The KENYA INSTITUTE for PUBLIC POLICY RESEARCH and ANALYSIS

An Assessment of the Public Expenditure and Financial Accountability – Kajiado County

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(KIPPRA)

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Bishops Garden Towers, Bishops Road
PO Box 56445-00200 Nairobi, Kenya
tel: +254 20 2719933/4; fax: +254 20 2719951
email: admin@kippra.or.ke
website: http://www.kippra.org

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ThinkTank Initiative

Initiative Thinktank

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THE COUNTY GOVERNMENT OF KAJIADO

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Currency and indicative exchange rates

Local currency unit = Kenyan Shilling (Ksh)

1 EUR = 118.7000 Ksh (December, 2017)

1 USD = 100.7520 Ksh

UGX (March 2017)

Fiscal Year: 1 July to 30 June

EXECUTIVE SUMMARY

Background

The rationale of this assessment is to give a better understanding of how public finance management systems work, how the processes and the institutions are organized and to what extent they provide an entry point for PFM reform efforts at the level of Kajiado County. This PEFA assessment will become a benchmark for the upgrade of the PFM system in the counties of Kenya which are still in early stages of development.

The assessment period covers the last three complete fiscal years (FY) after the introduction of devolved system of government. That is, financial years 2013/14, 2014/15 and 2015/16 depending on the indicators and dimensions of the assessment.

Main Outputs of the Assessment

Fiscal discipline

Actual revenues were short of budgeted amounts in all three years because local revenues and grants from international organizations were over-estimated. On the expenditure side, aggregate expenditure outturn was in average below 85 per cent of the approved budget expenditure and extensive administrative reallocations have been used.

Due to the adoption of a standardized Chart of Accounts (SCOA) in 2012/13 at the national and sub-national levels and the use of IFMIS, codes for budget formulation, execution, reports and accounts are based on administrative and economic classification. Information on the activities performed for most budget users is published annually in the budget implementation review reports (CBROP and CFS). Annual executive budget proposal documentation, enacted budget, in-year budget execution reports, annual budget execution report, have been produced by the County government, but they are not put at the disposal of the public in a timely manner. In addition, the “citizens’ budget,” translated into spoken local language, is not produced and financial reports of the extra-budgetary units are not availed.

The government maintains a record of its holdings in major categories of financial assets, which are mainly composed of cash at hand as the county is yet to constitute any public corporations. It also maintains a register of its holdings of fixed assets, which is not complete and collects partial information on their usage and age. Though the counties are not authorized to incur debt, there was a pre-existing debt inherited from OlKejuado County Council. This debt has been serviced and records are maintained annually. In addition, a debt strategy has been put in place and contingent liabilities and other fiscal risks have been outlined qualitatively in the CBROP and the CFSP but have not been specified in the budget in a quantitative manner.

Strategic Resource Allocation

The county government prepares medium term expenditure estimates by administrative, economic and functional classification, which are presented in both budget estimates and the CFSP but does neither establish macroeconomic forecasts at the county level (national economic forecasts are used instead) nor do establish scenario building and sensitivity analysis.

The cost of major investment projects are included in the budget documents such as CBROP and CFSP but no rigorous economic analysis technique is being used for major investment projects beyond public participation.

Budget estimates are supposed to be built based on Annual Development Plans (ADPs) and the Country Integrated Development Plans (CIDPs), but those are prepared only for the main departments such as education, health and agriculture. The fiscal strategy is not very robust, as the county only provides in the CFSP a situational analysis of key macroeconomic indicators (growth, inflation, exchange rate, interest rates), but these data concern the national level and not the county level.

The government has adopted, submitted to the legislature, and published fiscal policies, medium-term fiscal forecasts, and medium-term priorities, plus a fiscal strategy, but this strategy does not include explicit time-based quantitative fiscal goals and targets together with qualitative objectives for at least the budget year.

Efficient Service Delivery

On the revenue side, the County Executive provides payers with access to information on the main revenue obligation areas but not on redress processes and procedures.

On the expenditure side, budgetary units are provided reliable information on commitment ceilings at least quarterly in advance when they use IFMIS, which gives them enough visibility to provide services in an efficient way.

Reconciliation of the payroll with personnel records takes place only annually, but sufficient controls exist to ensure integrity of the payroll data of greatest importance. Staff hiring, and promotion is checked against the approved budget prior to authorization, which limits the requirement of acquaintances.

