

COUNTY GOVERNMENT OF NAKURU
MINISTRY OF FINANCE AND ECONOMIC PLANNING

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Office of The County Executive Committee Member
Ministry of Finance and Economic Planning
Nakuru County,
P.O Box 2870 - 20100

Ref.No. NKRC/CEC.F/BUDGET/Vol.I/2019

Date: 05/08/2019

COUNTY TREASURY CIRCULAR NO. 4 /2019

TO: ALL ACCOUNTING OFFICERS,
NAKURU COUNTY

RE: **GUIDELINES FOR THE IMPLEMENTATION OF THE FINANCIAL YEAR 2019/2020 BUDGET**

A) PURPOSE

1) The purpose of this Circular is to provide Guidelines for Implementation of the financial year 2019/2020 budget. The guidelines apply to all County Departments, Entities and the County Assembly.

B) BACKGROUND

2) The budget for the 2019/2020 has been prepared within the context of a projected National economic growth of 6.2 percent in 2019/20 and around 7.0 percent in the medium term. This is on the background of the contractionary fiscal policy adopted at the national level in line with the proposed taxation measures and the underlying fiscal impulse.

3) The 2019/20 budget framework will continue with the fiscal strategy of directing resources to the most productive areas and growth enhancing sectors while complementing the Big Four Agenda by the National Government. Efforts will further be intensified to increase own source revenue while leveraging on development partners and donors including the World Bank to supplement capital allocation in the budget. The County will also continue with fiscal rationalization and consolidation

strategies, by adopting the culture of doing more with less that is available with a view of promoting sustainability and affordability.

4) The motivation of a rationalized and balanced budget will continue to be the norm and will encompass sustainability, affordability and strict prioritization as a resource allocation strategy. To achieve this, we need to ensure that: Spending is directed towards the most critical needs of the County and is well utilized; More outputs and outcomes are achieved with existing or lower level resources; and County departments and entities requests for resources are realistic and take into account the resource constraints, in light of the county Government's fiscal consolidation policy.

5) During the FY 2019/2020, Accounting Officers should endeavor to improve budget implementation by undertaking the following:

- i. Ensuring that key Officers who are entrusted with the implementation process are familiar and have a clear understanding of existing laws, regulations and guidelines that govern budget implementation.
- ii. Give emphasis to completion of multi-year ongoing capital projects in particular infrastructural projects with an expected high impact on county development
- iii. Ensure that large projects/flagship project architectural design and bill of quantities are prepared well in advance and forwarded to the procurement in the first quarter of the financial year for implementation.
- iv. Ensuring that ineligible expenditures on areas outside the project approval are not incurred
- v. Processing payments to contractors and suppliers on time upon submission of completion certificates and supply of goods and services.
- vi. Obtaining necessary approvals before the commencement of the recruitment or replacement of staff from county treasury to ensure availability of funds.
- vii. Observing timeliness/deadlines in submitting periodical reports as agreed with the development partners in cases of externally funded projects.

- viii. Providing adequate disclosures of material matters during reporting to avoid audit qualifications.
- ix. Ensuring that challenges in documentation and performance reporting are addressed.

C) SPECIFIC GUIDELINES

✓ IFMIS System

- 6) All transactions during the implementation of FY 2019/2020 Budget must be carried out in IFMIS platform.

✓ Work Plans, Cash Plans and Procurement Plans

- 7) The Department's and Entities were required to prepare draft Annual Work plans in the format provided in **Annex I**, Cash plans and Procurement Plans before the end of June 2019 to facilitate commencement of implementation of the FY 2019/20 budget. In this respect Departments and Entities should avoid pushing implementation of programmes and projects towards the end of the financial year.

- 8) Changes in work plans and procurement plans during the fiscal year should only be done with the approval of the Accounting Officer in consultation with the County Executive Member/Head for the respective Department/Entity.

✓ Cash Flow Projections

- 9) Departments/Entities were required to prepare and submit annual Cash Flow projections by 15th of June 2019. The cash flow plans will be used to determine credit limits to be issued to Departments/Entities. Accounting Officers must therefore ensure that the work and procurement plans are consistent with the cash flow plans. Accounting Officers are also required to regularly review the cash requirement for their Departments/Entities and inform the County Treasury at least one month in advance of any changes which may be required.

✓ **Revenue Collection**

10) The Finance Act 2019 and other enabling legislations will provide the basis for revenue collection with the former commencement date being 1st July 2019. In respect to the above the Department of Finance and Economic Planning will organize an induction workshop for all collectors of revenue across County Departments to facilitate the implementation of the laws for enhanced revenue collection and apprise them on the set targets for own source revenue including FIF.

✓ **Issuance of A.I.Es**

11) Issuance of A.I.Es should be entered as a commitment in the master vote book so as to ascertain at all times the availability of uncommitted funds. Authority to Incur Expenditure (A.I.E) for field offices should be issued to the respective Officers not later than 15th day of each quarter.

