REPUBLIC OF KENYA

THE NATIONAL TREASURY

EMBASSY OF DENMARK

Public
FINANCIAL
MANAGEMENT
REFORMS
Matumizi Bora ya Fedha,
Wajibu wetu

KENYA GOVERNANCE SUPPORT PROGRAMME
(PUBLIC FINANCE MANAGEMENT COMPONENT)

2010-2016

PROGRAMME COMPLETION
REPORT

----POPULAR VERSION----

JANUARY 2017

Table of Contents

1.0 PROGRAMME HISTORY AND GENERAL INFORMATION

Item	Description						
Programme Name	The Kenya Governance Support Programme (KGSP) 2010-2016, Public Finance Management Component						
Programme Aim	The project aimed to support governance and public financial management reforms by offering financial and technical support. The support was expected to enhance accountability and transparency in the public sector, strengthen tax administration, improve audit and oversight of public resources and entrench fiscal decentralization						
Date of Signing the Financing Agreement	December,2010						
Revision Date of the Financing Agreement	21st February 2014		**Reason**	The midterm review in 2013 recommended realignment of the Programme to conform to the new PFMR Strategy 2013-2018			
Commencement Date of the Programme	March, 2014						
Completion Date of the Programme	31st December, 2015	**1st extension**	**Reason**		**2nd extension**	**Reason**	
		30th April, 2016	There was need to extend the programme to allow completion of pending activities		31st December, 2016	There was need for a further extension to allow completion of the programme	
Programme Management	Government of Kenya through the PFMR Secretariat						
Financed by	The Royal Danish Embassy						
Implementing Agencies and General Comments	The KGSP PFM component 2010-2016 supported the Office of the Auditor General, Office of the Controller of Budget, Kenya Revenue Authority and the National Treasury. Support to the National Treasury targeted the Accountant General Department, IFMIS, Department, Internal Audit Department, Intergovernmental Fiscal Relations Department, Public Procurement Department and the PFMR Secretariat						
Budget	**Initial Budget**	US$ 2,746,392 (DKK 15,693,668.57)	**Additional Budget to finance transition activities**	US$ 1,116,693.01 (DKK 6,381,102.91)	**Budget for revised agreement (mid-term review)**	DKK 36 million	**Technical assistance in preparation of AFS**	DKK 5 million

Source: KGSP PFM Component financing agreements

2.0   PROGRAMME IMPLEMENTATION

The KGSP PFM component 2010-2016 supported the Office of the Auditor General (OAG), Office of the Controller of Budget (OCoB) and the Kenya Revenue Authority (KRA) and the National Treasury. Support to the National Treasury targeted the Accountant General Department, IFMIS Department, Internal Audit Department, Intergovernmental Fiscal Relations Department, Procurement Department and the PFMR Secretariat. The following is a brief summary of how the institutions identified will apply grant proceeds in reforms that improve service delivery.

2.1   Implementing Agencies

2.1.1   Office of the Controller of Budget

The Office of the Controller of Budget is an independent Constitutional office established to oversee the implementation of budgets of both national and county governments and to regularly report to Parliament on the same, among other key functions. Being a relatively new PFM organ created by the Constitution, the Office was supported to among others, build capacity of staff and participatory forums to effectively perform their roles, strengthen its information and communication systems and to bolster its institutional structures. The PFM Act 2012 gave the Office of the Controller of Budget more mandate to further ensure the public have information on the budget.

2.1.2   Office of the Auditor General

The OAG is mandated to audit and report on all national and county governments, Courts, Parliament and Public Debt within six months of completion of a financial year. The audit is expected to confirm whether or not public funds have been applied lawfully and in an effective way. The office was to apply the grant proceeds, jointly co-funded with grants from the Government of Sweden in modernizing independent audit and oversight over public funds. A separate work plan was developed specifically targeting the Office of the Auditor General.

2.1.3   Kenya Revenue Authority

The KRA is the main Government revenue collection agency accounting for over 96% of Government ordinary revenues. KRA was expected to play an important role in helping County Governments collect local revenues. Although the Government has witnessed vast improvements in revenue collection over the past 10 years, KRA has not achieved its optimal collection levels partly because its systems are not fully modernized. The Danish support was to help deepen KRA's modernization programme by supporting its Data Warehouse and Business Intelligence Project. The Data Warehouse was to integrate all internal information systems and strategic external systems with a view to providing fact based business intelligence that will improve

management's decision making ability and a means for monitoring business performance and trends. The Project was expected to achieve a single and holistic view of the tax payer and hence enable KRA detect fraudulent behaviour and business risks. Overall, the Project was expected to lead to enhanced revenue, increased efficiency and improved business intelligence

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2.1.4   The Accounting Services Department

The Accounting Services Department has the mandate to plan, develop and implement government accounting policy, systems and procedures. As part of its mandate, the Department facilitated the establishment of the Public Sector Accounting Standards Board (PSASB). The Board was to provide a framework and set generally accepted accounting standards and prescribe minimum standards for maintenance of proper books of accounts for all levels of Government. To help the Department actualize its reform programme, the Danish support was to be channelled towards the full establishment of the Public Sector Accounting Standards Board (PSASB) and the consolidation of Public Accounts.

