TURKANA COUNTY GOVERNMENT

THE COUNTY TREASURY

OFFICE OF THE CHIEF OFFICER FOR FINANCE

E-mail: jeremiah.apalia@turkana.go.ke
Website: http://www.turkana.go.ke

Ref:
TREASURY CIRCULAR NO 6 of 2018
Date: 10th July 2018

THE COUNTY EXECUTIVE
FINANCE AND PLANING
10 JUL 2018
TURKANA COUNTY GOVERNMENT
P O Box 11 - 30500, LODWAR

TO:

ALL COUNTY ACCOUNTING OFFICERS
TURKANA COUNTY GOVERNMENT

GUIDELINES FOR THE IMPLEMENTTAION OF THE BUDGET FOR THE FY 2018/19

I. PURPOSE

1. This Circular is issued to all Turkana County Government Entities in accordance with Section 105 (f) of the Public Finance Management Act, 2012 to issue guidelines on various financial matters to accounting officers of county government entities including implementation of the budget for the Financial Year 2018/19.

2. The aim of this Circular is to outline the procedure to be undertaken by all County Ministries, Departments and Agencies in ensuring a harmonized framework in the financial management and monitoring compliance on the guidelines.

3. This circular is also written under the backdrop of a circular issued by the National Treasury REF: ES. 1/03 "N" (2) on Financial Management.

II. SPECIFIC GUIDELINES

1. The specific guidelines that should be adhered to during the implementation of the Medium Term Budget for the financial year 2018/19 are highlighted as follows;

- ***IFMIS System***

2. All transactions during the implementation of the FY 2018/19 budget shall be carried out in IFMIS. In that regard, all payments shall be done through the Internet Banking platform.

- ***Budget Implementation Committees (BICs)***

3. All Accounting Officers are required to constitute Budget Implementation Committees in their respective entities not later than **20th July 2018.** The BIC shall be to oversee implementation of the budget for the FY 2018/19 and offer solutions to any challenges faced during implementation.

4. The Committee shall be required to regularly advise the Accounting Officer on budget performance and oversee preparation of the monthly and quarterly reports on budget implementation. ***See attached Annex 1 of the National Treasury Circular.***

- ***Work Plans, Cash Flow and Procurement Plans***

5. Accounting Officers should make sure that the Departmental work plans, Cash flows and Procurement Plans are prepared in the agreed formats by the Government and the County Treasury.

6. The FY 2018/19 budget implementation should be as per the approved appropriation act and the cash flow plan.

- ***Issuance of AIEs***

7. Authority to Incur Expenditure should be entered as a commitment to the IFMIS master vote book to allow for accurate monitoring of the votes utilization.

8. Strict management of the expenditure on particular vote lines should be adhered by the Accounting Officers of the various county departments. Accounting Officers are required to observe the required procedures of reallocations for votes exhausted within the Financial Year.

- ***Procurement of Goods and Services***

9. All public procurement will be guided by the provisions in the Public Procurement and Asset Disposal Act, 2015 and the PFM regulations 2015.Accounting Officers to make expenditure payments only against the approved and IFMIS uploaded Procurement plans.

10. Measures should be taken by the Accounting Officers to ensure maximum absorption of the allocated budgeted funds/resources. Early initiation of procurement of goods and services to be done to avoid last minute rush in award of contracts at the end of the Financial year.

- ***Commitment control***

11. Accounting Officers should ensure that no commitment is entered into 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 should be made not later than 31st May 2019.

- ***Pending Bills and FY 2017/2018 Carryover IB Commitments***

12. In order to ensure that there is no accrual in expenditure arrears (pending bills) from the previous fiscal year, Accounting Officers are required to ensure that all carryover payments emanating from the FY 2017/2018 are treated as a first charge against the FY 2018/2019 budgetary allocation before entering into any new commitments. Pending bills should be accommodated strictly within the budgetary provision for respective County departments without seeking additional funding from the County Treasury.

13. County pending Bills and Commitments report was done by a select Committee of Officers from the County Treasury and shall be circulated on the basis of this circular to help departments have them as first charge in their approved budget votes.

- ***Succession Management and Personnel Expenditures***

14. The County new personnel expenditures are at an all-time high and recommitments should be done on a case to case basis subject to an advisory of the CEC and the County Treasury.

