

REPUBLIC OF KENYA



NATIONAL TREASURY AND PLANNING



MINISTRY OF FOREIGN AFFAIRS OF DENMARK



## KENYA COUNTRY PROGRAMME 2016-2020

*(Public Financial Management Reforms  
Development Engagement)*

REPORT FOR THE PERIOD  
1<sup>ST</sup> JULY 2018-30<sup>TH</sup> JUNE 2019

SEPTEMBER 2019

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## ACRONYMS

AGD	Accountant General’s Department
CIDPs	County Integrated Development Plans
CISA	Certified Information Systems Audit
DFC	DANIDA Fellowship Centre
GRB	Gender Responsive Budgeting
IFMIS	Information Financial Management Information System
IGFR-D	Intergovernmental Fiscal Relations Department
ISACA	Information Systems Audit and Control Association
IT	Information Technology
KGSP	Kenya Governance Support Programme
KRA	Kenya Revenue Authority
MDAs	Ministries Departments and Agencies
MTP	Medium Term Plan
OAG	Office of the Auditor General
OCOB	Office of Controller of Budget
OSR	Own Source Revenue
PAC	Parliamentary Accounts Committee
PFMR	Public Financial Management Reforms
PIC	Public Investment Committee
PSASB	Public Sector Accounting Standards Board
RAB	Registration of Accountants Board
RCPSB	Registration of Certified Public Secretaries Board
RDE	Royal Danish Embassy
SAGAs	Semi Autonomous Government Agencies
SDGs	Sustainable development Goals
TADAT	Tax Administration Diagnostic Assessment Tool
WVAT	Withholding Value Added Tax

## 1.0 INTRODUCTION

The Government of Denmark has been a key partner supporting PFM Reforms in Kenya. The National Treasury entered into a bilateral agreement with the Danish Ministry of Foreign Affairs regarding support to the Public Finance Management Reforms Strategy in Kenya (covered under the Kenya Country Programme 2016-2020). The total grant amount is **DKK 45 Million** covering four years for the programme.

The key institutions identified for the support include; Office of the Auditor General (OAG), Office of the Controller of Budget (OCOB), Kenya Revenue Authority (KRA) and National Treasury departments that includes Accountant General, Public Procurement, IFMIS, Internal Audit, Intergovernmental Fiscal Relations and the PFMR Secretariat. Consequently, the Royal Danish Embassy made a disbursement of Kshs **204,634,210.86** targeting ten (10) implementing agencies for the FY 2018/2019 to be coordinated through the PFMR programme.

In the financial year 2017/18 a total of Kshs **188,074,180.00** remained unutilized and thus carried forward to 2018/2019. Following consultations between the RDE, the implementing agencies and the PFMR Secretariat work plans were developed. The RDE formally approved the work plans totaling to Kshs **392,708,390.86**. The allocation of funds per implementing agency is as follows (Kshs):-

Agency	Budget FY 17/18 rolled over to 18/19	Budget FY 18/19	Total Budget FY 18/19
<b>MoDP</b>	11,779,640.00	10,000,000.00	21,779,640.00
<b>MAFD</b>	11,283,001.00	8,000,000.00	19,283,001.00
<b>AGD</b>	26,284,063.00	30,000,000.00	56,284,063.00
<b>IFMIS</b>	19,527,484.00	23,000,000.00	42,527,484.00
<b>OCOB</b>	11,147,750.00	16,700,000.00	27,847,750.00
<b>IGFRD</b>	5,804,636.00	16,000,000.00	21,804,636.00
<b>OAG</b>	40,184,653.00	40,000,000.00	80,184,653.00
<b>KRA</b>	27,899,754.00	26,000,000.00	53,899,754.00
<b>PFMRS</b>	12,857,661.00	19,934,210.86	32,791,871.86
<b>IAD</b>	21,305,538.00	15,000,000.00	36,305,538.00
<b>Sum</b>	<b>188,074,180.00</b>	<b>204,634,210.86</b>	<b>392,708,390.86</b>

## 2.0 PROGRAMME IMPLEMENTATION

A summary of the planned activities and the implementation status for the period under review for all implementing agencies are as follows.

### 2.1 OFFICE OF THE CONTROLLER OF BUDGET

#### 2.1.1 Introduction

The Office of the Controller of Budget (OCOB) is an independent Office established under Article 228 of the Constitution of Kenya 2012. Its role is to oversee the implementation of budgets of the National and County governments and report to each House of Parliament and to ensure the public has access to this information as stipulated under Section 39(8) of the Public Finance Management Act, 2012 and Article 35 of the Constitution of Kenya 2010.