Procurement databases are maintained for contracts including data on what has been procured, value of procurement and who has been awarded contracts, but the total value of contracts awarded through competitive methods in 2015/16 represents less than 60 per cent of total value of contracts.

Internal audit is operational in the county government, and in the County Assembly and most of annual programmed audits are completed, but a quality assurance process showing that internal audit activities are focused on evaluation of the adequacy and effectiveness of internal controls is not in place yet. No risk analysis methodology and no compliance improvement plan is being used. The audits nevertheless revealed that the county did not adhere to budgetary allocations in personnel emoluments and that less than the majority of payments were compliant with regular payment procedures.

Budget reports are prepared quarterly, but the items are not easily comparable to the initial budget, which does not enable an easy follow-up of services delivery. Financial reports are prepared annually and budget execution data are comparable with the approved budget. They include information on revenue, expenditure, and cash balances, but weaknesses regarding data accuracy are raised by the report of the Auditor General. Data is nevertheless consistent and useful for analysis of budget execution.

External scrutiny and audit are done by the Office of the Auditor General, which operates at the national level, and the County Assembly has a process for monitoring implementation of audit recommendations.

Hearings on key findings of audit reports were fully completed and discussed only for the year 2013/14. They covered a few audited entities. No comment was provided on the performance of services delivery.

The table below gives an overview of the scores for each of the PEFA indicators.

Scoring summary table

Indicator	Method	1	2	3	4	Global
HLG-1: Transfers from a higher level of government	M1	A	B	D*		D+
PI-1: Aggregate expenditure outturn	M1	D				D
PI-2: Expenditure composition outturn	M1	D	D	A		D+
PI-3: Revenue outturn	M2	D	D*			D
PI-4: Budget classification	M1	C				C
PI-5: Budget documentation	M1	D				D
PI-6: Central government operations outside financial reports	M2	D*	D*	D*		D
PI-7: Transfers to subnational governments	M2	N/A	N/A			N/A
PI-8: Performance information for service delivery	M2	B	D	D	D	D+
PI-9: Public access to fiscal information	M1	D				D
PI-10: Fiscal risk reporting	M2	N/A	N/A	D		D
PI-11: Public investment management	M2	D	D*	C	D*	D+
PI-12: Public asset management	M2	D	D	D		D
PI-13: Debt management	M2	D	N/A	D		D
PI-14: Macroeconomic and fiscal forecasting	M2	C	C	D		D+
PI-15: Fiscal strategy	M2	D	B	C		C
PI-16: Medium term perspective in expenditure budgeting	M2	A	D	D	D	D+
PI-17: Budget preparation process	M2	B	D	A		B
PI-18: Legislative scrutiny of budgets	M1	A	A	A	C	C+
PI-19: Revenue administration	M2	D	D	D	D	D
PI-20: Accounting for revenue	M1	A	B	D		D+
PI-21: Predictability of in_year resource allocation	M2	D	C	B	A	C+
PI-22: Expenditure arrears	M1	D*	D*			D
PI-23: Payroll controls	M1	D	B	D	D*	D+
PI-24: Procurement management	M2	D*	D	C	A	C
PI-25: Internal controls on nonsalary expenditure	M2	B	C	D*		C
PI-26: Internal audit	M1	B	C	B	B	C+
PI-27: Financial data integrity	M2	D*	D*	D*	C	D+
PI-28: In_year budget reports	M1	C	B	C		C+
PI-29: Annual financial reports	M1	B	D	C		D+
PI-30: External audit	M1	B	A	C	A	C+
PI-31: Legislative scrutiny of audit reports	M2	D*	D*	D*	D*	D

ABBREVIATIONS AND ACRONYMS

CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
CoG	Council of Governors
CBIRR	County Governments Budget Implementation Report
CIDPs	County Integrated Development Plans
IFMIS	Integrated Financial Management Information System
IPPD	Integrated Payroll Personnel Data
ITRC	Intergovernmental Technical Relations Committee
IDA	International Development Association
IDRC	International Development Research Centre
IPSAS	International Public-Sector Accounting Standards
KADP	Kenya Accountable Devolution Programme
KDSP	Kenya Devolution Support Programme
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KSG	Kenya School of Government
MTEF	Medium Term Expenditure Framework
MCAs	Members of the County Assembly
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
OAG	Office of the Auditor General
OCoB	Office of the Controller of Budget
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMR	Public Financial Management Reforms
PPARB	Public Procurement and Administrative Review Board
PPRA	Public Procurement and Regulatory Authority
PSASB	Public Sector Accounting Standards Board
SIDA	Swedish International Development Assistance
SRC	Salaries and Remuneration Commission