15. Following the implementation of Job Evaluation, and subsequent salary adjustment in the Public Service, adjustment of salaries and emoluments and upgrading of staff by County Public

Service Board outside the job evaluation framework is frozen. Where it is inevitable, this should only be done after receiving advice from the Salaries and Remuneration Commission(SRC)

16. Revisions of schemes of Service, upgrading of positions/creation of new ones often lead to additional financial requirement. Departments are reminded to seek the concurrence of the County Treasury on funding of the resultant cost before asking for approval from the relevant government offices, boards or the CEC.

17. Any requests for payments by the County Treasury should be made on the basis of having positive balances in the respective votes. As such, Accounting Officers are reminded that it is an offence under the law to present such requests as it amounts to dishonesty and fraud. Such requests should be captured as pending bills and Accounting Officers should take adequate measures to ensure that these payments are captured and settled in the subsequent appropriation.

- ***Payroll***

18. Accounting Officers are required to undertake regular staff and payrolls audits to ascertain payroll accuracy and integrity. In addition, they should ensure that spending by departments on personnel emoluments is consistent with scales/advisory granted by the Salaries and Remuneration Commission and is reported to the National Treasury by 15th day of every month as per the format provided in **Annex V.**

- ***Reallocation of Funds***

19. Reallocations should only be done in the context of the provisions of Section 43(1), (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. This should however, not result in the alteration of the original priorities in the programme. Re-allocations should therefore not account for more than ten percent of the total expenditure approved under a programme for a given financial year. Further re-allocation of funds will not be allowed from the following:

i). *Core poverty interventions*

ii). *Personnel expenditure to operational expenses*

iii). *Capital expenditure except in cases where such reallocations are meant to defray other capital expenditure; and*

iv). *Statutory obligations, utilities or specific allocations which were recommended in the "Budget & Appropriations Committee Report for FY 2018/19*

20. Accounting Officers are in accordance to Clause 48(2) of the PFM regulations required to keep a register of all budgetary reallocations. The register should be used to prepare a report of all

reallocations to the County Treasury not later than 5th day of each Month. The report should indicate measures undertaken to address recurrence of reallocations.

- ***Supplementary/Additional Funding***

21. The FY 2018/19 Budget has been formulated under a tight fiscal framework. Accounting Officers should therefore avoid requesting for additional funding outside the budget appropriation approved by the County Assembly. Departments seeking additional funding will have their budgets subjected to further scrutiny with a view to create savings which will be redirected to funding the emerging need. The format request for additional expenditure request is provided in Annex VI of this Circular.

- ***Capital Projects***

22. The FY 2018/19 Development Budget remains project specific with clearly yet outputs, performance indicators and targets. To enhance project implementation, Accounting Officers are required to appoint suitable Officers as project managers and AIE holders for respective projects. The project manager will be responsible for the set project targets and regular reporting regularly on the implementation status on the BIC.

- ***Monitoring, Evaluation and Reporting of Project Implementation Status***

23. To ensure effective implementation of the budgeted projects and achievement of the intended results, departments should ensure regular monitoring of the projects. Accounting Officers are required to submit quarterly reports to the County Treasury on the project status. Clearly indicating the progress achieved, challenges and ways of mitigating the challenges being faced in implementation.

24. Accounting Officers should ensure project details are continuously updated in the IFMIS system. In this regard, departments should update in the IFMIS the status of all ongoing projects as at 30th June 2018. The update should include project estimated cost/or contract value, actual cumulative expenditure up to 30th June 2018., outstanding project cost as at 30th June 2018, budgetary provision in the FY 2018/19 and the Medium Term.

25. The updated project details should be finalized in the IFMIS, and hard copies submitted to the County Treasury under the signature of the Accounting Officers by 31st July 2018. The reports will form the basis of allocating resources to the ongoing projects in the FY 2019/20 budget cycle. The format for presentation of the reports is provided in Annex VII of this circular.

- ***Foreign financed projects***

26. It is the policy of the County Government entities to absorb all funds both for domestically and donor financed projects. In this regard, departments should implement development projects in the most efficient and effective manner with a view to improving absorption capacity. In-year requests for new/additional budgetary provision for both donor and domestically

financed projects will be reviewed in the context of the approved fiscal framework and the absorption capacity.

- **Performance reporting**

27. The approved budgets have been prepared based on programmes with clear outputs, performance indicators and targets. Monitoring and performance reporting on the status of implementation is essential for timely realization of the targeted outputs and outcomes.

28. Departments are required to continuously monitor and report to the County Treasury on the progress of their budget implementation with key focus on both financial and non-financial performance against the targets in each programme. Performance reports must indicate any changes to departments programmes, priorities and targets as contained in the approved budgets. The reports must indicate the reasons for existence of any deviation from the original targets and budget in the approved PBB.