Under this mandate, the Office should ensure that the public has access to information and participates in a democratic manner in the development and execution of budgets. The public therefore needs to know that it provides the consent to incur expenses and should therefore participate in budget formulation by identifying priorities, the location and timing of projects and to ensure equitable distribution of resources.

#### 2.1.2 Planned Activities/Actual Achievements

The 2018/19 work plan for the Office of the Controller of Budget focused on strengthening in-year monitoring and reporting and strengthening statutory reporting. In the Financial year 2018/2019, the OCOB implemented the following activities:-

PFMR Strategic Intervention(s)	Expected Results	Indicators	Status of Indicator	Planned Activities	Actual Achievement	Actual Expenditure (Kshs)	Remarks/Comments
Strengthening statutory reporting	OCOB is able to meet its statutory obligations for reporting on budget implementation effectively	Budget implementation reports produced in time  Proportion of OCOB officers trained on budget implementation reporting		Build the capacity of OCOB for reporting on budget implementation	OCOB and County Government staff trained on Budget Analysis  Purchased scanners used in implementation of EDRMS	9,699,140  1,070,005	Training done in Mombasa

### **2.1.3 Budget Performance**

The Office of the Controller of Budget had a balance of Kshs 11,147,750.00 from 2017/2018 allocation. This balance was brought forward to 2018/19. The Department was allocated Kshs 16,700,000.00 in 2018/19. The total amount for 2018/2019 for the department was thus Kshs 27,847,750.00. As at 30<sup>th</sup> June, 2019 the department had spent Kshs 10,769,145.00 representing an absorption rate of 38.67 percent. The main reason for the low absorption rate is late finalization and approval of the work plan. The work plan approval and disbursement of funds was done in December, 2018.

## 2.2 OFFICE OF THE AUDITOR GENERAL

### 2.2.1 Introduction

The Office of the Auditor General (OAG) is an independent Office established under Article 229 of the Constitution of Kenya. The Office is charged with the primary oversight role of ensuring accountability within the three arms of government (the Legislature, the Judiciary and the Executive) as well as the Constitutional Commissions and the other independent Office (Controller of Budget).

The office is not able to meet the timelines as required by the Constitution due to the various challenges; Delay and inadequate funding for audit operations, inadequate staffing and training, poor follow-up of audit recommendations and inadequate IT skills and capacity building. With the expanded mandate, there is dire need to build staff capacity and develop relevant skills and capabilities, re-engineering of systems and re-tooling that will enable the OAG cope with the tremendously increasing demands. The interventions have been detailed in the revised PFMR Strategy.

### 2.2.2 Planned Activities/Actual Achievements

The Office of the Auditor General work plan for 2018/19 focused on strengthening capacity of Independent Audit and strengthening audit follow up. In the Financial year 2018/2019, the OAG implemented the following activities:-

PFMR Strategic Intervention(s)	Expected Results	Indicators	Status of Indicator	Planned Activities	Actual Achievement	Actual Expenditure	Remarks / Comments
Strengthening capacity of Independent Audit	OAG is able to timely produce annual audit reports	Number of MDAs and counties whose annual audits are undertaken		Data analytical analysis	Data Analytics training	10,000,000	10 Sept-5 Oct 2018
				50 licences for Teammate version 12	Teammate Audit management software licenses	10,983,383	
				IFMIS Audit Training	IFMIS Training	4,252,350	16 July - 10 Aug 2018
					IFMIS Audit Training	335,200	
					Training on CCNA for Administrati	3,983,555	13-17 Aug 2018

				Training auditors on Teammate version 12	on of CISCO Teammate Version 12.2 training	2,860,000	30 July- 3 Aug 2018
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### 2.2.3 Budget Performance

The Office of the Auditor General had a balance of Kshs 40,184,653.00 from 2017/2018 allocation which was carried forward to 2018/19. The Department was allocated Kshs 40,000,000.00 in 2018/19. The total amount for 2018/2019 for the department was thus Kshs 80,184,653.00. As at 30<sup>th</sup> June, 2019 the department had spent Kshs 39,329,705.00 representing an absorption rate of 49.05 percent. The main reason for the low absorption rate is late finalization and approval of the work plan. The work plan approval and disbursement of funds was done in December, 2018.