SCOA	Standard Chart of Accounts
SOP	Standard Operating Procedure
TSA	Treasury Single Account

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1. INTRODUCTION

1.1 Background

The Sub-National PEFA assessment seeks to ascertain the performance of the PFM system of county governments using the PEFA methodology. So far, the Government of Kenya has gained experience in the application of the PEFA methodology by undertaking four national PEFA assessments over the years, the latest carried out in 2017 and report due for completion in 2018. However, this is the first sub-national assessment to be carried out in Kenya following the adoption of a devolved system of government. It is notable that the national and sub-national PEFA assessments are almost being done concurrently and this is important because both levels of government share the same PFM system, implying that evidence-based reform age and can be implemented simultaneously after areas that require improvements are identified. The sub-national assessments, which covered six out of forty-seven counties, have been jointly financed by the World Bank and IDRC through KIPPRA.

1.2 Rationale and Purpose

The main rationale of this PEFA assessment is to give a better understanding of the PFM systems, processes and institutions that will provide an entry point for PFM reform efforts at the County level. This would then be used to leverage on existing capacity building efforts e.g. PFMR Strategy, National Capacity Building Framework, World Bank Kenya Accountable Devolution Program (KADP) and KDSP. The findings will further facilitate identification of capacity needs especially in terms of human capacity gaps in different components of PFM system in the counties for which KIPPRA seeks to strengthen as part of its capacity building and policy development mandates.

The assessment will also be useful in identifying priorities for PFM reforms in the future to ensure a sustainable, effective and transparent allocation and use of public resources. The PEFA assessment will become a benchmark for the upgrade of the PFM system in Kenya's counties which are still in early stages of development. Indeed, fiscal discipline and the efficient allocation of resources according to the priorities of the County of Kajiado are viewed as important prerequisites to deployment of well-functioning public finance systems.

Effective PFM institutions and systems in the county governments are important for the successful implementation of devolution. The PEFA assessments are founded on the principles of openness, accountability and public participation in public finance as contained in Section 201 (a) of the Constitution of Kenya 2010. Their assessment will provide a baseline of current state of PFM within the county and for the entire financial system and indicate areas that require improvements. National and County PEFA assessments are almost being done concurrently. This is important because both levels of government share the same PFM system, implying that evidence-based reforms can be implemented simultaneously after areas that require improvements are identified.

Apart from Kajiado, the other counties which voluntarily expressed interest in undertaking the PEFA assessments were Baringo, Makueni, West Pokot, Nakuru and Kakamega. It should be noted that the selected counties do not represent particular interests, neither is there a basis for comparison of their performances.

1.3 Objectives of the PEFA Assessment

The specific objectives of the PEFA assessment in Kajiado County include the following:

1. Assess the state of financial management capacities in the county;
2. Identify gaps in terms of capacity, systems, policies and processes in PFM;
3. Provide basis for informing entry points for PFM reform engagements in the county that will be used to leverage on existing capacity building efforts; and
4. Facilitate and develop a self-assessment capacity at the county level and build capacities of key staff to carry out assessments in the future.

1.4 Assessment Methodology

Coverage of the assessment

This sub-national PEFA assessment covers the County of Kajiado and is part of the assessment covering one-eighth of the counties in Kenya which totals to six counties. The assessment did not cover public corporations except in terms of the fiscal transparency of their operations (PIs 6 and 9) and their fiscal relationship to the budgetary county government.

Time of the assessment

The time period covered in the assessment was three fiscal years after the introduction of devolved system of government in Kenya; that is 2013/14, 2014/15 and 2015/16 depending on the indicators and dimensions of the assessment. The field work assessment took place in April 2017, which is the time of assessment for those indicators where more up-to-date assessment period is required.

Sources of information

The key documents that have been used in the assessment are mainly (i) Constitution of Kenya, 2010; (ii) Government of Kenya Review of the Public Finance Management Reforms (PFMR) Strategy 2013-2018 report (2016); and (iii) the Public Finance Management (PFM) Act 2012. The exhaustive list of all documents and materials used and referred to in this PEFA assessment are contained in Annex 3C.