29. Accounting Officers should ensure that the returns submitted are accurate and timely as these will form the basis for determining credit limits for the release of funds to departments. 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 deputy director. Failure to submit the report will lead to non-release of subsequent exchequer requests. The Standard format for financial and non-financial reporting is as attached in **Annex VIII and IX of this circular**.

30. In addition to the report sought through the standard reporting format provided, Accounting Officers are required to include the following in the reports: on a monthly basis (i.e by the 10th day) the actual expenditure returns, Integrated Payroll and Personnel Database(IPPD) returns, pending bills and A-I-A returns.

- **Performance for result (PFR) Related Expenditure**

31. Accounting Officer are required to ensure that priority service delivery and project budget lines with conditional grant resources (PFR) are ring-fenced during implementation, which include those specified in the project operational guidelines to ensure effective implementation.

32. Accounting Officers should ensure that the process for revising cash plans in year when there are revenue shortfalls including the protection of priority budget lines for service delivery shall be in accordance to the County Treasury guidelines. In this regard, Accounting Officers should therefore ensure that conditional grants funding specific expenditure programmes/projects in particular those funded by development partners are reported effectively within quarterly expenditure reports.

33. As means of ensuring that public investments and services are delivered as planned, exchequer releases to priority service delivery and made in line with cash flow.

Payment for On-going Projects

34. Commitments that do not involve awarding of new contracts but require payments to be made over the agreed period of time must be honored. Accounting Officers are therefore required to service ongoing contractual obligations as per the contract agreement to avoid accumulation of expenditure arrears (pending bills).

- ***Payment of Pending Bills and Other Liabilities***

35. Accounting Officers should ensure that all pending bills are paid for as guided in **Treasury Circular No.1 of 2017/18** dated 30th August, **2017**. In the event of any pending bills by the closure of the financial year, Entities will be required to disclose in form of a footnote to the Recurrent and Development Appropriations Accounts, and to state against each claim the reason why the amount was not settled by 30th June, 2018. For full disclosure, Entities are required to show the cumulative historical pending bills separately from bills for FY 2017/18.

- ***Carry Forwards for FY 2017/18***

As you are all aware, we are in arrears on disbursements from the National Treasury and so, a number of projects could not be paid due to unavailability of funds. As such, all Accounting Officers are hereby requested to document all contractual obligations that have not been met. Annexed herewith, please find a template for reporting the carry forwards. **Strictly adhere to the provided template and submit by 15th June, 2018.**

- ***Issuance of Imprest***

36. To ensure that we conform to the PFM principles, Accounting Officers are advised that the last date of issuing imprest is **15th June 2018** and that all imprests should be surrendered by the **25th of June 2018**. The County Treasury will take drastic measures including but not limited to recovery of all unsurrendered imprests from the imprest holders.

- ***Asset register***

37. All Accounting Officers should make a declaration to the County Treasury of all assets including those acquired in the current financial year by 15th June 2018. Entities are advised to ensure proper

handing over reports are prepared and enough copies maintained for verification in cases where officers transit, transfer or otherwise.

- ***Board of Survey***

38. A Board of Survey shall be convened by the County Treasury. Accounting Officers should appoint a Board of Survey member to represent their ministries to examine and verify the cash at hand and the bank balances as at close of business on the last working day of the Financial Year 2017/18. This examination must be carried out before the opening of business on the first day of financial year 2018/19 (1st July 2018). Ensure that you have submitted the Nominee to the Board of Survey by 15th June 2018.

- ***Remittance of Revenue and Appropriations-In-Aid***

39. Accounting Officers are required to collect, bank and or account for all revenue and Appropriations-in-Aid due to Government latest by 4.00 p.m. on 30th June 2018.

40. Accounting Officers that are in receipt of revenue are required to submit to the County Treasury a summary of expenditure which will include all posted payments for their entity as captured, actual cash received and the actual expenditure for the Financial Year 2017/18, by 31st July 2018.

- ***Returns for Fund Accounts***

41. Fund Administrators should ensure that all transactions of Fund accounts under their administration is kept and well managed. Returns that should include a report of activities done, beneficiaries, a summary of receipts and expenditures including the bank and cash balance equivalents, a bank reconciliation should be submitted to the County Treasury by the close of the Financial Year. The statements in respect of fund accounts shall include an Income and Expenditure Statement, a Cash Flow Statement and a Balance Sheet as at 30th June 2018.