✓ **Procurement of Goods and Services**

12) All Public Procurement should be conducted in accordance with the Public Procurement and Disposal Laws and the Regulations. Accounting Officers should take measures to ensure maximum absorption of budgeted resources, including early initiation of procurement process to avoid last minute purchases and award of contracts towards end of the financial year. The provisions of the Procurement Law and Regulations must be followed in all procurement transactions.

13) All Accounting Officers are required to submit to the County Treasury at the end of each quarter the contract register in the format provided in **Annex II**.

✓ **Pending Bills and FY 2018/2019 Carryover IB Commitments**

14) **Historical Pending Bills:** Cases of historical pending bills must be disposed of on the basis of special audit report conducted by the office auditor general. These bills will continue to be dealt with by the County Treasury strictly on the basis of the recommendations made by the County Pending Bills Committee established and gazetted for the purpose.

15) In order to ensure that there is no accrual in payment arrears (pending bills) on recurrent expenditure, Accounting Officers should ensure that any carryover payments emanating from the FY 2018/19 are treated as a first charge against FY 2019/2020 budgetary allocation before entering into any new commitments. The pending bills should be accommodated strictly within the budgetary provision for respective Departments/Entities without seeking additional funding from the County Treasury.

16) All Accounting Officer shall not later than the 10th day preceding each quarter submit a list of pending payments with an age of over ninety days. In addition, Accounting Officers are requested to submit outstanding pending bills incurred in 2018/19 after board survey to the County Treasury by 30th July, 2019 as per format provided in this Circular (**Annex III**).

✓ **Commitment Control**

17) No commitments should be entered to without adequate budgetary provision. Accounting Officers should ensure that unauthorized, irregular and wasteful expenditure are avoided, and corrective steps are taken where such expenditure has been incurred including disciplinary action against any Public Officer who has committed an act of financial delinquency. All commitments for supply of goods and services shall be done by 31st May, 2020.

✓ **Personnel Expenditure**

18) Accounting Officers should note that new recruitments remain frozen except for Departments whose vacant provisions are approved within the 2019/20 budget estimates provisions for Chief Officers in addition to Naivasha and Nakuru Municipal Boards. Recruitment of new staff and replacement arising out of natural attrition will only be considered after the Department/Entity has obtained funding approval from the County Executive Member for Finance and Economic Planning.

19) All Collective Bargaining Agreements (CBAs) with Trade Unions and salary reviews with additional cost implication must be referred to the County Treasury to confirm the availability of funds. Such confirmation shall be communicated through

duly signed letters by the County Executive Committee Member for Finance and Economic Planning/County Treasury. In addition, requisite advisory must be obtained from the Salaries and Remuneration Commission and Nakuru County Public Service Board before any agreement is signed.

20) Insurance schemes for employee- the payment for insurance should administered strictly on approved scheme for employees based SRC circulars for public officers serving in county governments this include medical scheme as per SRC circular Ref. No SRC/TS/CGOVT/3/61 dated 19th December 2014.

21) **Payroll:** Accounting Officers are reminded to carry out monthly staff and payroll audits to ascertain payroll accuracy and integrity in compliance with regulation 120(3) PFM act regulations. Further, Accounting Officers should ensure that a report on the spending by Departments/Entities on personnel emoluments with explanation of deviations is rendered to the County Treasury by 10th of every month.

✓ **Capital Projects**

22) The Financial Year 2019/2020 Development budget is project specific with clearly set outputs, performance indicators and targets. To enhance project implementation, Accounting Officers are required to appoint Project Managers for their respective projects. The Project Manager will be responsible for the achievement of the set targets for the project and also report regularly on the implementation status of the project.

The accounting officer are requested to ensure that records of all retention are maintained on payment of capital projects and the said forwarded to County Treasury with financial reports on 10th of subsequent month.

✓ **Reallocation of Funds**

23) Reallocations should only be done on the context of the provisions of Section 154 (2) and (3) of the Public Finance Management Act, 2012. Reallocations will only be allowed to cater for urgent and unforeseen expenditures that may arise in the course of budget implementation. However, such reallocations should not result in the alteration of the original priorities in the program. Under no circumstance should

reallocation account for more than 10% of the total expenditure approved for a program or sub vote for a given financial year.

24) Reallocation from statutory obligations/utilities or specific allocations which were recommended in the “Budget & Appropriations Committee Report” on the Estimates of Revenue and Expenditure for Financial Year 2019/2020 or by the County Treasury, for specific purpose is also not allowed.

25) Accounting Officers are required, in accordance with Clause 47(2) of the PFMA Regulations, to keep a register of all budgetary reallocations. The register shall be used to prepare a report of all reallocations for submission to the County Treasury not later than 10th day of each month. The report should indicate measures undertaken by the Accounting Officer to mitigate against future reallocations.