## 2.3 KENYA REVENUE AUTHORITY

### 2.3.1 Introduction

Kenya Revenue Authority (KRA) is a corporate body which was formed in 1995 by an Act of Parliament (KRA Act 1995, Cap 469) to collect revenue on behalf of the Government. It was entrusted with the responsibility of administration, collection, accounting for taxes and enforcement of laws relating to tax revenue administration. The laws administered by KRA therefore legally constitute its functional departments, namely Domestic Taxes Department and Customs & Border Control Departments.

Following the review of the 2013 – 2018 Public Finance Management Reforms (PFMR) Strategy, the following key interventions were proposed as a way forward; broaden the tax base, implement seamless interfaces with key third party systems and revamp and strengthen tax payer education programmes. Implement a compliance risk management strategy to raise tax payer compliance with legislation. Revamp and strengthen the debt collection programme. Improve customer satisfaction with KRA services through better access and use of automated services and simplified and better responsive complaints management systems. Implement a tax payer education strategy aimed at enhancing compliance and Implement a fully automated single collector services for taxpayers.

### 2.3.2 Planned Activities/Actual Achievements

The Kenya Revenue Authority work plan for 2018/19 focused on enhancing Tax Revenue collection. The following activities were implemented by the department during the period under review:-

PFMR Strategic Intervention(s)	Expected Results	Indicators	Status of Indicator	Planned Activities	Actual Achievement	Actual Expenditure	Remarks /Comments
Enhancing Tax Revenue collection	KRA is able to improve its tax compliance and enhance revenue collection significantly	Tax revenue to GDP ratio No. of active taxpayer % of Prioritized Training Areas implemented	17.7% 3.8 Million (as at March 2018)	Implement a programme to broaden tax base	Training officers in Business Intelligence ,Data Analytics	252,000	
				Enhance capacity building in tax administration for prioritized areas	TADAT Sensitization in regions	313,865	Mombasa , Kisumu and South Rift 20 Aug 2018 and 20 Nov 2018
					TADAT Sensitization	413,000	Nairobi 3 Aug 2018

					n for KRA Officers		
					Training to revenue officers - Prince2 (Project Management)	1,290,384	16 July 2018
					Training to revenue officers - CCBA/CBAP (Business Analysis)	1,518,829	31 July 2018
					IFMIS, ITAX & CBK integration training to KRA officers	453,500	Embu(2 Aug 2018) and Naivasha (13 Jul 2018)
					Leadership & Management development (Capacity Building)	3,568,384	2 Nov 2018
					Workshop to sensitize the public on the new income Tax Act ,Advance tax regime	179,500	Nakuru 20 Nov 2018
					IFMIS, ITAX & CBK integration training to KRA	1,493,400	Nairobi

					officers- County & KRA officers		
					Coaching for performanc e Training	1,800,000	Nairobi
					cdfS, IFMIS ,ITAX training	420,000	Nairobi

### 2.3.3 Budget Performance

The Kenya Revenue Authority had a balance of Kshs 27,899,754.00 from 2017/2018 allocation .This balance was brought forward to 2018/19. The Department was allocated Kshs 26,000,000.00 in 2018/19. The total amount for 2018/20109 for the department was thus Kshs 53,899,754.00. As at 30<sup>th</sup> June, 2019 the department had spent Kshs 14,370,862.76 representing an absorption rate of 26.66 percent. The main reason for the low absorption rate is late finalization and approval of the work plan. The work plan approval and disbursement of funds was done in December, 2018.

## 2.4 THE ACCOUNTANT GENERAL'S DEPARTMENT

### 2.4.1 Introduction

The Accountant General's Department (AGD) is a department within the National Treasury and is responsible for planning, developing and implementing Government accounting policy, systems and procedures including computerization programmes of accounting systems and monitoring revenue collection and expenditures that are approved by Parliament. The mission of the department is to continuously provide quality accounting Services in the Public sector through proper maintenance of accounting records, timely provision of financial reports and ensuring proper accountability of public funds.