- ***Production of Ledgers/Trial Balances***

42. Departments are fully responsible for the production of their own ledgers and maintenance of their cash books. Every effort should therefore be made to ensure that the ledger balances are a

true reflection of the financial transactions for the Financial Year 2017/18. To achieve these, the following should be carried out;

i). Clear all surrenders in the system;

ii). All journals should be posted:

iii). Clear all unaccounted transaction in the system; and

iv). Clear the outstanding commitments;

v). Prepare a trial balance

- ***Annual Appropriations Accounts, Funds Accounts and Other Financial Statements***

43. The Appropriations Accounts, Funds Accounts and other Financial Statements including accounts for any Donor Funded Projects for the FY 2017/18 shall be prepared in the new formats of reporting as communicated by the Public Sector Accounting Standards Board (PSASB) and submitted to the Auditor General by **30th September, 2018** with a copy to the National Treasury, as the case may be, and Controller of Budget. The statements in respect of fund accounts shall include an Income and Expenditure Statement, a Cash Flow Statement and a Balance Sheet as at 30th June 2018.

III. CONCLUSION

44. Finally, Accounting officers are required to ensure strict adherence to these guidelines and to bring to the attention of all public officers working under them. Contravention of the provisions/instructions of this Circular will be deemed as an offence in accordance with Section 197(1) (h) & (i) of the PFM 2012. Attached in the annex please find a template for reporting the carry forwards to FY 2018/19.

THE COUNTY EXECUTIVE
FINANCE AND PLANING
10 JUL 2018
TURKANA COUNTY GOVERNMENT
P. O. Box 11 - 30500, LODWAR

ROBERT ERENG LOTELENGO
COUNTY EXECUTIVE COMMITTEE MEMBER
FINANCE AND ECONOMIC PLANNING
TURKANA COUNTY GOVERNMENT

CC:

HE THE GOVERNOR

THE DEPUTY GOVERNOR

THE COUNTY EXECUTIVE MEMBERS

THE COUNTY SECRETARY

ANNEX I: TERMS OF REFERENCE FOR THE BUDGET IMPLEMENTATION COMMITTEE

There shall be established a Budget Implementation Committee(BIC) in all departments at the beginning of each financial year. The Committee will be required to be meeting once after every two weeks to review budget implementation progress.

The terms of reference for the Committee shall be:

1. To review and consider the cash flow plans – this shall involve a regular review of the departmental cash plan and approval of any changes to the initial cash flow plan to be communicated to County Treasury;
2. To review the utilization of cash limits and consider any changes as may be required;
3. To review the utilization of donor funds voted for the department;
4. To advise the Accounting Officer on any challenges related to the budget implementation;
5. To review and recommend reallocation of expenditures;
6. To review and approve the submission of the expenditure returns, IPPD, Pending Bills and A-I-A returns for the departments and recommend actions to be taken;
7. To participate in sector working groups; and
8. To prepare the budgets for departments in consultation with Heads of departments

ANNEX I: TEMPLATE FOR CARRY FORWARDS

Name of Programme/Project	Budget Allocation	LSO/LPO Number	Contract Amount	Payments made as at 20th June, 2018	Carry Forward

ANNEX II: ANNUAL WORK PLAN FORMAT FOR FINANCIAL YEAR 2018/19

DEPARTMENT……

ANNEX II: TEMPLATE FOR ANNUAL WORK PLAN FOR FINANCIAL YEAR 2018/19

DEPARTMENT…….

PROGRAMME:																						
PROGRAMME OBJECTIVE:																						
SUB PROGRAMME	DELIVERY UNITS	OUT PUT	KEY ACTIVITIES	PERFORMANCE INDICATORS	TARGET OUT PUTS	TIME (FINANCIAL YEAR – MONTHS)													SOURCE OF FUNDS		COMMENTS
						JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	TOTAL BUDGET KSH	GOK	DONOR	

ANNEX III: CASH FLOW PROJECTION TEMPLATE, FY 2018/19

DEPARTMENT……..