2.1.5   The Public Procurement   Department

The Public Procurement Department (PPD) is charged with the responsibility of *inter alia* development, guidance and interpretation of policies on supply chain management for use by the public sector. It also administers the scheme of service of supply chain management personnel in the public sector. In Kenya, public procurement is governed by the Public Procurement and Assets Disposal Act, 2015 and the Regulations thereof pursuant to Article 227 of the Constitution.

2.1.6   Internal Audit Department

The Internal Auditor General executes his mandate through the Internal Audit Department domiciled at the National Treasury. The Department assists in the management of public resources appropriated by Parliament and enhances transparency, accountability and governance through audit committees. As part of the strategy to modernize operations, the Internal Audit Department has undertaken a number of reforms. These reform initiatives aimed at moving away from regularity and compliance audits and adapting more value adding audit techniques. The Department's reform priorities which were to be supported under the Danish funding include strengthening the policy for internal audit and risk management and building the capacity of internal auditors and audit committee members at both the National & County Government levels.

2.1.7   Inter Governmental Fiscal Relations Department

With County Governments in place, the burden of decentralization agenda was undoubtedly heavy and required increased support. The National Treasury has created a fully-fledged Department for Intergovernmental Fiscal Relations to handle matters of fiscal decentralization. Through the Danish support, the Department was to be assisted to among others, develop a communications strategy, carry various stakeholder activities and strengthen its operations.

2.1.8   Integrated Financial Management Information System Department

The IFMIS department has the mandate of automating and integrating PFM systems within Government so as to facilitate efficient and effective execution of all financial management processes, eliminate risks and enhance security. Being a complex project, IFMIS requires a lot of planning, consultation, sensitization, commitment and support from all stakeholders. Some of the priority areas which were to be supported under the Danish funding included revision of the Standard Chart of Accounts, enhancing support for IFMIS users in the Counties and building capacity of IFMIS users on public finance management.

2.1.9   Programme Management and Coordination

The PFM Reform Secretariat's broad role is to carry out comprehensive planning, monitoring, evaluation and communication of PFM reforms. Towards the fulfillment of these roles, the Secretariat was to be assisted to update the PFMR Strategy, effectively communicate the reforms and to effectively coordinate reform activities. The Resource Mobilization Department plays a part in management of bilateral grants/loans and servicing projects with funds. The department was to be equipped to facilitate timely disbursements to projects

2.2   Planned Activities and Budget

This section presents the activities planned for by implementing agencies under the KGSP Public Finance Management Component and the budget. The section further presents budget implementation analysis.

2.2.1 Programme Implementation

S/no.	Planned Activities	Initial Budget	Revised Budget*
	Office of the Controller of Budget		
1.	Public participatory forums to effectively participate in the budget execution process	6,000,000.00	11,245,499.00
2.	Training of OCOB Staff		
3.	Training on Information security (20 officers)		
4.	Train Audit Committee members (5 members)		
5.	Financial Analysis training (47 officers)	12,500,000.00	649,300.00
6.	Train in programme and performance budgeting (60 officers)		
7.	Train on integrity in public financial management (50 staff)		
8.	Media engagements to enhance sensitization of the public on budget implementation	1,500,000.00	600,000.00
9.	Revamp the OCOB website to accept SMS	500,000.00	2,450,000.00
10	Enhance open forum in OCOB (Intranet)	500,000.00	1,500,000.00
11	Enhance public access to OCOB reports via mobile application	500,000.00	1,250,000.00
12	Procure computers to enhance reporting by County Budget Coordinators and accessing of IFMIS at the County level	5,000,000.00	6,419,850.00
13	Develop and implement a disaster recovery plan for OCOB	4,000,000.00	11,242,661.00
14	Survey on efficient use of resources at national and county level to build OCOB advisory capacity in collaboration with KIPPRA	10,000,000.00	14,600,000.00
15	Adobe in-design software and training on data analysis and report writing on budget implementation	0.00	1,594,000.00
	Total	**40,500,000.00**	**51,551,310.00**
	Actual Expenditure		**51,551,310.00**
	Utilization (%)		**100.00%**
	Office of the Auditor General		
	Funded under Support for the OAG Reforms and Modernization Programme Agreement		
S/no.	Planned Activities	Initial Budget	Revised Budget
1.	Development of ICT and ICT Skills	19,974,780.00	19,974,780.00
2.	Audit methodology and Audit Skills	46,525,220.00	47,540,633.00
3.	Change Management	8,500,000.00	8,500,000.00
	Total	**75,000,000.00**	**76,015,413.00**
	Actual Expenditure		**76,015,413.00**
	Utilization (%)		**100.00%**
	Kenya Revenue Authority		
S/no.	Planned Activities	Initial Budget	Revised Budget
1.	Capacity building on Business Analysis, Project Management Certification, Data Warehousing Fundamentals, Business Case	12,800,000.00	9,330,000.00