2. KAJIADO COUNTY BACKGROUND INFORMATION

2.1 Economic Context

An overview of the Kenyan economy

Kenya has a unitary but devolved system of government consisting of the National and 47 County governments. This is as provided in the Constitution. All the counties do not have detailed economic data such as GDP growth, inflation rates etc. However, the Kenya National Bureau of Statistics has developed county-specific statistical abstracts. The National Treasury and the World Bank are set to undertake compilation of county-specific Gross Domestic Products (GDPs).

The Kenyan economy has sustained its robust growth in the past decade supported by significant structural and economic reforms. The Kenyan economy grew by 4.9 per cent in 2017 compared to 5.9 per cent in 2016 and 5.7 per cent in 2015. The leading sectors in growth during 2017 included tourism, building and construction, transport and ICT. The agriculture sector declined tremendously to 1.6 per cent from 5.1 per cent the previous year due to drought, coupled with pests and diseases.

Inflation rate in 2017 was 8.0 per cent, a rise from 6.3 per cent rate recorded in 2016. The inflationary pressure was mainly attributed to significant increases in oil and food prices.

Economic growth is expected to be accelerated during the year 2018 due to improved political stability and favourable macroeconomic environment. In addition, the on-going investments in infrastructure, improved business confidence and strong private consumption are likely to support a strong growth. Besides, the favourable climatic conditions are likely to boost agriculture production and electricity and water sectors, and support manufacturing growth. Rising oil prices and depressed growth of credit to the private sector which started in 2016 are likely to undermine growth prospects. However, the adverse effects are likely to be offset by strong favourable factors and result into better growth in 2018.

Overview of Kajiado County economy

Table 2.1 presents selected economic indicators for the county government.

Table 2.1: Basic economic data and indicators for Kajiado County

Indicator	Amount/Designation
Area (km^2)	21,900.9
No. of Constituencies	5
County Assembly Wards	25
Population	807,069 (males – 405,285; females – 401,784)
% population living below poverty line	47
Population density per km^2	31
Main economic activities	Pastoralism, agriculture, livestock trading, tourism and mining
Wage employment by sector:	4,110
National Government	2,798
County government	1,312
Teachers Service Commission (TSC)	-
ECDE Centres:	811
Public	423
Private	388
No. of primary schools:	568
Public	372
Private	196
No. of secondary schools:	124
Public	71
Private	53
No. of health facilities	234
Doctor to population ratio	26,094

Data source: Commission on Revenue Allocation (CRA), CIDP and Kajiado County Statistical Abstract 2015

Kajiado County is located in the Rift Valley in the southern part of Kenya, covering an area of 21,900.9 square km. According to the Kenya National Bureau of Statistics (2013), the county had an estimated population of 807,069 in 2012 with a population growth rate of 5 per cent (Table 2.1). The main economic activities undertaken in the county are pastoralism, agriculture, livestock trading, tourism and mining. The health sector requires hiring of more medical staff as reflected by the high doctor population ratio.

2.2 Fiscal and Budgetary Trends

The county government operates on a balanced budget as per the provisional projections. However, in the case of any unforeseen budget deficit, the county government must take efficient austerity measures to reduce expenditures prudently and to increase revenue collection to enhance the budget implementation.

The 2015/16 fiscal performance in the CBROP states that local revenue collection amounted to only 52 per cent of the 2015/16 target, reflecting an under-collection of Ksh 0.61 billion. This was also a drop-in performance by 16.2 per cent compared to the actual revenue collected in 2014/15.

On the revenue side, overall actual expenditure indicates a level of 75 per cent absorption, of which recurrent expenditure representing 88 per cent absorption rate development expenditure accounted for 57 per cent absorption.

The table below presents the breakdown of resource and expenditure for the county government in per cent age of the GDP calculated for Kajiado. Only budget data is included as resources and expenditure outside the budget are not reported (see PI-6).

Table 2.2: Aggregate fiscal performance data for the last 3 fiscal years (in % of total revenues)

Receipts	**2013-2014**	**2014 - 2015**	**2015-2016**
Transfers from National Treasury 4	98,1%	83,3%	84,4%
Transfers from other government entities	1,9%		3,2%
Other revenues		16,7%	12,4%
Total Revenues	**100%**	**100%**	**100%**
Payments			
Compensation of employees	30,6%	32,2%	29,2%
Use of goods and services	34,3%	31,4%	20,3%
Subsidies			
Transfers to other government units		4,1%	12,4%
Other grants and transfers	5,4%	3,2%	2,3%

Social security benefits			
Acquisition of assets	30,2%	32,6%	31,2%
Finance costs, including loan interest	3,5%	0,4%	0,7%
Repayment of principal on domestic and foreign borrowing			
Other expenses	0,3%		
Total Payments	**104,2%**	**103,9%**	**96,2%**
Surplus/deficit	-4,2%	3,9%	3,8%

Source: AFSs

Information on the trends in sectoral and economic allocation of resources is provided in Tables 2.3 and 2.4.