✓ **Supplementary/Additional Funding**

26) The Financial Year 2019/2020 Budget has been formulated under a tight fiscal framework. In this regard, Accounting Officers should avoid requesting for additional funding outside the budget framework approved by the County Assembly. Departments/Entities seeking additional funding will have their budgets reopened to further scrutiny with a view to creating savings to be redirected to funding the emerging need. Any surplus arising from this exercise will be surrendered to the County Treasury.

✓ **Performance Reporting**

27) The Financial year 2019/2020 Budget has been prepared based on programmes and sub programmes, with clear outputs, costs, indicators and performance targets. To implement the programmes, annual work plans, procurement plans and cash plans are essential. Monitoring and performance reporting on the status of implementation of these plans is essential for timely implementation of the budgeted programmes.

28) The Performance reports must indicate any changes to Departments/Entities programmes/priorities and targets as contained in the approved budgets. In case of deviation from the targets, the reports must indicate the reasons that led to the

deviation from the original targets and budget in the Approved PBB. Financial performance report should be presented according to economic classification, detailing expenditure under each classification in relation to planned expenditure.

29) Accounting Officers should also ensure that returns submitted are accurate and timely as they will form the basis for determining credit limits for release of funds to Departments/Entities. Each Accounting Officer will be held responsible for the accuracy of the performance reports. These reports should be submitted to the County Treasury by the 10th day after the end of a quarter under the signature of the Accounting Officers in person or a delegated Senior Officer not below the level of a Director. The format for reporting on financial and non-financial performance is provided in **Annex IV** and **Annex V** of this Circular respectively.

30) In addition to the financial and non-financial performance report, Accounting Officers are required to submit on a monthly basis actual expenditure returns, Integrated Payroll and Personnel Database (IPPD) returns, pending bills and A-I-A collection returns to the County Treasury not later than the 10th day of the following month.

CONCLUSION

Finally Accounting officers are required to ensure strict adherence to the 2019/20 Budget Implementation Guidelines and bring contents of this Circular to the attention of all relevant Officers working under them.



DR. PETER KETYENYA

CEC – FINANCE AND ECONOMIC PLANNING

C.C. H.E The Governor

County Secretary & Head of Public Service

All CECs

The Clerk to the County Assembly

ANNEX I

ANNUAL WORK PLAN FOR DEPARTMENTS FOR FINANCIAL YEAR 2019/2020

DEPARTMENT/ENTITY:

| PROGRAMME: | | | | | | | | | | | | | | | | | | | | | |
|----------------------|------------------|--------|----------------|------------------------|---------------|--------------------------------|------|-------|------|------|------|------|------|------|------|------|------|--------------------|-----------------|-------|----------|
| PROGRAMME OBJECTIVE: | | | | | | | | | | | | | | | | | | | | | |
| Sub Programme | Delivery Unit(s) | Output | Key Activities | Performance Indicators | Target Output | Time (Financial Year – Months) | | | | | | | | | | | | Total Budget Kshs. | Source Of Funds | | Comments |
| | | | | | | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May. | June | | Equitable | Donor | |
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ANNEX III

PENDING BILLS

PENDING BILLS TEMPLATE

| DEPARTMENT: | | | | | | | | |
|--------------------|--------------------|------------------------------------|-------------------|-------------------------------|--------------------|--------------------|-------------------------|--|
| | Description | FY (When Bill was incurred) | Contractor | Contractual/ Award Sum | Amount Paid | Outstanding | Proposed Payment | Reason For Incurring The Pending Bill |
| 1. | | | | | | | | |
| 2. | | | | | | | | |
| 3. | | | | | | | | |
| 4. | | | | | | | | |
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| 12. | | | | | | | | |
| 13. | | | | | | | | |
| 14. | | | | | | | | |
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| 16. | | | | | | | | |
| 17. | | | | | | | | |
| 18. | | | | | | | | |
| 19. | | | | | | | | |
| 20. | | | | | | | | |
| | TOTAL | | | | | | | |

ANNEX IV

FINANCIAL PROGRAMME/SUB PROGRAMME PERFORMANCE REPORT

Quarterly Programme Performance Report For The Period Ending

Department/Entity

| Programme: | | | | | | | |
|----------------------------------|-----------------|-----------------------|--------------------|------------|-------------------|---|---------|
| Programme Objective: | | | | | | | |
| Programme | Approved Budget | Quarterly Performance | | | | Variance Between Total Expenditure & Target Expenditure | Remarks |
| | | Target Expenditure | Actual Expenditure | Commitment | Total Expenditure | | |
| Current Expenditure | | | | | | | |
| Compensation to employees | | | | | | | |
| Use of goods and services | | | | | | | |
| Current transfers Govt. Agencies | | | | | | | |
| Other Expenses | | | | | | | |
| Capital Expenditure | | | | | | | |
| Non-financial assets | | | | | | | |
| Capital Transfers Govt. Agencies | | | | | | | |
| Other Developments | | | | | | | |
| TOTAL | | | | | | | |

