**OVERSIGHT FUNCTION IN PUBLIC FINANCE MANAGEMENT**

**Roles of National Assembly in Public finance Management**

**National Assembly** plays a crucial role in **public finance management** as outlined in the **Constitution of Kenya (2010)** and the **Public Finance Management Act (2012)**. Its key roles include:

## 1. Approval of National Budget

- Reviews and approves the **annual budget estimates** prepared by the National Treasury.
- Ensures that the budget aligns with **national priorities** and **development goals**.

## 2. Revenue Mobilization and Taxation

- Debates and approves **finance bills** that impose, alter, or remove taxes.
- Ensures that taxation policies are **fair, equitable, and sustainable**.

## 3. Oversight of Public Expenditure

- Monitors the use of public funds by government agencies to prevent mismanagement.
- Ensures that **funds are used efficiently and for intended purposes**.

## 4. Approval of Loans and Public Debt

- Approves any **public borrowing**, ensuring that Kenya does not accumulate unsustainable debt.
- Reviews reports on the **status of national debt** and its management.

## 5. Scrutiny of the Auditor-General's Reports

- Examines audit reports on government spending and recommends corrective action.
- Holds **government officials accountable** for financial irregularities.

## 6. Allocation of Funds to County Governments

- Determines the **equitable division of revenue** between the national and county governments.
- Approves **conditional grants** and other forms of financial support to counties.

## 7. Approval of Supplementary Budgets

- Reviews and approves any **extra budgetary allocations** required during emergencies or unforeseen circumstances.

## 8. Legislation on Public Finance Management

- Enacts laws related to **public finance management, procurement, and fiscal policies**.
- Amends existing laws to improve financial governance.

## 9. Monitoring State Corporations and Government Agencies

- Reviews financial performance and expenditure reports from **state-owned enterprises**.
- Ensures that **public funds are not wasted or misappropriated**.

## RESPONSIBLITIES ON NATIONAL ASSEMBLY BUDGET COMMITTEE IN PUBLIC FINANCE MATTERS

The **Budget and Appropriations Committee** of the National Assembly in Kenya plays a key role in **public finance management**, as outlined in the **Constitution of Kenya (2010)** and the Public Finance Management **Act (2012)**. Its primary responsibilities include:

## 1. Reviewing and Approving the National Budget

- Examines the **budget estimates** submitted by the National Treasury.
- Ensures that allocations align with **national priorities and development goals**.
- Makes recommendations to the National Assembly on budget appropriations.

## 2. Scrutinizing the Division of Revenue

- Reviews the **Division of Revenue Bill**, which allocates funds between the national and county governments.
- Ensures that revenue-sharing follows **constitutional principles** of equity and fairness.

## 3. Oversight on Government Expenditure

- Monitors the **utilization of public funds** to prevent misuse or wastage.
- Reviews reports from the **Controller of Budget and Auditor-General**.
- Summons government officials to **explain financial irregularities**.

## 4. Approving Supplementary Budgets

- Evaluates and recommends approval or rejection of any **supplementary budgets** presented by the National Treasury.
- Ensures that additional funds are necessary and used for priority areas.

## 5. Reviewing Finance and Appropriation Bills

- Examines the **Finance Bill**, which sets taxation measures and revenue collection strategies.
- Reviews the **Appropriations Bill**, which authorizes government expenditure for the fiscal year.

## 6. Public Participation in Budgeting

- Ensures that the budget-making **process** is **inclusive** and considers public input.
- Organizes public hearings and consultations on **budget proposals**.

## 7. Monitoring Public Debt and Borrowing

- Reviews the **National Treasury's proposals for borrowing and public debt management**.
- Ensures that **public borrowing is sustainable** and within legal limits.

## 8. Overseeing Expenditure on Development Projects

- Monitors government-funded **development projects** to ensure efficient use of funds.
- Evaluates whether projects achieve their intended **economic and social impact**.