Table 2.3: Budget allocations by sectors (as a % of total expenditures)

Functional head	**2013/14**	**2014/15**	**2015/16**
County Assembly	15.1	18.9	15.8
County Executive	28.8	42.8	19.8
Finance and Economic Planning	5.7	17.6	11.0
Agriculture	5.3	4.0	6.9
Environment and Natural Resources	8.2	2.7	6.7
Education, Youth Affairs and Social Development	14.8	13.1	22.8
County Health Services	6.1	14.5	37.6
Water and Irrigation	0.9	6.0	11.2
ICT and Gender	0.0	2.8	3.4
Public Works, Roads, Transport, and Housing	12.0	13.9	19.0
Industrialization and Enterprise Development	3.1	3.9	8.8
Total	100.0	100.0	100.0

Source: AFSs

Table 2.4: Budget allocations by economic classification (as a % of total expenditures)

Economic head	2013/14	2014/15	2015/16
Compensation of employees	36.0	31.7	30.6
Use of goods and services	57.5	59.1	56.0
Consumption of fixed capital	0.0	0.0	0.0
Interest	0.0	0.6	0.6
Subsidies	0.0	4.1	0.0
Grants	6.4	3.4	11.5
Social benefits	0.0	1.0	0.7
Other expenses	0.0	0.2	0.6
Total expenditure	100.0	100.0	100.0

Source: AFSs

2.3 Legal and Regulatory Arrangements for PFM

The Constitution of Kenya 2010 introduced significant changes to the political system of governance of Kenya. There are presently two levels of government, national and county governments. The legal and regulatory framework providing support for PFM in Kajiado County is derived from the Constitution, various Acts and Regulations.

Main features of the legislation

a) Chapter 11 and 12 of the Constitution on devolved governments and principles of public finance, respectively. Institutional arrangements for PFM including the Commission on Revenue Allocation (Article 216), the National Treasury (Article 225(1)), Controller of Budget (Article 228), Auditor General (Article 229), Salaries and Remuneration Commission (Article 230), Central Bank of Kenya (Article 231), Parliament (Article 93) and County Assemblies (Article 176 (1)). Article 227 (2) provides for the creation of a framework for procurement and asset disposal by all public entities through an Act of Parliament.

b) The PFM Act 2012: Part IV of this Act details responsibilities with respect to PFM of public funds in the counties. This Act covers all PFM aspects including but not limited to budget making process and public participation; Treasury Single Account (TSA); financial accounting and reporting; internal auditing, among others. Section 103 creates the County Treasury whose general responsibilities and powers in relation to public finance are spelt out in Sections 104 and 105. According to Section 106, upon request, the National Treasury can second public officers to the County Treasury to enhance its capacity. Section 107 places the role of enforcing fiscal responsibility principles as contained in Chapter 12 of the Constitution on the County Treasury. The County Treasury is responsible for some of the key documents related to public finance such as the budget, County Fiscal Strategy Paper (CFSP) and County Budget and Review Outlook Paper (CBROP) and thereafter present them to the County Assembly.

c) The PFM Regulations (2015) for County governments: Some highlights include strengthening inter-government fiscal relations; restricting wages to 35 per cent of realized revenue; development budget should be 30 per cent of total budget.

d) The Public Procurement and Disposal Act (2015): The Act provides for procedures for efficient public procurement; procedures for asset disposal by public entities. Regulations are under development.

e) Public Audit Act (2015): Provides for the organization, the functions and the powers of the Office of the Auditor General (OAG) in accordance with the Constitution. The Auditor General is required to present audit reports to Parliament and relevant County Assemblies six months after the end of a fiscal year. Under Section 4, the OAG was established, replacing the Kenya National Audit Office (KENAO). Section 10 provides explicitly for the independence of the Auditor General. Section 11 significantly reinforces the process for selecting competent persons to the position of the Auditor General in case of any vacancy.