### 2.4.2 Planned Activities/Actual Achievements

The Accountant General's Department work plan for 2018/19 focused on strengthening in-year monitoring and reporting and strengthening statutory reporting. The Accountant General Department implemented the following activities in the period under review:-

PFMR Strategic Intervention(s)	Expected Results	Indicators	Status of Indicator	Planned Activities	Actual Achievement	Actual Expenditure	Remarks / Comments
Strengthen in-year monitoring and reporting	NT, produce quarterly and half-annual consolidated financial statements/budget implementation reports (covering financial and non-financial data) analyzed and consolidated from submission	Quarterly consolidated financial statements that include financial and non-financial  Number of MDAs submitting quarterly financial statements	All MDAs are submitting quarterly financial statements	Build capacity on MDAs and county governments to comply with the prescribed in year reporting templates prescribed by the PSASB w.e.f July 2016	Training of MDAs, Counties & SAGAS  Technical consultancy services on FR to county governments & county entities  Technical consultancy services on FR to state corpora	19,306,937  8,607,965  16,691,237.45	KSG-Lower Kabete  14 <sup>th</sup> May-8 <sup>th</sup> June  12th August 2018-11th August 2019  12th August 2018-11th August 2019

	ions of MDA				tions ,SAGA S & Funds  Technic al consult ancy services on FR to MDAS, Agenci es & Project	9,731,067	12th August 2018-11th August 2019
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### 2.4.3 Budget Performance

The Accountant General's Department had a balance of Kshs 26,284,063.00 from 2017/2018 allocation, which was carried forward to 2018/19. The Department was allocated Kshs 30,000,000.00 in 2018/19. The total amount for 2018/2019 for the department was thus Kshs 56,284,063.00. As at 30<sup>th</sup> June, 2018 the department had spent Kshs 54,337,207.55 representing an absorption rate of 96.54 percent. The main reason for the non absorption of the total funds is late finalization and approval of the work plan. The work plan approval and disbursement of funds was done in December, 2018.

## 2.5 INTERNAL AUDITOR GENERAL DEPARTMENT

### 2.5.1 Introduction

The Office of the Internal Auditor-General is an office in the National Treasury which was established by Section 9 of the Government Financial Management Act, 2004, and continued by section 210(15) of the Public Finance Management Act, 2012. The key mandate of the Department includes:

- a) Reviewing the governance mechanisms of the entity and mechanisms for transparency and accountability;
- b) Conducting risk-based, value for money and systems audits aimed at strengthening internal control mechanisms that could have an impact on achievement of the strategic objectives of the entity;
- c) Verifying the existence of assets administered by the entity and ensuring that there are proper safeguards for their protection;
- d) Providing assurance that appropriate institutional policies and procedures and good business practices are followed by the entity; and
- e) Evaluating the adequacy and reliability of information available to management for making decisions with regard to the entity and its operations

The key areas which require support include development of risk assessment frameworks for internal audit, providing guidelines for information system audit, enhancing the reporting structure for the internal audit at national government, establishment of internal audit structures at the counties and establishment of audit committees both within counties and national government entities.

### 2.5.2 Planned Activities/Actual Achievements

The Internal Auditor General work plan for 2018/19 focused on improving effectiveness of Internal Audit function. The following activities were implemented during the period under review:-

PFMR Strategic Intervention(s)	Expected Results	Indicators	Status of Indicator	Planned Activities	Actual Achievement	Actual Expenditure	Remarks/Comments
Improve effectiveness of Internal Audit function	National Entities audit committee members trained	22 Ministerial Audit committees trained		Training of Audit Committee Members at School of Government	Training on hosting of Ministries Audit Committee induction	970,800.00	2-4 October 2018
	Licenses	Activated		Procurement of	Renewal of IDEA	2,092,930.00	

		Licenses		IDEA Data Analysis Software	Software license		
	Internal Auditors attend AFIIA and IIA Annual Conference	25 internal auditors to attend AFIIA and IIA Annual Conference		IIA Annual Conferences	IIA International Conference	5,648,009.70	California, USA 7-10 July 2019

### 2.5.3 Budget Performance

The Internal Auditor General Department had a balance of Kshs 21,305,538.00 from 2017/2019 allocation. This balance was brought forward to 2018/19. The Department was allocated Kshs 15,000,000.00 in 2018/19. The total amount for 2018/2019 for the department was thus Kshs 36,305,538.00 . As at 30<sup>th</sup> June, 2019 the department had spent Kshs 8,661,525.70 representing an absorption rate of 23.86 percent. The main reason for the low absorption rate is late finalization and approval of the work plan. The work plan approval and disbursement of funds was done in December 2018. The late approval of the work plan reduced implementation time of planned activities.





