



EXECUTIVE OFFICE OF THE PRESIDENT
CHIEF OF STAFF AND HEAD OF THE PUBLIC SERVICE

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P.O. Box 40530-00100
Nairobi, Kenya

Ref. No. **OP/CAB.6/1**
and date

09 February....., 20..**24**....

The Solicitor General

All Principal Secretaries

**RE: 100% COMPLIANCE AND ACHIEVEMENT OF THE ZERO FAULT
AUDIT STATUS FOR FINANCIAL YEAR 2023/2024 AS A KEY TERM
OF REFERENCE FOR THE PUBLIC FINANCE MANAGEMENT
STANDING COMMITTEE IN YOUR STATE DEPARTMENTS**

Reference is made to Circular Ref: OP/CAB.6/1A of 13 September 2023, Regulations 18, and 19 of the **Public Finance Management (National Government) Regulations of 2015**. Notably, the latter law specifically designates Principal Secretaries, as the Accounting Officers, to be the Chairs of the said Public Finance Management Standing Committees.

In relation to the above, you are hereby directed to do the following:

- (i) Provide the names and personal numbers of the members of the Public Finance Management Standing Committee (hereafter PFMSC) in your State Department as established in accordance with the above law. This information should be sent to the email address that shall be provided at the end of this communication by close of business on **Wednesday 21, February 2024**;
- (ii) Submit a copy of the Internal Audit Report pursuant to Regulation 19(1)(g) to this Office by **Wednesday, 10 April 2024**;

- (iii) Include as a mandatory Term of Reference for your PFMSC the 100% compliance and achievement of the Zero Fault Audit status for your State Department, as well as the Agencies/Entities listed under your ward in Executive Order No. 2 of 2023;
- (iv) As the Chair of the PFMSC in your State Department, you are therefore directed to convene a meeting of the Standing Committee immediately to discuss and undertake the following:
 - a) The essentials and components of the Zero Fault Audit Campaign;
 - b) Confirmation of whether the Agencies/Entities under your Ward have PFMSCs established in accordance with Regulation 18(1) and are strictly adhering to Regulations 18 and 19;
 - c) A mapping by the PFMSC of the status of compliance by the State Department and its Agencies/Entities with all the laws, regulations and circulars required to achieve Zero Fault Audit status. This will mandatorily require the Standing Committee to meet face to face with all relevant officials both within the State Department and its Agencies/Entities in order to establish their status accurately;
 - d) Further to No. (C) above, your PFMSC and that of your Agencies/Entities must review all the internal audit reports concerning this Financial Year and ensure appropriate corrective action is undertaken to completely avoid audit queries being raised by the Auditor General;
 - e) A detailed Plan of Action outlining the measures the PFMSC will take to ensure the 100% achievement of the Zero Fault Audit Status in the current Financial Year within the State Department and all its Agencies/Entities; and
 - f) Where the State Department and/or its Agencies/Entities anticipates any audit queries in this Financial Year that are beyond their control, the same should be well documented, including all efforts at addressing the causative factors and by whom. This should be sent to your Cabinet Secretary as required by the law with a copy sent to this Office.

Take Note that the Standing Committee is required to submit an initial report with copies of minutes on the above listed items (b to f) to the email address provided below by close of business on **Wednesday, 10 April 2024**.

The Government is restoring the pride of this Country and we **MUST** succeed with the Zero Fault Campaign that will henceforth become our way of life.

The contact person for this exercise from this Office is: -

Dr. Linda Musumba, MBS
Head - Audit, Legal and Regulatory Compliance
Tel. No. 020 2227411 Ext. 22078

Email Address for all Correspondence:
alrcoffice@headofpublicservice@go.ke



FELIX K. KOSKEI, EGH
CHIEF OF STAFF AND HEAD OF THE PUBLIC SERVICE

**Encl. (Regulations 18 and 19 of The Public Finance Management
(National Government) Regulations of 2015)**

Copy to: The Hon. Attorney-General

All Cabinet Secretaries

The Chief of Staff, Office of the Deputy President

The Chief of Staff, Office of the Prime Cabinet Secretary

The Auditor General

The Controller of Budget

The Ag. Internal Auditor General

The Chair of Council of Governors { for information only }

LEGAL NOTICE NO. 34

THE PUBLIC FINANCE MANAGEMENT ACT

(No. 18 of 2012)

ARRANGEMENT OF REGULATIONS

Regulation

PART I—PRELIMINARY

- 1—Citation
- 2—Interpretation.
- 3—Application of the Regulations.
- 4—Object and purpose of the Regulations.
- 5—Officers to be conversant with Regulations.
- 6—Openness and accountability.
- 7—Cabinet Secretary to publish process and procedures for public participation.
- 8—Monetary unit, accounting and reporting.
- 9—Financial management forms and manuals
- 10—Accounting responsibility not demised by audit.
- 11—Responsibility for handover by financial officer.
- 12—Application of secure signatures.
- 13—Signing blank or blind accountability documents.
- 14—Restricted use of green ink.
- 15—Restricted use of brown ink.
- 16—Use of indelible ink.