## 9. Recommending Fiscal Policies and Reforms

- Advises on fiscal policies, taxation, and financial management improvements.
- Proposes amendments to laws related to **public finance management**.

## 10. Ensuring Accountability of Government Ministries and Agencies

- Examines financial reports from government ministries and agencies.
- Recommends actions against **corruption, mismanagement, or financial misconduct**.

**THE ROLES OF SENATE IN PUBLIC FINANCE MANAGEMENT**

The **Senate** plays a crucial role in **public finance management** as outlined in the **Constitution of Kenya (2010)** and the **Public Finance Management Act (2012)**. Its main responsibilities focus on overseeing the financial affairs of **county governments** and ensuring equitable distribution of resources.

## 1. Approving the Division of Revenue Between National and County Governments

- Examines and approves the **Division of Revenue Bill**, which determines how national revenue is shared between the national and county governments.

- Ensures that county governments receive adequate funds for **service delivery and development**.

## 2. Approving County Allocation of Revenue

- Reviews and approves the **County Allocation of Revenue Bill**, which distributes funds among the **47 counties**.
- Ensures that revenue sharing among counties is **fair and equitable**.

## 3. Oversight of County Government Expenditure

- Monitors how county governments **use allocated funds** to prevent wastage, mismanagement, or corruption.
- Examines reports from the **Auditor-General** and the **Controller of Budget** on county financial management.

## 4. Oversight of National Government Financial Laws Affecting Counties

- Reviews financial laws that impact counties, ensuring they do not infringe on **devolution principles**.
- Examines tax policies, budget decisions, and development projects affecting county governments.

## 5. Approving Loans and Grants to Counties

- Examines and approves **foreign and domestic borrowing** by county governments.
- Ensures that county debts are **sustainable and do not burden future budgets**.

## 6. Investigating Financial Mismanagement in Counties

- Conducts inquiries into **financial mismanagement, corruption, or misuse of county funds**.
- Recommends disciplinary action against governors or county officials found guilty of financial misconduct.

## 7. Protecting County Government Interests in National Budgeting

- Advocates for increased county funding during **national budget discussions**.
- Ensures counties receive adequate resources for essential services like **health, agriculture, and infrastructure**.

## 8. Monitoring Use of Equalization Funds

- Ensures that the **Equalization Fund**, meant to support marginalized areas, is **properly utilized**.

- Monitors projects aimed at reducing economic disparities among counties.

## 9. Scrutinizing Supplementary Budgets for Counties

- Reviews and approves requests for additional funding when counties face **emergencies or unexpected shortfalls**.
- Ensures that such allocations are **justified and properly accounted for**.

## 10. Recommending Policy and Legal Reforms on County Finance Management

- Suggests amendments to laws and policies to improve **county financial accountability and efficiency**.
- Works with the National Assembly to enact financial laws that strengthen **devolved governance**.

**THE RESPONSIBILITIES OF SENATE BUDGET COMMITTEE IN PUBLIC FINANCIAL MATTERS**

The Senate Standing Committee on Finance and Budget plays a crucial role in public finance management, particularly in overseeing the financial affairs of county governments and ensuring equitable resource allocation. Its responsibilities are guided by the Constitution of Kenya (2010), the Public Finance Management Act (2012), and other financial laws.

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## 1. Reviewing the Division of Revenue Between National and County Governments

- Analyzes and makes recommendations on the **Division of Revenue Bill**, which determines how revenue is shared between the **national and county governments**.
- Ensures that counties receive adequate funds to support **devolved functions** such as health, agriculture, and infrastructure.

## 2. Reviewing the County Allocation of Revenue Bill

- Evaluates and recommends approval of the **County Allocation of Revenue Bill**, which determines how funds are distributed among the **47 counties**.
- Ensures that **revenue-sharing is fair, equitable, and based on population, development needs, and fiscal capacity**.