		IFMIS		Release Process	Training on cash management planning ,forecasting & IT security management		April 28th - 22 June 2019
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### 2.6.3 Budget Performance

The IFMIS Department had a balance of Kshs 19,527,484.00 from 2017/2018 allocation which was carried forward to 2018/19. The Department was allocated Kshs 23,000,000.00 in 2018/19. The total amount for 2018/2019 for the department was thus Kshs 42,527,484.00. As at 30<sup>th</sup> June, 2019 the department had spent Kshs 38,891,691.20 representing an absorption rate of 91.45 percent. The main reason for the low absorption rate is late finalization and approval of the work plan. The work plan approval and disbursement of funds was done in December, 2019.

## 2.7 NATIONAL TREASURY AND PLANNING-STATE DEPARTMENT OF PLANNING

### 2.7.1 Introduction

Kenya Vision 2030 is the country's long term development blue print that aims to transform Kenya into a newly industrializing, middle income country providing high quality of life to its citizens. The Vision is being implemented through five-year successive medium term plans. The First Medium Term Plan covered the Period 2008-2012 while the second MTP covers the period 2013 to 2017. The Ministry has prepared and launched the Third MTP 2018-2022. The Third Medium Term Plan outlines policies, programmes and projects for implementation over the period 2018-2022.

### 2.7.2 Planned Activities/Actual Achievements

The State Department for Planning and Statistics work plan for 2018/19 focused on strengthening strategic planning. The department implemented the following activities in the period under review:-

PFMR Strategic Intervention(s)	Expected Results	Indicators	Status of Indicator	Planned Activities	Actual Achievement	Actual Expenditure	Remarks / Comments
Strengthen Strategic Planning	Harmonised national and county plans, budgets and implementation reports prepared using common formats and strengthening the link between resource allocation	County Planning Handbook	Draft County Planning Handbook developed	Development and dissemination of the County Planning Handbook	Workshop in drafting of county planning handbook conducted	5,750,170	Mombasa 13th-22nd June 2019
					Development of assessment tools for the county planning hand book	6,574,470	Mombasa 27 June-7 July 2019
					Preparation of key investment opportunities done	6,428,500	Naivasha 17-26 June 2019
	Key investment opportunities	Key investment opportunities in Kenya booklets developed	Draft key investment opportunities developed	Prepare and print key investment opportunities in Kenya booklet			

	ties in Kenya developed and disseminated based on Third MTP 2018-2022	and disseminated					
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### 2.7.3 Budget Performance

The State Department for Planning had a balance of Kshs 11,779,640.00 from 2017/2018 allocation. This balance was brought forward to 2018/19. The Department was allocated Kshs 10,000,000.00 in 2018/19. The total amount for 2018/2019 for the department was thus Kshs 21,779,640.00 . As at 30<sup>th</sup> June, 2019 the department had spent Kshs 18,144,140.00 representing an absorption rate of 83.31 percent. The main reason for the low absorption rate is late finalization and approval of the work plan. The work plan approval and disbursement of funds was done in December, 2018. The late approval of the work plan reduced implementation time of planned activities.

## 2.8 MACRO AND FISCAL AFFAIRS

### 2.8.1 Introduction

The overall objective in this area is to strengthen macro-economic forecasting in line with macro-economic fiscal policies. The Government will therefore continue with its efforts to improve macro-economic forecasting. This is a high priority project that will provide a realistic and reliable basis for development of macro-economic forecasts that can be depended upon for evaluation of various policy scenarios, improve economic analysis and provide a solid basis for the construction of the fiscal framework.

The PFMR Strategy (2013-2018) identified a number of interventions to meet this objective. These included building capacity in macro-economic forecasting, analysis and management, acquiring a modern macro-economic model and developing a database to support macro-economic analysis.

### 2.8.2 Planned Activities/Actual Achievements

The Macro and Fiscal Affairs Department work plan for 2018/19 focused on strengthening macro-economic forecasts. The following activities were planned for the period:-

PFMR Strategic Intervention (s)	Expected Results	Indicators	Status of Indicator	Planned Activities	Actual Achievement	Actual Expenditure	Remarks / Comments
Strengthen macro-economic forecasts	Capacity of NT for macroeconomic forecasting, analysis and management is strengthened	Number of staff trained		Capacity building in macro-economic forecasting, analysis and management Modern macroeconomic model Develop a database to support macroeconomic analysis	No activity implemented in FY 2018/19	-	-

### 2.8.3 Budget Performance

The Macro and Fiscal Affairs Department had a balance of Kshs 11,283,001.00 from 2017/2018 allocation which was carried forward to 2018/19. The Department was allocated

Kshs 8,000,000.00 in 2018/19. The total amount for 2018/2019 for the department was thus Kshs 19,283,001.00. As at 30<sup>th</sup> June, 2019 the department had not spent any funds. The main reason for the non absorption is late finalization and approval of the work plan. The work plan approval and disbursement of funds was done in December, 2018.