PART II—CORPORATE MANAGEMENT

- 17—Corporate governance.
- 18—Establishment of Public Finance Management Standing Committees.
- 19—Roles and responsibilities of Standing Committees.
- 20—Duties and Responsibilities of the Accountant-General.
- 21—Presidential Warrants.
- 22—National Treasury Warrant
- 23—Responsibilities of Accounting Officers
- 24—Delegation by the Accounting Officer
- 25—Designation of Authority to Incur Expenditure Holder (AIE).

(2) It shall be the duty of any public officer signing any document or record pertaining to a financial transaction to read and satisfy himself or herself that it is proper to give his or her signature and his or her signature shall be evidence of acceptance of responsibility for the document, whether the public officer read it or not.

(3) The signing of a document contrary to paragraph (1) and (2) shall constitute an offence under the Act.

14. A public officer, except the President or the Auditor-General, shall not use green ink or green pencil in recording or transacting any official financial transaction.

Restricted use of green Ink.

15. A public officer other than the Cabinet Secretary, the Principal Secretary, the Internal Auditor-General or Head of Internal Audit, shall not use brown ink or brown pencil in recording or transacting any official financial transaction.

Restricted use of brown ink.

16. (1) Financial records and documents shall be written in indelible ink.

Use of indelible ink.

(2) An entry in a financial record or document shall not be obliterated, erased or altered by being written over.

(3) Payment in connection with any document bearing an alteration, obliteration or erasure shall be refused by the relevant public officer or any other person unless countersigned, but this shall not apply to a cheque or official receipt.

(4) A person who contravenes the provisions of this regulation commits an offence under the Act.

PART II—CORPORATE MANAGEMENT

17. (1) Every national government entity to which the Act and these Regulations apply shall include in their annual financial report as provided for under section 81 of the Act, a statement by each entity's Accounting Officer on compliance of the entity with these Regulations under this part.

Corporate governance.

(2) Where the entity is not fully compliant with these Regulations, the Accounting Officer of that entity shall identify the reasons for non-compliance and indicate the steps being taken to become compliant.

(3) The statements made in the report under this regulation shall be submitted to the Cabinet Secretary.

18. (1) There is established in every national government entity a committee to be known as the Public Finance Management Standing Committee (hereinafter referred to as the "Standing Committee") to provide strategic guidance to the entity on public finance management matters.

Establishment of Public Finance Management Standing Committees.

(2) Each Standing Committee shall comprise of the following—

(a) the Accounting Officer as chairperson of the Standing Committee;

- (b) an officer designated by the Accounting Officer as secretary of the Standing Committee and who shall be either the head of the finance or accounts units or head of both finance and accounts units of the entity; and
- (c) heads of departments or administrative units dealing with public finance management matters.

(3) The Standing Committee shall meet as often as is necessary but at least once every quarter so as to coordinate management of public finance for entities and shall be accountable to the Cabinet Secretary responsible for the entity or in case of Parliament, Judiciary, Independent Offices and Commissions, to the head of that entity.

(4) The Standing Committee may establish sub-committees for the better carrying out of its roles and responsibilities under this regulation.

19. (1) The Standing Committee shall generally be responsible for—

Role and responsibilities of the standing committee.

- (a) ensuring that there is prioritization on resources allocated to a national government entity for the smooth implementation of the entities mission, strategy, goals, risk policy plans and objectives;
- (b) regularly reviewing, monitoring budget implementation and advice on the entities accounts, major capital expenditures and reviewing performance and strategies at least on a quarterly basis;
- (c) identifying risks and implementation of appropriate measures to manage such risks or anticipated changes impacting on the entity;
- (d) reviewing on a regular basis the adequacy and integrity of the entity's internal control, acquisition and divestitures and management information systems including compliance with applicable laws, regulations, rules and guidelines;
- (e) establishing and implementing a system that provides necessary information to the stakeholders including stakeholder communication policy for the entity in line with Article 35 of the Constitution;
- (f) monitoring the effectiveness of the corporate governance practices under which the entity operates and propose revisions as may be required, from time to time;
- (g) monitoring timely resolution of audit issues; and
- (h) any other matter referred to it from time to time by the responsible Cabinet Secretary or in the case of Parliament, Judiciary, independent office and commissions, the head of that entity.

(2) The Standing Committee shall submit a quarterly report of its work including any recommendations to the responsible Cabinet