S/no.	Planned Activities	Initial Budget	Revised Budget
	Development & Change Management		
2.	Preliminary workshops (to develop Business & Technical requirements) for the establishment of DW&BI and conduct a due diligence mission	10,800,000.00	14,270,000.00
3.	Acquisition of a data-warehouse solution (co-financing between Royal Embassy of Denmark, Sweden & Government of Kenya)	76,400,000.00	76,400,000.00
	Total	**100,000,000.00**	**100,000,000.00**
	Actual Expenditure		**100,000,000.00**
	Utilization (%)		**100.00%**

<div align="center">**Accounting Services Department**</div>

S/no.	Planned Activities	Initial Budget	Revised Budget
1.	Equip the newly established Public Sector Accounting Standards Board Secretariat	5,000,000.00	7,500,000.00
2.	Develop Standards, Templates & Train Accountants and Internal Auditors	25,000,000.00	38,779,000.00
3.	Public Accounts Cons	50,000,000.00	104,394,059.00
	Total Cost	**80,000,000.00**	**150,673,059.00**
	Actual Expenditure		**150,673,059.00**
	Utilization (%)		**100.00%**

<div align="center">**Public Procurement Department**</div>

S/no.	Planned Activities	Initial Budget	Revised Budget
1.	Revision of the PPD Act 2005 and Regulations	10,000,000.00	3,480,000.00
2.	Stakeholders' Consultative Forums on revision of the Law	7,420,000.00	16,824,255.67
3.	Capacity building through equipping the Department	0.00	4,676,244.33
	Total	**17,420,000.00**	**24,980,500.00**
	Actual Expenditure		**24,980,500.00**
	Utilization (%)		**100.00%**

<div align="center">**Internal Audit Department**</div>

S/no.	Planned Activities	Initial Budget	Revised Budget
1.	Audit working tools (policy and guidelines, M&E Framework)		
2.	Treasury circular on Institutional Risk Management Policy Framework in place		
3.	Guidelines on implementation of Institutional Risk Management Policy Framework in the Public Sector Internal Audit manual in place	9,500,000.00	513,300.00
4.	Capacity for Internal Auditors and Audit Committee members built at both the National & County Government levels		
5.	Train Internal Auditors in various courses:	13,500,000.00	10,578,245.00
6.	CIA, CISA, CFE, CGAP training for 30 Internal Auditors		
7.	8 Regional Workshops for field officers		
8.	Audit Governance Strategy, Ethics and Risk Management-4 Internal Auditors		
9.	Auditors in IT Auditing for Non-IT Auditors-4 pax		
10	Auditing and controlling Oracle Database		

S/no.	Planned Activities	Initial Budget	Revised Budget
11	Build capacity of Audit Committee members	1,500,000.00	4,953,730.00
12	Acquire and renew IDEA software licenses, TEAMMATE software licenses, Audit Triggers	2,000,000.00	31,262,757.75
13	Procure consultants to review Government Information Systems; develop an information systems Audit Manual; Roll out an Information System Audit Strategy and Information System Security And Control	3,500,000.00	0
	Total	**30,000,000.00**	**47,308,032.75**
	Actual Expenditure		**47,308,032.75**
	Utilization (%)		**100.00%**

Inter-Governmental Fiscal Relations Department

S/no.	Planned Activities	Initial Budget	Revised Budget
1.	Develop IGFR Department Strategic Plan	2,000,000.00	2,000,000.00
2.	Capacity building of County State and Public officers on PFM	25,000,000.00	27,000,000.00
3.	Equip the just established Department with basic tools	3,000,000.00	1,446,058.00
	Total	**30,000,000.00**	**30,446,058.00**
	Actual Expenditure		**30,446,058.00**
	Utilization (%)		**100.00%**

IFMIS Department

S/no.	Planned Activities	Initial Budget	Revised Budget
1.	Acquisition of the Cash Management Module software	0	0
2.	Review Standard Chart of Accounts	10,000,000.00	
3.	On site and continuous training and support to counties of IFMIS users	33,000,000.00	
4.	Training on the Cash Management Module	0	8,061,768.00
5.	Enhance capacity of IFMIS staff on PFM and Strategic Leadership	7,000,000.00	5,159,640.00
	Total	**50,000,000.00**	**13,221,408.00**
	Actual Expenditure		**13,221,408.00**
	Utilization (%)		**100.00%**

PFMR Secretariat (Programme Management)

S/no.	Planned Activities	Initial Budget	Revised Budget
1.	Programme planning, monitoring and evaluation (meetings and workshops)	7,000,000.00	3,000,000.00
2.	Programme Financial Audit/Performance Evaluation	9,000,000.00	7,064,055.00
3.	Consultancy services on the review of the PFMR Strategy 2013-2018	10,000,000.00	10,169,000.00
4.	PFMR Strategy 2013-2018 review meetings, (inception and validation) workshops, county field trips for stakeholder consultations	0	2,614,655.00
5.	Printing the revised PFM Reforms Strategy 2013-2018	1,000,000.00	1,500,000.00
6.	PFMR Newsletter & Dissemination Notes on Programme accomplishments developed	3,000,000.00	3,000,000.00
7.	Capacity building on strategic skills for	0	935,945.00

	administrative assistants		
	Total	**30,000,000.00**	**28,283,655.00**
	Actual Expenditure		**28,283,655.00**
	Utilization (%)		**100.00%**
**Accounting Services Department**		