## 2.9 INTERGOVERNMENTAL FISCAL RELATIONS

### 2.9.1 Introduction

Intergovernmental Fiscal Relations is the department under National Treasury which deals with all Public Finance Management matters that cuts across the two levels of government, the County and the National Government. Its mandate is to advance intergovernmental fiscal relations by creating and pursuing nationally beneficial intergovernmental fiscal opportunities and providing strategic advice on relevant priorities, as well as fostering strategic relationships with key stakeholders for the benefit of the people of Kenya.

### 2.9.2 Planned Activities/Actual Achievements

The Intergovernmental Fiscal Relations department work plan for 2018/19 focused on strengthen mobilization, accounting and reporting on Own Source Revenue, strengthening County budgeting systems and clarifying and Strengthening Intergovernmental Fiscal relations. The following activities were implemented in the period under review:-

PFMR Strategic Intervention (s)	Expected Results	Indicators	Status of Indicator	Planned Activities	Actual Achievement	Actual Expenditure	Remarks/ Comments
Strengthen mobilization, accounting and reporting on Own Source Revenue	Counties have adequate legislation to guide OSR administration	OSR Policy and legal framework	OSR Policy and legal framework in place	Continue to implement the programme to support counties to establish appropriate legislations for OSR	Supply & delivery of 10 Laptops	1,269,000	23/10/2018
Strengthening County budgeting systems	Greater accuracy in revenue forecasts (OSR) and budget formulation to provide a reliable basis for	Variance between county OSR forecasts and actual collections on annual basis	48%	Continue implementing a sensitization and training programme for county governments on the application of the	Training program on tax analysis and revenue forecasting	3,076,290	Duke university  June 16 - July 12 2019

	budget allocation	% county budget expenditure reports in compliance with fiscal responsibility principles		PFM Act and regulations. ensuring all relevant parties appreciate their fiscal responsibilities			
	County budget observe strictly the fiscal responsibility principles as outline in the PFM Act and regulations						

### 2.9.3 Budget Performance

The Intergovernmental Fiscal Relations Department had a balance of Kshs 5,804,636.00 from 2017/2018 allocation which was carried forward to 2018/19. The Department was allocated Kshs 16,000,000.00 in 2018/19. The total amount for 2018/2019 for the department was thus Kshs 21,804,636.00 As at 30<sup>th</sup> June, 2019 the department had spent Kshs 5,244,720.00 representing an absorption rate of 24.05 percent. The main reason for the low absorption rate is late finalization and approval of the work plan. The work plan approval and disbursement of funds was done in December, 2018. The late approval of the work plan reduced implementation time of planned activities.

## 2.10 PROGRAMME MANAGEMENT-PFM REFORMS SECRETARIAT

### 2.10.1 Introduction

Programme management is a critical component of the PFMR Strategy focusing on coordination of reform activities with implementing agencies to ensure successful delivery of the Strategy. Under the PFMR Strategy, project management was intended to focus on programme planning, budgeting and reporting, coordination, monitoring, evaluation, and communication on PFM reforms. These elements are broadly in line with good practices. An additional relevant element is coordination of donor financing to the reform programme.

Several challenges primarily related to the capacity and reporting mechanisms, have limited the effectiveness of programme management. The most critical key challenges are governance arrangements and management, PFMR Strategy results framework, resource mobilization and budget performance, communication and capacity of the PFMR Secretariat.

### 2.10.2 Planned Activities/Actual Achievements

The PFMR Secretariat work plan for 2018/19 focused on strengthening coordination mechanisms, strengthening DPs engagement, strengthening capacity of the Secretariat and strengthening M & E and reporting. The Secretariat implemented the following activities in the period under review:-