## 3. Oversight of County Government Financial Management

- Examines financial reports from the **Controller of Budget** and the **Auditor-General** regarding county governments.
- Investigates cases of **financial mismanagement, corruption, or misuse of county funds**.
- Summons governors and other county officials to **explain financial irregularities**.

## 4. Approving County Borrowing and Debt Management

- Reviews and approves requests by counties to secure **loans or grants** from domestic or foreign sources.
- Ensures that county borrowing aligns with **public interest** and does not result in **unsustainable debt**.

## 5. Reviewing Public Finance Policies Affecting Counties

- Scrutinizes bills and policies related to **taxation, fiscal management, and public expenditure** at the county level.
- Ensures that national financial laws protect the **interests of county governments**.

## 6. Monitoring the Utilization of Equalization Funds

- Ensures that funds from the Equalization Fund, meant to support marginalized areas, are used efficiently and transparently.
- Tracks the implementation of projects aimed at reducing regional disparities.

## 7. Approving and Monitoring Supplementary Budgets for Counties

- Reviews **requests for additional funding** by counties during emergencies or unforeseen circumstances.
- Ensures that such supplementary budgets are **necessary and do not lead to wastage**.

## 8. Promoting Public Participation in County Financial Matters

- Organizes public hearings to collect citizens' views on county budgeting and revenue allocation.
- Ensures that the budget-making process is transparent and inclusive.

## 9. Recommending Fiscal and Legal Reforms

- Proposes amendments to **financial laws and policies** to improve county budget management.
- Works with the **National Assembly and the National Treasury** to strengthen financial accountability in counties.

## Role of the Parliamentary Budget Office (PBO) in Public Finance Management

The Parliamentary Budget Office (PBO) is an independent office established under the Fiscal Management Act, 2009 and later strengthened by the Public Finance Management Act, 2012. It serves both the National Assembly and the Senate, providing technical and analytical support on economic and financial matters.

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### 1. Providing Independent Budget Analysis

- Examines **national and county budget proposals** submitted by the National Treasury.
- Analyzes the **economic impact** of government spending and revenue policies.
- Advises Parliament on the **sustainability and effectiveness of proposed budgets**.

### 2. Supporting Parliament in Public Finance Oversight

- Reviews budget implementation reports from the Controller of Budget and Auditor-General.
- Identifies gaps, inefficiencies, and risks in government spending.
- Provides recommendations on how to improve financial accountability.

### 3. Assisting in Drafting Budget-Related Legislation

- Helps MPs in developing finance-related bills, motions, and amendments.
- Ensures that proposed financial laws comply with the Constitution and fiscal policies.

### 4. Monitoring and Evaluating Government Expenditure

- Tracks government spending to ensure funds are used for their **intended purposes**.
- Identifies cases of **mismanagement, underutilization, or misuse of public funds**.

### 5. Revenue and Tax Policy Analysis

- Reviews government proposals on taxation, borrowing, and revenue generation.
- Assesses the implications of tax policies on economic growth and public welfare.
- Advises Parliament on strategies for enhancing revenue collection.

### 6. Advising on Public Debt Management

- Analyzes the national debt levels and borrowing trends.
- Advises Parliament on the sustainability of public debt and its long-term impact.
- Reviews loan agreements to ensure they align with fiscal responsibility principles.

### 7. Conducting Research on Economic and Financial Matters

- Provides Parliament with data-driven insights on **macroeconomic performance**.
- Evaluates the effectiveness of government programs and fiscal policies.
- Benchmarks Kenya's public finance management practices against **global best practices**.

### 8. Supporting Public Participation in Budget Processes

- Organizes and facilitates **public hearings and stakeholder engagements**.
- Ensures that the budget-making process is **inclusive and transparent**.

## Role of the Auditor-General in Public Finance Management in Kenya

The Auditor-General is a constitutional office established under Article 229 of the Constitution of Kenya (2010) and the Public Audit Act, 2015. The office plays a crucial role in ensuring transparency, accountability, and prudent use of public resources in both the national and county governments.