Technical Assistance in preparation of Annual Financial Statements for State Organs and Public Entities

S/no.	Planned Activities	Initial Budget	Revised Budget
	Public Accounts Consolidation	73,192,825.00	87,873,762.97
	Total	**73,192,825.00**	**87,873,762.97**
	Actual Expenditure		**87,873,762.97**
	Utilization (%)		**100.00%**

Source: KGSP PFM Component 2014-2016 Work Plans and Financial Statements

* The main reason for the revisions of the budget was due to reallocation of uncommitted funds as at May, 2016 among implementing agencies

2.2.2   Budget Implementation Analysis

The Danish Embassy availed Ksh. 610,353,198.72 to implement the work plan. The availed budget was allocated to departments as follows, Controller of Budget (Ksh.51, 551,310.00), Office of the Auditor General (Ksh.76, 015,413.00), Kenya Revenue Authority (Ksh.100, 000,000.00), Accounting Services Department (Ksh.238,546,821.97), Public Procurement Department (Ksh.24, 980, 500.00), Internal Audit Department (Ksh. 47,308,032.75), Inter Governmental Fiscal Relations Department (Ksh.30, 446, 058.00), IFMIS Department (Ksh.13, 221,408.00) and the PFMR Secretariat (Ksh.28, 283,655.00). On aggregate out of the Ksh. 610,353,198.72 availed, Ksh. 610,353,198.72 was spent representing an absorption rate of 100.00%.

3.0 KEY ACHIEVEMENTS AND WAY FORWARD

The main objective of the Programme Completion Report was to review the programme's achievements against planned activities, gaps still existing, challenges experienced, emerging issues, lessons learnt and way forward. Further, the Project Completion Report sought to documents how the support to implementing agencies has improved on PFM systems at the national and at the counties. This section presents the key findings including gaps and way forward and the conclusion in relation to lessons learnt and sustainability of the programme achievements

3.1 Findings

The implementation of KGSP PFM Component brought about significant progress in Public Finance Management (PFM) in Kenya as outlined under the various programme objectives below:-

i. **Programme Objective**: **To produce accurate, accessible and timely government wide financial information and reports with clear accountability**: Public sector entities are able to produce quality and comprehensive financial reports and avail for audit organised financial information. The Office of the Auditor General as a result has been able to cover wide scope of audit and present more factual findings within a relatively shorter time. As a result, the number of unqualified audit opinions for financial year 2013/14 increased from 12% to 26% compared to the previous year. This is attributed to the support provided to public Sector entities that has enhanced transparency and accountability. However, there is limited capacity to implement the prescribed accounting standards. As a way forward, it is important that on the job training on preparation of financial statements in the new prescribed format is sustained.

ii. **Programme Objective**: **To enhance efficiency, transparency, fair competition, value for money and controls in public procurement at national and county levels**: The Public Procurement and Disposal Act, 2005 was reviewed to align it to the Constitution 2010 and to make it more effective as a tool for achievement of value for money in public procurement. The new PPAD Act 2015 has strengthened procurement procedures and improved transparency and accountability. However, senior management in MDAs and counties (CECs, Chief Officers and Directors) have not been sensitized on the new PPAD Act 2015 and the regulations. Training was only done for technical officers. There is need to train top management who make key policy decisions in MDAs and Counties.

iii. **Programme Objective**: **Establish effective internal controls in Public Finance Management**: The capacity of internal Audit in use of computer Aided

Audit Tools and Techniques has been enhanced through the programme support. However, a gap exists in that Audit committees are not yet constituted. As a way forward, there is an urgent need to constitute internal audit committees and train them on how to follow up on audit.

iv. **Programme Objective**: **An excellent, secure, reliable, efficient, effective and fully IFMIS**: Though IFMIS is operational in all MDAs and Counties, the system remains a standalone. There is need to integrate IFMIS with other PFM systems as stipulated in the revised PFM reforms Strategy 2013-2018. Further, development and configuration of the cash management module in IFMIS is not complete. There is need to support completion of the configuration to make the module operational. Further, MDAs and counties need on the job training/support on the use of cash management module once it is completed and rolled out.

v. **Programme Objective: To build capacity, institutional strengthening and enhance communication**: The Office of the Controller of Budget has been strengthen through provision of computers and fire proof cabinets. This has enhanced reporting and communication and safe keeping of records. On public participation during the budget making process at the counties, the sensitized public are now able to provide social accountability audit for budget implementation at county level. Further through the training on Adobe in-design software, Office of the Controller of Budget staff are now able to produce impactful budget implementation reports. This has been occasioned through better report layout and design. However, there exists a gap in that Public Participation sensitization forums have not been fully undertaken in all regions. The Office of Controller of Budget ought to ensure that the sensitization forums are scaled up to cover all regions in the country.

vi. **Programme Objective: To strengthen the capacity of national and county governments in public finance management in order to ensure successful implementation of devolution**: Through capacity building by the Inter governmental Fiscal Relations Department (IGFRD), counties are able to prepare Programme Based Budgets (PBBs). However there is need for more training on PBB at the counties. Further, IGFRD does not have a communication plan for the department. As a way forward, there is need for IGFRD to develop and implement a communication plan. This would assist articulate better, issues on fiscal decentralization.

vii. **Programme Objective**: **To ensure efficient co-ordination, planning, monitoring and communication of implementation of the PFM reform programme**: To strengthen coordination among agencies on implementation of PFM reforms, the PFMR Secretariat has formulated a draft reporting framework.

