How Technology is Redefining Governance in State Corporations

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Introduction

Navigating the intricate landscape of public finance reveals technology as a key tool in overcoming obstacles.It has not merely addressed challenges but revolutionized resource mobilization, procurement streamlining and combatted wasteful expenditure. Technology stands as a strategic pillar in ensuring the relentless efforts of attaining effectiveness, efficiency, transparency and accountability in public finance management are achieved. Today join me on a journey to uncover the unsung realities and triumphs where technology has discreetly reshaped the dynamics of public finance governance in state corporations and budget transparency.

As per the State Corporations Act of Kenya, State Corporations are not just government entities but critical organs to foster economic and social development. In nation-building, the entities play a pivotal role as they receive significant resources allocated from tax revenue, grants and loans. To ensure they provide a reasonable return on investments and fulfil their mandates effectively and efficiently, the Government Investment Public Enterprises (GIPE) department under the National Treasury oversees their financial and operational activities.

The GIPE department carries out this function by issuing various directives and circulars while handling a multitude of state corporations' requests and reports. The reports encompass a wide spectrum including strategic plans, investment proposals, borrowings, human capital, annual budgets, and statutory reports, among others which are shared for review, analysis and when necessary recommendations.

This process being manual, there was lack of a computer-based system for electronic data submission and as a result there were numerous inefficiencies and delays in the National Treasury's operations leading to inconsistent recommendations, poor comprehensive analysis and delays in compiling statutory reports for submission to parliament. These manual procedures not only resulted in inefficiencies but also cast doubt on the quality of services provided to citizens.

To address these challenges, the National Treasury introduced the Government Investment Management System (GIMIS) to streamline data collection, analysis and reporting in state corporations facilitating effective and efficient financial and operational oversight. GIMIS marked the transition from manual processes to the era of electronic data submission.

Streamlined Budget Approval Process

State corporations in the past have had to do a lot of paperwork documentation for their budget approval process. This process proved to be slow and ineffective as one person had to go through a lot of extensive documentation when reviewing and analyzing the budget documentation. This process was prone to error and to solve these issues GIMIS was introduced as a revolutionary measure. Through the system, heads of corporations are able to effortlessly submit their budgets and receive valuable advice.

Operational efficiency plays a critical role in ensuring that state corporations contribute effectively to the nation-building agenda

In addition, timely budget approval has been made possible thereby assisting state corporations meet deadlines and enabling effective expenditure planning. This has led to smoother financial processes for state corporations, enhancing overall operational efficiency. Notably, the risk of errors in budget analysis due to the tedious manual process has greatly been reduced.

Enhanced Operational Efficiency:

Operational efficiency plays a critical role in ensuring that state corporations contribute effectively to the nation-building agenda while simultaneously elevating the quality of services provided to citizens. Nonetheless, challenges to operational efficiency within state corporations have arisen from delayed responses attributed to inefficient and slow manual processes. This, in turn, has affected the review and analysis cycle, leading to additional delays. These challenges have been effectively addressed by GIMIS allowing for real-time resolution, quick analysis and timely resolution of issues.

There has also been a noticeable improvement in data accuracy as heads of entities only submit reports after thorough verification. State corporations are now accountable for the accuracy of data contributing to a more reliable and precise data framework within the system.

Enhanced Financial Oversight

Accessing accurate and real time information about funding from the Government of Kenya (GoK) and debt portfolios of state corporations was extremely difficult prior implementation of GIMIS. This posed a major barrier to effective financial oversight by making it difficult to obtain current and accurate data. That being said, the scene has changed with the introduction of GIMIS's loan module.

It's now possible to comprehensively track GoK and Development Partner funding to each state corporation, coupled with the capacity for in-depth capturing of their debt portfolios. In addition, this feature assists in early identification of possible risks facilitating proactive measures to mitigate negative financial impacts. This capability has proven to be extremely valuable to the National Treasury as it greatly impacts on enhanced transparency in financial reporting, marking another triumph in the silent revolution led by technology in the realm of public finance governance.

Notably, the incorporation of the Previous Year's Financial Statements module has improved financial reporting by enabling the inclusion of past financial reports for every state corporation. This data greatly aids in identifying potential risks and assessing the financial health of state corporations. This capability empowers the government to perform its role of financial and operational oversight of state corporations.

Revolutionizing Consolidation of Government Investments

Consolidation of statutory reports for submission to parliament was previously manual, which was a difficult and time-consuming process that resulted in errors and inefficiencies. However, the introduction of GIMIS signaled the start of a revolutionary period. GIMIS now serves as a powerful tool, streamlining the accurate compilation and enhancement of statutory reports submitted to parliament.

This transition from the manual processes represents a paradigm shift towards greater precision and effectiveness in summarizing the national government's involvement in state corporations, investments, and funding across various aspects within state corporations.

Public finance governance has entered a new era, with the adoption of GIMIS which demonstrates a dedication to modernization and the advancement of precision in financial reporting. The shift to online submissions not only eliminated paperwork but also empowered the National Treasury, particularly through GIPE, to concentrate on in-depth financial statement analysis. This strategic focus has resulted in an enhanced evaluation of potential risks associated with state corporations, further fortifying the overall financial oversight.

Challenges and lessons learnt.

As with a transformative journey, challenges emerged and valuable lessons were learnt. The demand for GIMIS system increased with the number of state corporations served escalating from 253 to 293.However this success posed the challenge of managing the influx of diverse documents being uploaded by the state corporations. The current server capacity is overstretched, lacking the capability to accommodate the vast volume of data uploaded.

The team overseeing GIMIS at the National Treasury's, Government Investment Public Enterprises (GIPE) consists of officers with diverse professional backgrounds but insufficient financial modelling skills. These skills, crucial for system development, budget analysis and formulation of effective policy guidelines, highlight the need for targeted skill enhancement initiatives.

Another challenge stems from the GIMIS system's adoption of cash-based reporting while most state corporations operate on an accrual-based financial reporting. This disparity has caused difficulties for many state corporations and line ministry officers struggle with navigating the intricacies of GIMIS.To address this, systematic training and induction programme are essential for users to understand and grasp the system's complexities effectively.