The President may nominate the candidate for Auditor General and submit the name to Parliament for approval. Section 24 provides for outsourcing. Section 25 provides for an Audit Advisory Board in place of the National Audit Commission (established under the 2003 Act to consider and approve the annual budget for KENAO and to determine the remuneration and other terms of appointment of staff). It affirmed that only a person registered and practising as an accountant under the Accountants Act 2008 should be qualified for the purpose of provision of a financial audit opinion. Sections 47-48 provide for the auditing of financial statements required by the PFM Act (2012) and the time deadlines to be adhered to.

Framework for the devolved system of government

The Constitution of Kenya 2010 introduced two levels of government, namely the national and county governments. The legal and regulatory framework providing support for PFM in the County Government of Kajiado are Chapter(s) 11 and 12 on devolved governments, and principles of public finance, respectively. A fundamental change was the major devolution of central government responsibilities to 47 newly created county governments (Chapter 11, Articles 174-200). Part 2 of the Fourth Schedule lists fourteen (14) roles and functions of county governments. The county governments comprise the County Executive, headed by elected Governors and the County Assembly, comprising elected members. The counties are also represented by Senators who are elected and constitute the Senate; this is the upper house of Parliament.

The institutional arrangements for PFM include the Commission on Revenue Allocation (Article 216), the National Treasury (Article 225(1)), Controller of Budget (Article 228), Auditor General (Article 229), Salaries and Remuneration Commission (Article 230), Central Bank of Kenya (Article 231), Parliament (Article 93) and County Assemblies (Article 176 (1)). Article 227 (2) provides for the creation of a framework for procurement and asset disposal by all public entities through an Act of Parliament. Generally, internal and external controls are performed at the national level. Internal control is made by the Controller of the Budget (COB) through IFMIS while external control is performed by the Office of the Auditor General (OAG).

The legal framework under the 2012 PFM Act and its Regulations also apply to county governments. The Policy on Devolved System of Government (2015) has identified institutional, inter-governmental and resource related challenges to be overcome to improve implementation and service delivery.

2.4 Institutional Arrangements for PFM

Structure of county governments

According to the County Government Act 2012, a county comprises the County Executive headed by a Governor and a County Assembly comprising of Members of the County Assembly (MCAs) representing the Wards. The County Governor is responsible for the general policy and strategic direction of the county. The Constitution transferred various powers and functions (including limited fiscal authority) to the counties. This is in recognition of fiscal decentralization as a mechanism for enhancing delivery of social services at the grassroots and promoting enhanced accountability. Moreover, a central objective of the Constitution was to promote good governance in PFM through establishment of sound institutional and regulatory environment at both national and county levels.

Members of the County Executive are nominated by the Governor, but their appointment has to be approved by the County Assembly. Part IV of the PFM Act 2012 gives the county government the responsibility of managing public finances in the county. Section 103 of PFM Act 2012 establishes the County Treasury comprising the County Executive Committee (CEC) member in charge of finance, the Chief Officer (CO) and department(s) of the County Treasury responsible for financial and fiscal matters. According to Section 103(3), the CEC member for finance shall be the head of the County Treasury. The COs are the Accounting Officers in their respective departments.

In addition to its primary function of passing legislation, the County Assembly also approves nominees to other county public service offices. Most of the MCAs are elected during a General Election but some are also nominated by political parties. The County Assembly has the oversight role over the County Executive in terms of use of public finances. Key public finance documents such as the budgets, CFSP and CBROPs must be presented by the County Executive for approval. All funds including Emergency Funds and any other by County Executive must be approved by the County Assembly.

The structure of the public sector (number of entities and financial turnover) is represented in Tables 2.5 and 2.6.

Table 2.5: Structure of the public sector (Ksh millions), 2015/16

	Government sub-sector		**Social security funds**	**Public corporation sub-sector**	
	Budgetary unit	Extra-budgetary units		Non-financial public corporations	Financial public corporations
County government	6,528.8	n.a.	n.a.	n.a.	n.a.

Source: AFS 2015/16

Table 2.6: Financial structure of county government-budget estimates (Ksh millions), 2015/16

	Budgetary unit	Extra budgetary units	Social security funds	Total aggregated
Revenue	5,049.2	n.a.	n.a.	n.a.
Expenditure	5,030.5	n.a.	n.a.	n.a.
Transfers to County Assembly	649.4	n.a.	n.a.	n.a.
Liabilities	51.7	n.a.	n.a.	n.a.
Financial Assets	522.0	n.a.	n.a.	n.a.
Non-financial assets	1,630	n.a.	n.a.	n.a.