The reporting framework is expected to standardize reporting among implementing agencies and thus assist the Secretariat to report timely and comprehensively progress on Project implementation. However, the framework is yet to be finalised as consultation with key stakeholders is ongoing. Further, The PFM Strategy has not been adequately financed for implementation. Though enormous resources are required to implement the Strategy, only the Danish Embassy has committed DKK 13 million to finance some interventions in the Strategy. There is need for the PFMR Secretariat to source for funding from GOK and other DPs to fully implement the revised strategy.

3.2   Conclusion

3.2.1   Lessons Learnt and Way Forward

i. **Funding PFM Reforms:** Though many reform activities had been proposed in the implementing agencies work plans under the KGSP programme, not all activities were implemented due to lack of funding. This narrowed the expected benefits in transforming public finance management had all the activities implemented. The Kenya Governance Support Programme was majorly funded by the Embassy of Denmark. As a way forward, there is need for more support to finance PFM Reforms.

ii. **Monitoring and Evaluation Framework**: The KGSP design provided for implementing agencies to provide detailed reports to the PFM Secretariat for consolidation. Challenges were experienced in that the reports were not detailed enough and thus a hindrance to preparing comprehensive reports. Further, the reporting formats used by the agencies were not standard making it difficult for the Secretariat to consolidate the reports. This is majorly attributed to lack of capacity within the agencies and lack of an M&E reporting framework at the PFM Reforms Secretariat. As a way forward, there is need for the PFMR secretariat to take a lead role in capacity building agencies on reporting. Also the Secretariat should design and implement an M&E reporting framework.

iii. **Communication of PFM reforms**: Though the PFMR Secretariat has done a lot to communicate reforms among key stakeholders, lack of a communication Strategy has curtailed effective communication of PFM reforms. As a way forward, there is need for the Secretariat to urgently formulate and implement a communication Strategy.

iv. **Implementing the Revised PFMR Strategy 2013-2018:** In some instances departmental work plans were not aligned to the Strategy. The consequence is that there is a risk of not achieving the Strategy's objectives. To ensure that the PFM Reforms Strategy is implemented, consolidated work plan anchored on the Strategy have been developed. Annual work plans are derived from the consolidated work plans. This ensures that reform activities implemented are geared

towards contributing to meeting the Strategy's objectives.

3.2.2   Sustaining Programme Achievements

To sustain the benefits realised from the programme, there is need for sustained on the job training for staff in the areas of Financial reporting, Budget and planning, Procurement, Auditing, Tax administration, County own source revenue and coordination of PFM reforms. Further, there is an urgent need to address the gaps still existing after programme implementation. The gaps includes limited capacity to implement the Public Sector Accounting Standards, operationalizing the cash management module in IFMIS, awareness on the PPAD Act, 2015, ICT based financial management, monitoring budget implementation, public participation in the budget making process, data quality in tax administration, monitoring budget implementation and funding the revised PFM Reforms Strategy 2013-2018. As a way forward, to ensure sustainability of the achievements and full realization of the expected benefits from the programme, the gaps have already been factored in the revised PFM Strategy 2013-2018 and factored in departmental work plans under implementation. There is also need for further support to ensure that the gaps from the programme are implemented

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4.0 ANNEX: MAJOR PROGRAMME OUTPUTS, OUTCOMES, GAPS AND WAY FORWARD

<table>
<tr><td colspan="6" align="center">Office of the Controller of Budget</td></tr>
<tr><td colspan="6"><i>Programme Objective:</i> <i>To build capacity, institutional strengthening and enhance communication (Source: PFMR Strategy 2013-2018)</i></td></tr>
<tr>
<th>Baseline (Problem Areas Identified)</th>
<th>Programme Indicators</th>
<th>Major Programme Outputs</th>
<th>Programme Outcomes</th>
<th>Gaps/Deviations from expected results</th>
<th>Way Forward</th>
</tr>
<tr>
<td>Being a new office there were challenges in Staff, Office space and equipment. Input towards the budget by public and other stakeholders in budget was wanting</td>
<td>Website that meets the requirements of both external and internal customers

Fire proof cabinets and Computers for County Budget Co-ordinaters delivered

Analysis report on revenue allocation

Impactful budget implementation reports

Enhanced public participation in the budget execution process at the county level

<i>(Source: PFMR Strategy 2013-2018)</i></td>
<td>▪ OCoB website revamped and an intranet and mobile applications developed to enhance public access to the office reports

▪ Fire proof cabinets and computers acquired to enhance office records management and reporting

▪ A survey on the revenue collection in the county governments conducted

▪ Adobe software acquired to enhance OCoB reporting and oversight role

▪ Public sensitization forums held in Eldoret, Nyeri, Mombasa and Kisumu to enlighten the public on matters of budget preparation and implementation</td>
<td>The public can now give feedback on the reports hosted at the OCoB website. Through the website internal communication among staff has improved

The OCoB can now receive feedback from contact officers trained during the sensitization forums on Budget preparation and accountability.