PFMR Strategic Intervention(s)	Expected Results	Indicators	Status of Indicator	Planned Activities	Actual Achievement	Actual Expenditure	Remarks/Comments
Strengthen coordination mechanisms	Coordination and oversight mechanism strengthened	Number of TC and SC meetings		Operationalize the PFM Reform Governance Structure to improve its effectiveness in overseeing the implementation of the Strategy	Development of POM	5,968,160	
	Implementing agencies are well	Compliance by imple					



	guided on the operations of the Reform Programme	menting agencies to the Operations Manual					
	Information on the implementation of the PFMR communication strategy is readily accessible to stakeholders	Proportion of implementing agencies complying with PFMR communication strategy		Monitor implementation of communication strategy for a revised PFM Strategy	Development of Communication strategy	8,322,356.80	
Strengthening Capacity of the Secretariat	Implement a training plan to improve the effectiveness of the role of the Secretariat in coordinating with the implementing Agencies	Proportion of staff trained under approved Secretariat training plan		Implement a training plan for PFMR Secretariat	Training on PFM & Good Governance	777,000	Denmark Oct 2018

### 2.10.3 Budget Performance

The PFMR Secretariat had a balance of Kshs 12,857,661.00 from 2017/2018 allocation which was carried forward to 2018/19. The Secretariat was allocated Kshs 19,934,210.86 in 2018/19. The total amount for 2018/2019 for the Secretariat was thus Kshs 32,791,871.86 . As at 30<sup>th</sup> June, 2019 the Secretariat had spent Kshs 15,744,016.80

representing an absorption rate of 48.01 percent. The main reason for the low absorption rate is late finalization and approval of the work plan. The work plan approval and disbursement of funds was done in December, 2018.

### **3.0 CONCLUSION AND WAY FORWARD**

It is worth noting that, despite the late start of implementation of the work plans, most of the implementing departments managed to undertake some activities in the work plan.

A notable challenge in implementation of the work plan was that most of the activities had not been implemented by the end of the financial year. In other departments implementation was ongoing by end of 2018/19. This is attributed to late approval of the work plan which was approved in December, 2018. The lateness in approval was occasioned by various consultations aimed at improving the quality and level of details in the work plans. Further, most of the activities for 2018/18 were also rolled over to 2018/19. This created a challenge in implementation of the planned activities due to the limited time.

The other challenge was that, the absorption rate across all implementing agencies was low. The overall absorption rate in the programme was fifty two percent (52%) by end of 2018/19. This is attributed to late disbursements occasioned by late approval of the work plan. Disbursement of funds was done in December, 2018 and the funds received in March, 2019. Further, most of the funds for 2017/18 were carried forward to 2018/19. The late disbursement necessitated limited time of programme implementation and thus the low absorption rates.

Going forward, there is need to prepare and submit work plans in good time for approval by RDE. This will ensure timely start of implementation of planned activities. This will also reduce the pending activities by end of the financial year. The timely approval of the work plans will lead to timely disbursement of funds. This will impact positively on the absorption rates.

#### 4.0 ANNEX 1: DED ANNUAL TARGETS

Output 1		1. Enhanced Revenue Collection			
<b>Output indicator 1.1</b>		Taxes as a percentage of GDP			
Baseline 2013	<b>Year 2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Target 2020</b>
24.1%	<b>16.7</b>  <u>Status</u> <i>Taxes as a percentage of GDP stands at 16.8% in 2016/2017</i>	<b>17.7</b>  <u>Status</u> <i>Taxes as a percentage of GDP stands at 17.7% in 2017/2018</i>	<b>17.7</b>  <u>Status</u> <i>Taxes as a percentage of GDP stands at 17.7% in 2018/2019</i>		
Output 2		<b>2. Accurate accessible and timely government wide financial information and reports with clear accountability</b>			
<b>Output indicator 2.1</b>		Timely, accurate Horts covering both financial and non-financial data, consistent with PBB produced regularly			
Baseline 2013	<b>Year 2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Target 2020</b>
<b>No framework for monitoring in place</b>	Development of a framework for reporting  <u>Status</u> <i>Public Sector Accounting Standards (financial reporting framework) developed and operationalized</i>	All MDAs and County Governments produce annual and semi-annual reports  <u>Status</u> <i>All MDAs and County Governments produce annual and semi-annual reports</i>	All MDAs and County Governments produce annual and semi-annual reports  <u>Status</u> <i>All MDAs and County Governments produce annual and semi-annual reports</i>	All MDAs and County Governments produce annual and semi-annual reports	Review implementation of the framework  All MDAs and County Governments produce annual and semi-annual reports