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### 1. Auditing Government Accounts

- Conducts independent audits of **all public institutions**, including:
  - National and county governments
  - Parliament and Judiciary
  - State corporations and public-funded organizations
  - Independent commissions and constitutional offices
  - Political parties receiving public funds
- Ensures that public funds are **used for their intended purposes**.

### 2. Examining the Use of Public Resources

- Evaluates whether **government programs and projects** deliver value for money.
- Identifies cases of **waste, mismanagement, or inefficiencies** in government spending.

### 3. Reviewing Public Debt and Borrowing

- Audits the **management of public debt, loans, and grants** acquired by the government.
- Ensures that borrowing complies with **legal and fiscal responsibility principles**.

### 4. Reporting on Financial Mismanagement

- Produces audit reports that highlight **financial irregularities and corruption**.
- Submits reports to **Parliament and relevant oversight bodies** for action.

### 5. Making Recommendations on Financial Accountability

- Advises government institutions on **improving financial management and controls**.
- Suggests **corrective measures** for identified weaknesses in public finance.

### 6. Conducting Special Audits and Investigations

- Carries out special audits on request by Parliament or other authorized bodies.
- Investigates cases of suspected **fraud, corruption, and misuse of funds**.

### 7. Supporting Legislative Oversight on Public Finance

- Provides financial reports that help Parliament and county assemblies in **budget oversight**.
- Assists the **Public Accounts Committee (PAC) and Public Investments Committee (PIC)** in holding public officers accountable.

### 8. Auditing Donor and Grant Funds

- Examines how **foreign aid, grants, and donor funds** are used by government agencies.
- Ensures compliance with **donor agreements and financial regulations**.

### 9. Ensuring Compliance with Financial Laws and Regulations

- Checks whether government entities comply with **public finance laws, procurement rules, and accounting standards**.

## Role of Internal Audit in Public Finance Management

The **Internal Audit** function is an essential component of **public finance management**, responsible for ensuring **financial integrity, accountability, and efficiency** in government institutions. Internal auditors operate within **ministries, departments, agencies, and county governments** to provide independent and objective evaluations of financial activities.

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### 1. Evaluating Internal Controls

- Assesses the effectiveness of **financial management systems and internal controls**.
- Identifies weaknesses in processes that may lead to **fraud, errors, or inefficiencies**.
- Recommends improvements to ensure **compliance with financial policies**.

### 2. Ensuring Compliance with Financial Laws and Regulations

- Verifies that government institutions follow the **Public Finance Management Act, 2012**, the **Public Procurement and Asset Disposal Act, 2015**, and other financial regulations.
- Ensures that expenditures adhere to **approved budgets and legal frameworks**.

## 3. Detecting and Preventing Fraud and Corruption

- Identifies cases of **financial mismanagement, fraud, and corruption**.
- Provides recommendations on how to **strengthen anti-corruption measures**.

## 4. Conducting Risk Assessments

- Identifies **financial risks** that could impact government operations.
- Advises management on how to **mitigate risks and safeguard public resources**.

## 5. Reviewing Budget Implementation

- Monitors whether government funds are **spent according to approved budgets**.
- Identifies any instances of **over-expenditure, underutilization, or misallocation** of resources.

## 6. Assessing Efficiency and Effectiveness of Government Programs

- Evaluates whether government projects and programs achieve their **intended objectives**.
- Recommends ways to improve **service delivery and value for money**.

## 7. Providing Advisory Services to Management

- Offers insights and recommendations on **financial planning, control, and performance improvement**.
- Helps decision-makers implement **best financial practices**.

## 8. Preparing Internal Audit Reports

- Submits audit reports to **top management, audit committees, and relevant government bodies**.
- Highlights financial irregularities and suggests corrective actions.

## 9. Supporting External Audits

- Assists the **Auditor-General** and other external auditors by providing audit reports and records.
- Helps in implementing **audit recommendations** to improve financial accountability.