The sensitized public are now able to provide social accountability audit for budget implementation at county level</td>
<td>OCoB website is highly loaded

Engagement of OCoB with the media not comprehensively done

Lack of Audit Software (i.e. TEAMMATE) to assist in auditing

County offices are not fully equipped in terms of networks

Recommendations from the KIPPRA report not fully implemented

All regions not fully</td>
<td>There is need to make the website lighter

OCoB to explore ways of more engagement with the media

Need for audit software i.e. TEAMMATE

There is need for County offices to be fully equipped in terms of network

OCoB to liase with relevant stakeholders and ensure that all recommendation from the KIPPRA report are implemented

OCoB to scale up</td>
</tr>
</table>

			Through the provision of computers, County Budget officers are now able to access IFMIS. Reporting is more timely	covered in the sensitization workshops	the sensitization forum to cover all areas
				Intranet hosting licences have expired	Need for on time renewal of adobe, website templates and intranet hosting licences
			The fire proof cabinets to OCoB county offices has improved record keeping and security	The Disaster Recovery for OCoB not implemented due to budget constraints	OCoB to seek for funds to operationalise the Disaster Recovery Centre
			Officers are able to view information on intranet and take necessary action	OCoB Reports are in English. There is need for reports in Swahili and Braille	OCoB to explore how to translate key reports to Kiswahili and Braille
			Through the training on Adobe in-design software, OCoB staff are now able to produce impactful budget implementation reports. This is due to the better report layout and design	Lack of budgeting skills linking budgets to programmes	Need for OCoB staff to be trained on how to link budgets to programmes
			Better coverage and presentation of PFM issues in		

			the press		
			OCoB staff are able to effectively conduct participatory forums		

<div align="center"><strong style="color:red">Office of the Auditor General</div>

Programme Objective: Enhance quality and timeliness of audit reports
(Source: KGSP Financing agreement)

Baseline(Problem Areas Identified)	Programme Indicators	Major Programme Outputs	Programme Outcomes	Gaps/Deviations from expected results	Way Forward
The Constitution of Kenya 2010 established the Office of the Auditor General as an independent office. It also expanded its mandate on the audit matters	Risk Based Audit Approach implemented No. of staff trained *(Source: KGSP Financing agreement)*	▪ At least 570 officers trained on the New Financial Reporting Frameworks based on the International Financial Reporting Standards (IFRSs) and the International Public Sector Accounting Standards (IPSAS) ▪ 388 officers trained on ICT applications including Ms – Office, SharePoint, and Project. ▪ 7 officers trained on environmental audit and Server, Ms- Lync, ICT based Financial Management and disbursement, among others. ▪ 300 auditors trained on e-procurement. ▪ All OAG staff trained on record management ▪ 12 auditors trained on 'governance of oil, gas and mining revenue' at the Natural Resource and Governance Institute in Ghana	OAG is able to cover most of the audits in a relatively shorter time The scope of audit has also increased Performance type audits have increased	ICT based financial management versions changing to new versions Management and Leadership training, Strategic Leadership Programme and Transformative Leadership Programme not undertaken 10 newly employed staff not trained on environmental audit, Secretarial Management and e-	There is need to transit to new versions (i.e. IMIS and Share point). Change of audit methodology required There is need to undertake the training on Management and Leadership training, Strategic Leadership Programme and Transformative Leadership Programme Train new staff on environmental audit, Secretarial Management and e-procurement

		procurement			
		▪ 5 officers trained on Extractive Industries at PETRAD Academy		Capacity of staff on ICT skills lacking	There is need to train staff on ICT
		▪ An ICT master plan, policies and procedures developed			
		▪ A bus acquired to improve group travel logistics under Change Management and office modernization strategy			

<table>
<tr><td colspan="6" align="center">Kenya Revenue Authority</td></tr>
<tr><td colspan="6">Programme Objective: Increase tax collection through better compliance, review of tax incentives, tax regime and broadened tax base (Source: KGSP Financing agreement)</td></tr>
</table>

Baseline (Problem Areas Identified)	Programme Indicators	Major Programme Outputs	Programme Outcomes	Gaps/Deviations from expected results	Way Forward
Tax leakages as data that was being utilized was non standardized and fragmented. Evidence in decision making was lacking (decisions were not supported by data)	Taxes collected by KRA Taxes as a % of GDP Cost of tax revenue collection *(Source: KGSP Financing agreement)*	▪ Tax revenue to GDP ratio in FY 2015/2016 was 17.3% (Revised PFMR Strategy 2013-2018) ▪ A benchmarking study tour to South Africa revenue services and Swedish tax agencies undertaken ▪ A gap analysis workshop conducted in conjunction with a Swedish tax agency DWBI expert ▪ Twenty KRA officers trained in project management ▪ A comprehensive stakeholder analysis done and an initial capacity building for project stakeholders and experts conducted ▪ 26 officers trained in Associate Certification and Business Analysis and 10 officers in change	Change management implementation process ongoing	Challenges in institutionalizing change management at KRA KRA systems are not integrated Specialised skills in tax administration and soft skills among staff lacking Challenges on data quality	KRA to continue capacity building staff on change management There is need for integration of KRA systems (i.e. i Tax) with IFMIS) Train staff on tax administration and soft skills Implement the Data Warehouse and Business Intelligence project to address issues on data

