM Act provides for earlier submission of the Auditor General's Report to Parliament from 9 to 6 months; (31st Dec)
 - *In time to inform Parliament on performance of an entity before further resources are allocated for the next financial year.*
 - *inline with good practice (3-6 Months after year end)*
- In accordance with Art 163(5), Parliament is required to debate and consider the Auditor General's report and take appropriate action within 6 months after submission of the report. (30th June)
- In addition this will improve the country's fiduciary rating based on the PEFA and other international assessment frameworks.

Offences & Surcharges

Offences

- Failure to provide information by the due date information to ST, AG
- Opens or causes to open any bank account without AG's permission & failure to pay public money into an official bank account
- Failure to comply with the PFM Law
- Borrows money on behalf of the Government
- Issues public securities, guarantees or indemnities, securities for loans
- Lends money or any asset of Government
- Incurs unauthorized expenditures or commitments
- Failure to keep proper records & providing false information
- Divulges data in electronic or other form without authority
- Diverts Government funds to unauthorized activities

Surcharge: A loss of or deficiency in public money, or damage to public property or other property under the control of the public officer

Way forward

- **Low level of appreciation by stakeholders- *Continue sensitisation***
- Preparation of **PFM Regulations** – Views welcome
- Need for **Reconfiguration of Systems**
- Review of **Financial Reporting templates**
- Review of existing **Treasury Accounting Instructions** and **operational guidelines**

The End!

Thank you