Output 3		<b>3. Accurate, user friendly and timely independent audit reports based on a risk-based approach</b>			
<b>Output indicator 3.1</b>		Risk based audit approach implemented (percentage of all audits conducted using the risk-based approach methodology)			
Baseline 2013	<b>Year 2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Target 2020</b>
20%	<b>100%</b>  <b>Status</b> <i>In 2016, 100% of Audits were using Risk Based Audit Methodology</i>	<b>100%</b>  <b>Status</b> <i>In 2017, 100% of Audits were using Risk Based Audit Methodology</i>	<b>100%</b>  <b>Status</b> <i>In 2018, 100% of Audits were using Risk Based Audit Methodology</i>	<b>100%</b>	<b>100%</b>
Output 4		<b>4. Strengthened capacity for public procurement and disposal oversight</b>			
<b>Output indicator 4.1</b>		Share/ percentage of Government Procurement Entities using electronic procurement			
Baseline 2013	<b>Year 2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Target 2020</b>
<b>No entity on e-procurement</b>	MDAs on IFMIS e-procurement module  <b>Status</b> <i>All Ministries and State Corporation are on e procurement</i>	Develop user specifications for an ERP, Procure & Contract  <b>Status</b> <i>A draft e-Procurement Strategy and Roadmap prepared</i>	Develop operational manuals and train all entities  <b>Status</b> <i>A draft e-Procurement Strategy and Roadmap prepared</i>	All public entities use e-procurement	All public entities use e-procurement
Output 5		<b>5. A functional monitoring and evaluation framework for the PFM Reforms Strategy in place</b>			
<b>Output indicator 5.1</b>		A functional M&E framework for the PFM Reforms Strategy			
Baseline 2013	<b>Year 2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Target 2020</b>

	<p>Preparation of framework</p> <p><b>Status</b>  <i>An M&amp;E framework developed awaiting rollout. Discussions have taken place with RDE-M&amp;E consultants regarding the approach to be used in developing an automated M&amp;E system</i></p>	<p>Quarterly and annual progress reports</p> <p><b>Status</b>  <i>Quarterly and annual progress reports prepared</i></p>	<p>Quarterly and annual progress reports</p> <p><b>Status</b>  <i>Quarterly and annual progress reports prepared</i></p>	<p>End term review report, Quarterly and annual progress reports</p>	<p>Quarterly and annual progress reports</p>
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**5.0 ANNEX 3: SUPPORT TO PFMR STRATEGY - DANIDA FINANCIAL POSITION FROM JULY 2018 TO JUNE 2019**

<b>AGENCY</b>	<b>2017/18 ROLLED OVER 2018/19</b>	<b>BUDGET 2018/19</b>	<b>BUDGET 2018/19+ROLL OVER 17/18</b>	<b>ACTUAL EXPENDITURE 2018/19</b>	<b>TOTAL</b>	<b>BALANCE</b>	<b>UTILIZATION (%)</b>
<b>Min DEV &amp;P</b>	11,779,640.00	10,000,000.00	21,779,640.00	18,144,140.00	18,144,140.00	3,635,500.00	83.31
<b>MFAD</b>	11,283,001.00	8,000,000.00	19,283,001.00	-	-	19,283,001.00	-
<b>D-ASQA</b>	26,284,063.00	30,000,000.00	56,284,063.00	54,337,207.55	54,337,207.55	1,946,855.45	96.54
<b>IFMIS</b>	19,527,484.00	23,000,000.00	42,527,484.00	38,891,691.20	38,891,691.20	3,635,792.80	91.45
<b>OCOB</b>	11,147,750.00	16,700,000.00	27,847,750.00	10,769,145.00	10,769,145.00	17,078,605.00	38.67
<b>IGFRD</b>	5,804,636.00	16,000,000.00	21,804,636.00	5,244,720.00	5,244,720.00	16,559,916.00	24.05
<b>OAG</b>	40,184,653.00	40,000,000.00	80,184,653.00	39,329,705.00	39,329,705.00	40,854,948.00	49.05
<b>KRA</b>	27,899,754.00	26,000,000.00	53,899,754.00	14,370,862.76	14,370,862.76	39,528,891.24	26.66
<b>PFMR</b>	12,857,661.00	19,934,210.86	32,791,871.86	15,744,016.80	15,744,016.80	17,047,855.06	48.01
<b>IAD</b>	21,305,538.00	15,000,000.00	36,305,538.00	8,661,525.70	8,661,525.70	27,644,012.30	23.86
<b>TOTALS</b>	<b>188,074,180.00</b>	<b>204,634,210.86</b>	<b>392,708,390.86</b>	<b>205,493,014.01</b>	<b>205,493,014.01</b>	<b>187,215,376.85</b>	<b>52.33</b>