		management		Linkage of KRA to counties on revenue collection	quality
		▪ An inception workshop on DWBI conducted			There is need for KRA to explore ways to support counties on revenue collection
		▪ A business intelligence (BI) readiness assessment workshop conducted			
		▪ A functional design workshop analysis on DWBI undertaken which was attended		Lack of skills of monitoring the extractives sector i.e. Oil Sector	Need for training on monitoring the extractives sector
		▪ A formal training on oracle certifications conducted			
		▪ Hardware and software for DWBI delivered and installed			

<p style="text-align:center;color:red;">Accounting Services Department - Public Sector Accounting Standards Board</p>

Programme Objective: To produce accurate, accessible and timely government wide financial information and reports with clear accountability (Source:PFMR Strategy 2013-2018)

Baseline(Problem Areas Identified)	Programme Indicators	Major Programme Outputs	Programme Outcomes	Gaps/Deviations from expected results	Way Forward
A prescribed set of standards in Accounting and Financial Reporting lacked. A significant number of Accountants were also unqualified with the Auditor General issuing a disclaimer of opinion in more than half the accounts in 2009-2010	No. or %ge of government financial reports that are unqualified by the auditor general Accurate and reliable financial data *(Source:PFMR Strategy 2013-2018)*	▪ The number of unqualified audit opinions for financial year 2013/14 increased from 12% to 26% compared to previous year due to the support provided to public Sector entities that has enhanced transparency and accountability ▪ Most of the Public sector entities are able to produce quality and comprehensive financial reports ▪ Annual financial reports have been automated in IFMIS and can be easily assessed by MDAs	Public sector entities are availing for audit organised financial information. OAG as a result is auditing and presenting more factual findings and within a shorter time. This has allowed the auditor to widen the scope of audit	Limited capacity among Public entities to implement the prescribed accounting standards exists Limited capacity within National Treasury to prepare consolidated financial statements Challenges on asset	Sustained on the job and workshop trainings on preparation financial statements in the new format Train National Treasury staff on consolidation of financial statements Strengthen asset

			The government is now able to avail aggregate information for purposes of macroeconomic projection and decision making. The KNBS has been able to include in their statistical tables the aggregate data from SC &SAGAs which was previously not available	management within public sector entities	management within public sector entities
		▪ Public Sector Accounting Standards Board (PSASB) set up and operationalized ▪ Public Sector Accounting Standards issued ▪ Public sector accountants trained on the Standards and on preparation and consolidation of financial statements ▪ Consolidated GoK financial statements for the 2013/14, 2014/15 and 2015/16 financial years ▪ 150 internal auditors trained on the international professional practices and financial reporting frameworks		Challenges in migration from cash based IPSA to accrual based IPSAS Lack of skills on IPSAS Cash IFMIS is not aligned with the current Accounting and Financial Standards and Guidelines	Support towards migration from cash based IPSA to accrual based IPSAS to enhance transparency and accountability Capacity build public entities on IPSAS Cash Align IFMIS with the current Accounting and Financial Standards and Guidelines
			With the adoption of IPSAS, it is now possible to compare financials across the globe		

<p align="center" style="color:red">Public Procurement Department</p>

Programme Objective: *To enhance efficiency, transparency, fair competition, value for money and controls in public procurement at national and county levels*
(Source: PFMR Strategy 2013-2018)

Baseline(Problem Areas Identified)	**Programme Indicators**	**Major Programme Outputs**	**Programme Outcomes**	**Gaps/Deviations from expected results**	**Way Forward**

Baseline(Problem Areas Identified)	Programme Indicators	Major Programme Outputs	Programme Outcomes	Gaps/Deviations from expected results	Way Forward
Significant budget leaks were cited through Procurement requiring the establishment of a procurement system that is cost-effective, transparent, equitable, fair and accountable. The Public Procurement and Disposal Act 2005 and regulations 2006 needed to be aligned to the Constitution 2010	No. of copies (new PPD Act) produced and disseminated Regulations in place *(Source: PFMR Strategy 2013-2018)*	▪ 10,000 copies of the Public Procurement and Asset Disposal Act 2015 procured and distributed ▪ Public Procurement and Asset Disposal Act 2015 enacted ▪ Training module on PPAD Act 2015 harmonized ▪ Stakeholders sensitized on the PPAD Act 2015 ▪ Draft Public Procurement and Asset Disposal Regulations 2016	Strengthened procurement procedures and improved transparency and accountability	Senior management in MDAs and counties not yet sensitized on the PPAD Act 2015 Regulations on the Act are yet to be finalized	Sensitize senior management in MDAs and counties Finalize and enact Regulations to the Act

<p align="center" style="color:red">Internal Audit Department</p>

Programme Objective: Establish effective internal controls in Public Finance Management
(Source: KGSP Financing agreement)