VOTE CODE	IFMIS CODE	DETAILS	PROJECTED 2018						PROJECTED 2019					
			Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
		1.0 TOTAL INFLOW												
		1.1 Property Income												
		1.2 Sale of Goods & Services												
		1.3 Other Revenue												
		1.4 Appropriation in Aid												
		2.0 TOTAL CASHOUTFLOW												
		2.1 CURRENT EXPENDITURE												
		2.1.1 Compensation to Employees												
		2.1.2 Use of Goods & Services												
		2.1.3 Current Transfers to Govt. Agencies												
		2.1.4 Other Current Expenditures												
		2.2 CAPITAL EXPENDITURE												
		2.2.1 Acquisition of Non-Financial Assets												
		2.2.2 Capital Grants to Govt. Agencies												
		2.2.3 Other Development												
		NET CASHFLOW REQUIREMENT												

ANNEX IV: TEMPLATE FOR PENDING BILLS FY 2018/19 BUDGET

Ministry, Department, Agency……						
Financial Year (When the pending bill was incurred)						
Vote	Approved Allocation for the Contract	Total Cumulative payment to date	Unpaid Balance to date	Interests/Penalties	Total Outstanding Amount of the Pending Bill to date	Reasons for Incurring the pending bill e.g. Non-provision of exchequer, court award etc
Recurrent Contract I Contract II …….. **Development** Contract I Contract II						

Memo Note

Total Outstanding amount for the bill is given by Unpaid balance to date plus Interests/penalties Incurred

ANNEX V: TEMPLATE FOR SAGAs MONTHLY/Quarterly RETURNS FY 2018/19 BUDGET

Name of the Ministry, Department & Agency……..

Semi-Autonomous Government Agency (SAGA)……..

		Actual Expenditure/Payment (1st Quarter)			Expenditure/Payment (2nd Quarter)			Actual Expenditure/Payment (3rd Quarter)			Expenditure/Payment (4th Quarter)		
	Approved Budget	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	March	April	May	June
1. TOTAL INFLOW													
1.1 Current Grant/Transfer **1.2** Capital Grant/Transfer **1.3** Appropriation in Aid													
2. EXPENDITURE													
2.1 Current Compensation of Employees Basic Salary House Allowance Commuter Allowance Any other allowance paid as part of the Salary Operations and Maintenance 2.2 Capital Project I…… Project II……													

NB: The report should be submitted every Quarter

ANNEX VI: TEMPLATE FOR ADDITIONAL REQUEST

Description	Original Budget	Actual Expenditure	Outstanding Commitment	Additional Expenditure Request	Reasons for Additional Request on the Item
Vote Programme Sub-programme Item Sub-Item					

NB: Provide analysis of the implications for the planned outputs and outcomes of the affected programmes

ANNEX VII: TEMPLATE FOR REPORTING PROJECT DETAILS FOR FY 2018/19 AND THE MEDIUM – TERM BUDGET

Ministry/Department/Agency: ……

Vote: ……

Programme……

Sub-Programme……

Project Code	Est. Cost of Project/ or Contract value (a)	Financing		Timeline		Actual Cumulative Exp. Up to 30th June 2018	Outstanding Project Cost As At 30th June 2018	Baseline FY 2017/18 Budget		Allocation FY 2018/19 Budget		Projection for FY 2020/21		Project Status*
		Foreign	GOK	Start Date	Expected Completion Date	(b)	(a) -(b)	Foreign	GOK	Foreign	GOK	Foreign	GOK	
XX1 XX2														
XX3														
XX..														
XX...n														

*Project status should be ongoing, new and pipeline projects

ANNEX VIII: FINANCIAL PROGRAMME/SUBPROGRAMME PERFORMANCE REPORT

Quarterly Programme Performance Report for the Period Ending: ……

Ministry/Department/Agency: ……

Programme……

Programme Objective……

		Quarterly Performance					
Programme	Approved Budget	Target Expenditure	Actual Expenditure	Commitment	Total Expenditure	Variance between Total Expenditure & target Expenditure	Remarks
Current Expenditure							
Compensation to Employees							
Use of goods and services							
Interest							
Subsidies							
Current Transfers to Gov't Agencies							
Social Benefits							
Other Expense							
Acquisition of Non – Financial Assets							
Acquisition of Financial Assets							
Capital Expenditure							
Compensation to Employees							
Use of goods and services							
Interest							
Subsidies							
Capital Transfers to Govt. Agencies							
Social Benefits							
Other Expense							
Acquisition of Non – Financial Assets							
Acquisition of Financial Assets							

NB: Reporting should be every Quarter

Memo Notes:

Target Expenditure is for the Quarter

Total Expenditure for the quarter includes commitment

Variance = Total – Target Expenditure

Remarks should indicate the reason of the findings in the above analysis

ANNEX IX: NON-FINANCIAL PROGRAMME/SUBPROGRAMME PERFORMANCE REPORT

Quarterly Programme Performance Report for the Period Ending: ……

Programme……				
Programme Objective……				
Sub Programme:	Target	Achieved Target	Variance Between Target and Achieved Target	Reason for Variance