Source: AFS 2015/16

Key features of internal control

Internal control is performed through IFMIS, and re-engineering of IFMIS was a major improvement for reinforcing internal control. Access to IFMIS is now complete at the county levels, but the IFMIS Office is still configuring aspects of IFMIS to meet specific needs for MDAs and counties.

Presently, IFMIS is not comprehensively being used at the county level. According to OAG, manual processes are still being used for preparing and approving local purchase orders (LPOs)/contracts and then loaded into the Purchasing and Accounts Payables module of IFMIS. Similarly, payment vouchers (PVs) are being prepared manually and then uploaded into IFMIS, instead of being prepared within IFMIS on the basis of invoices and receipts of goods and services.

As a result, OAG's audit of the AFS is not complete within 6 months after the end of the fiscal year (see PI-29).

Integration of systems within IFMIS have not yet been completed for the following modules:

- Procurement: The county has its own system for procurement monitoring. The module Procurement to Pay (P to P), which is available at the national level, is not used by the county (see PI-24).
- Revenue: Most of the county's revenues come from the central administration. The county has its own IT-based tax administration system known as LAIFOMS to collect some of the revenues. This system is not integrated with

IFMIS (see PI-20).

- Payroll: The county government uses the Integrated Personnel Payment Database (IPPD) management system for human resource management and the county pays wages through IFMIS. However, the IPPD system is not yet integrated with IFMIS, as the payroll is prepared in IPPD and then manually extracted.

Other important features of PFM

Public participation is a requirement of the Constitution of Kenya and is stipulated as a function of Kajiado County Government. Kajiado County legislation outlines the principles of public participation and the imperative for facilitating public participation in the activities of the county government. Invitation to public participation sector consultative forums for preparation of MTEF budget is published on the website of the County Executive.

3. ASSESSMENT OF PFM PERFORMANCE

3.1 Sub-national Government Profile

Description

The main sources of revenue for the county governments in Kenya are equitable share, conditional grants and own source revenues. Revenues originating from national government are described as follows:

- Equitable share: This constitutes the revenue raised by the National Government and equitably allocated to all county governments in accordance with Article 203 of the Constitution of Kenya 2010. The allocation should be at least 15 per cent of national revenue based on the most recent audited accounts of revenue received, as approved by the National Assembly.
- Conditional grants: This is provided for under Article 202 of the Constitution of Kenya and constitutes additional allocations from the National Government's share of revenue, either conditionally or unconditionally.

Summary of scores and performance table

Performance Sub-national PEFA indicators (M1)	**D+**	**Brief justification for score**
HLG-1.1 Outturn of transfers from higher-level government	A	Transfers have been at least 95% of the original budget estimate in two of the last three years
HLG-1.2 Earmarked grants outturn	B	The difference between the original budget estimate and actual transfers and grants was less than 5% or less in two of the last three years. The score for this component is B
HLG-1.3 Timeliness of transfers from higher-level government	D*	Quarterly transfers should be released quarterly, but the effective dates were not provided and important delays were reported in CFSP and in the press

HLG-1.1: Outturn of transfers from higher-level government

1. Article 216 mandates the Commission for Revenue Allocation CRA) to make recommendations on the equitable basis for revenue sharing among county governments. Article 217(1) mandates the Senate to determine once every five years the basis for allocating among counties the share of national revenue that is annually allocated to county governments. The Sixth Schedule Section 16 provides that preparation of the first and second basis of sharing revenue be made at three-year intervals. The first formula was approved by the 10th Parliament in November 2012.

2. The formula reported in the table below has been used to share revenue for financial years 2012/13; 2013/14; 2014/15 and 2015/16. It must be noted that the CRA recommends introducing a development factor of 1 per cent and to reduce basic equal share by the same level.

Parameter	Current formula
Population	45%
Basis Equal Share	25%
Poverty	20%
Land Area	8%
Fiscal Responsibility	2%
Total	100%

Source: Commission on Revenue Allocation

According to AFS, the main sources of revenue for county governments in Kenya are equitable share, conditional grants and own source revenues (see indicator PI-3). Globally, transfers have represented at least 95 per cent of the original budget estimate in two of the last three years. The table below presents the breakdown of transfers to the county from the national government based on the table above. This table indicates that actual equitable shares represented 91.5 per cent of budget estimate in 2013/14, 101 per cent in 2014/15 and 100 per cent in 2015/16. However, the national government does not always comply with the deadlines, as reported in the CBROPs and the reports of the auditor general (see HLG-1.3).