Baseline(Problem Areas Identified)	Programme Indicators	Major Programme Outputs	Programme Outcomes	Gaps/Deviations from expected results	Way Forward
Internal Audit reports focused more on errors than identifying control weaknesses. Written response on internal audit reports by Management did not necessarily follow action by the same	No. of operational internal audit units & committees No. of staff recruited & capacitated *(Source: KGSP Financing agreement)*	▪ 114 internal auditors trained on Certified Government Audit Professionals ▪ Participation of internal auditors in the Internal Auditors' Conference in Mombasa ▪ 113 software licenses renewed for the year 2014 ▪ 6 officers trained on TEAMMATE in the USA and Hungary ▪ TEAMMATE module champions identified and trained ▪ 100 TEAMMATE software	Capacity of internal Audit in use of computer Aided Audit Tools and Techniques (CATTs) enhanced	Internal Audit Committees yet to be put in place and trained	Put in place and train Internal Audit Committees

		licenses renewed			

<div align="center">**Inter-Governmental Fiscal Relations Department**</div>

Programme Objective: To strengthen the capacity of national and county governments in public finance management in order to ensure successful implementation of devolution
(Source:IGFRD KGSP progress report)

Baseline(Problem Areas Identified)	Programme Indicators	Major Programme Outputs	Programme Outcomes	Gaps/Deviations from expected results	Way Forward
There was insufficient capacity of PFM staff in county government with significant reliance on the National government for county operations	IGFRD strengthened Production of Programme Based Budgets at the counties *(Source:PFMR Strategy 2013-2018)*	▪ IGFRD Strategic Plan 2014-2018 ▪ Additional office equipment purchased ▪ Counties trained on budget and accounting reporting (PBB) ▪ A conference to explore the county Own Source Revenue enhancement framework held in September 2015 ▪ 3 officers trained on Senior Management and 1 (one) on Strategic Leadership at the Kenya School of Government for career development	IGFRD set up and operationalized Counties are able to prepare programme based budgets	Capacity of counties to identify new sources of OSR Lack of a communication plan for IGFRD	Undertake targeted training of IGFRD staff on fiscal decentralization Develop and implement a communication plan

<div align="center">**IFMIS Department**</div>

Programme Objective: An excellent, secure, reliable, efficient, effective and fully IFMIS
(Source: KGSP Financing agreement)

Baseline(Problem Areas Identified)	Programme Indicators	Major Programme Outputs	Programme Outcomes	Gaps/Deviations from expected results	Way Forward

Several Government ICT systems were not interfaced and or integrated. A number of PFM processes are were still being done manually	Number of ministries and counties using IFMIS No. of users trained *(Source: KGSP Financing agreement)*	▪ All MDAs and Counties are using IFMIS ▪ 19 officers trained on the Senior Management and 10 officers trained on Strategic Leadership Development courses for career development. ▪ 2 officers trained on Information Systems Security and another 2 in Monitoring and Evaluation of projects. ▪ Development of the Cash Management Module is ongoing	Outcome to be realized once the system is configured and operational	Development and configuration of cash management module is ongoing Lack of capacity in operating the system	Support completion of the project to make the module operational Train users on the system

<div align="center" style="color:red">**Public Financial Management Reforms Secretariat and Resource Mobilisation Department**</div>

Programme Objective: To ensure efficient co-ordination, planning, monitoring and communication of implementation of the PFM reform programme (Source:PFMR Strategy 2013-2018)

Baseline (Problem Areas Identified)	Programme Indicators	Major Programme Outputs	Programme Outcomes	Gaps/Deviations from expected results	Way Forward
Fragmented PFM reforms thus the need for coordination	No. of coordination and planning meetings held No. of progress reports prepared *(Source:PFMR Strategy 2013-2018)*	▪ 19 meetings for JTC(12), SC(4) and PFM-SWG(3) ▪ 12 progress reports ▪ KGSP Work Plan 2014-2016 ▪ PFM Reforms Strategy Work Plan 2016-2018 ▪ Office equipment procured for both the Secretariat and External Resources Department ▪ County PFM assessment tours conducted ▪ Mid-term Review Report on the	PFM reforms have been effectively and efficiently coordinated DP engagement has been strengthened evidenced by more DPs supporting the Strategy There is more awareness on the PFM Reforms	Inadequate resource to finance the implementation of the Strategy There exists capacity gaps at the Secretariat in the areas of HR, Legal, M&E and Procurement Lack of an effective M&E framework	The PFMR Secretariat needs to source for additional funding from GOK and other DPs Need to fill the vacant positions at the PFMR Secretariat substantively Develop and operationalise an M&E reporting framework

		PFM Reforms Strategy 2013-2018	Strategy	Lack of a change management framework	Develop and implement change management framework
		▪ Revised PFM Reforms Strategy 2013-2018			
		▪ 3 Audit reports for financial year 2013/14, 2014/15 and 2015/16			
		▪ 4000 copies of newsletters (6th Edition *Wajibika*) printed and distributed to stakeholders			
		▪ 2 Administrative Assistants trained on Strategic Skills for Administrative Professionals			
		▪ KGSP Project Completion Report			

Source: KGSP PFM Components progress reports and departmental interview responses