## Role of the Controller of Budget in Public Finance Management

The **Controller of Budget (CoB)** is a constitutional office established under **Article 228 of the Constitution of Kenya (2010)**. The office is responsible for **overseeing budget implementation by both the national and county governments** and ensuring public funds are used lawfully and efficiently.

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### 1. Authorizing the Withdrawal of Public Funds

- Approves the **withdrawal of money** from the **Consolidated Fund, County Revenue Funds, and Equalization Fund**.
- Ensures that funds are **only withdrawn for lawful and budgeted purposes**.

### 2. Monitoring Budget Implementation

- Tracks how national and county governments **spend allocated funds**.
- Ensures public money is used for **approved projects and services**.
- Identifies **budget deviations, underutilization, or mismanagement**.

### 3. Reporting on Budget Performance

- Submits **quarterly and annual reports** to Parliament and county assemblies on:
  - Revenue collection
  - Government spending
  - Compliance with budgetary allocations
- Highlights any financial **mismanagement or inefficiencies**.

### 4. Ensuring Compliance with Public Finance Laws

- Ensures that financial transactions comply with:
  - **The Constitution of Kenya (2010)**
  - **The Public Finance Management Act (2012)**
  - **The Public Procurement and Asset Disposal Act (2015)**
- Prevents illegal spending, over-expenditure, or **misallocation of resources**.

### 5. Oversight of Public Debt and Borrowing

- Monitors national and county **government borrowing and debt repayment**.
- Ensures loans and grants are used **transparently and for intended purposes**.

### 6. Investigating Financial Mismanagement

- Flags cases of **fraud, corruption, and misuse of funds**.

- Advises Parliament and county assemblies on **corrective actions**.

### 7. Advising on Fiscal Responsibility

- Provides recommendations on how to **improve budget efficiency and spending discipline**.
- Advises government institutions on **best financial management practices**.

## Role of the Public Sector Accounting Standards Board (PSASB) in Public Finance Management

The **Public Sector Accounting Standards Board (PSASB)** of Kenya was established under the **Public Finance Management (PFM) Act, 2012**, to promote **accountability, transparency, and financial discipline** in public sector entities through standardized accounting and reporting practices.

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### 1. Setting Accounting and Financial Reporting Standards

- Develops and prescribes **uniform accounting standards** for **national and county governments, state corporations, and public institutions**.
- Ensures financial reports comply with **International Public Sector Accounting Standards (IPSAS)** and **Generally Accepted Accounting Principles (GAAP)**.

### 2. Enhancing Financial Accountability and Transparency

- Ensures that public institutions follow **clear, accurate, and comparable financial reporting**.
- Promotes **full disclosure of financial information** to enhance decision-making.

### 3. Regulating Public Sector Auditing Standards

- Establishes and enforces **auditing standards** to ensure **credible and independent financial audits**.
- Aligns public sector auditing practices with **global best practices**.

### 4. Monitoring and Evaluating Compliance

- Conducts assessments to ensure **government entities follow approved financial reporting standards**.
- Identifies and addresses cases of **non-compliance, misreporting, or financial mismanagement**.

### 5. Capacity Building in Public Finance Management

- Trains and educates **public finance officers, accountants, and auditors** on best accounting practices.
- Supports government institutions in **adopting new financial reporting standards**.

## 6. Standardizing Financial Statements Across Public Entities

- Ensures that financial statements of public institutions are **consistent, comparable, and transparent**.
- Promotes **harmonization of accounting practices** across different government agencies.

## 7. Advising Government on Financial Reporting Policies

- Provides technical advice on **improving financial reporting, budgeting, and expenditure management**.
- Assists in formulating financial policies that **enhance public finance integrity**.

## 8. Supporting Decision-Making in Public Sector Finance

- Supplies accurate and reliable financial data to support **budgeting, planning, and policy formulation**.
- Helps **legislators, policymakers, and oversight bodies** make informed financial decisions.