Table 3.1: Estimate and actual revenue for the last 3 fiscal years (in million Ksh and in %)

Economic Head	2013/14			2014/15			2015/16		
	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%
Outturn of transfers from higher-level government	3,526	3,227	91.5%	3,831	3,865	100.9%	4,412	4,578	103.8%

Source: Annual Financial Statements

In summary, outturn of transfers from higher-level government have been at least 95 per cent of the original budget estimate in two of the last three years.

***Dimension rating** = A.*

HLG-1.2: Earmarked grant outturn

3. In addition to the transfers from the National Government, there are conditional allocations from National Government revenue to each county government to be used for specific purposes, including development expenditure, which are outlined in the County Allocation of Revenue Act. Conditional allocations are tied to implementation of specific national policies with specific objectives by the National Government. In addition, conditional grants from international organizations have been budgeted, as reported in the table below.

Table 3.2: Breakdown of estimate and actual revenue by economic classification (in million Ksh)

	2013/14		2014/15		2015/16	
Economic Head	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**
Grants from other government units					0.0	165.7
Equitable share	3,525.7	3,227.4	3,831.7	3,865.2	4,412.3	4,412.6
Total	3,525.7	3,227.4	3,831.7	3,865.2	4,412.3	4,578.3

Source: Annual Financial Statements

The results matrix presented below shows than the composition variance was very small for the two first years because equitable share was realized according to the estimates. The deviation for the last year is explained by the strong discrepancy between forecasting and actual disbursement of conditional grants.

Table 3.3: Results matrix of outturn of transfers (in %)

Year	Total revenue deviation	Composition variance
2013/14	91.5%	0.0%
2014/15	100.9%	0.0%
2015/16	103.8%	7.2%

In summary, the composition variance between the original budget estimate and actual transfers and grants was less than 5 per cent or less in two of the last three years.

Dimension rating = B.

HLG-1.3: Timeliness of transfers from higher-level government

4. According to PFM law, equitable share estimates must be included in the Budget Policy Statement, which must be presented and adopted by Parliament in February or March. Transfers have been released quarterly across the year through IFMIS, but the effective dates were not provided while delays in transfers were reported in CFSP.

In summary, quarterly transfers should be released quarterly, but the effective dates were not provided and important delays were reported in CFSP and in the press.

Dimension rating = D*.

3.2 Pillar I: Budget Reliability

A budget is reliable if it is implemented in accordance with the approved estimates before the beginning of the financial year. To determine the extent to which this is the case, three indicators, namely: aggregate expenditure outturn, expenditure composition outturn and revenue outturn were examined for the financial years 2013/14, 2014/15 and 2015/16.

PI-1: Aggregate expenditure outturn

Summary of scores and performance table

PI-1 Aggregate expenditure outturn (M1)	D	Brief justification for score
1.1 Aggregate expenditure outturn	D	Aggregate expenditure outturn was below 85% of the approved aggregate budgeted expenditure in all of the last three years

5. The table below show a deviation of 75 per cent in average between initial budget and real expenditure due to the low execution rate of the development budget. In the implementation period, budgeted data should be available for utilization in the first half of the financial year but there are usually delays in disbursement of funds by the National Treasury. This creates a mismatch between the procurement plan and implementation. The procurement process begins in the second half of the year after disbursement of funds, which shortens implementation of development expenditures.

6. For actual expenditure, information on economic classifications were obtained from the annual financial statement, specifically statement of receipts and payments. Tables supporting the calculation are presented in Annex 3A.

Table 3.4: Aggregate expenditure outturn (%)

Fiscal Year	Total expenditure deviation (%)
2013/14	73%
2014/15	78%
2015/16	77%

Source: CROPs

In summary, aggregate expenditure outturn was below 85 per cent of the approved aggregate budgeted expenditure in all of the last three years.

Dimension rating = D.

PI-2: Expenditure composition outturn

Summary of scores and performance table

PI-2 Expenditure composition outturn (M1)	D+	Brief justification for score
2.1 Expenditure composition outturn by function	D	Variance in expenditure composition by administrative/ functional classification was more than 15% in at least two of the last three years
2.2 Expenditure composition outturn by economic type	D	Variance in expenditure composition by economic classification was more than 15% in at least two of the last three years
2.3 Expenditure for Contingency reserve	A	Actual expenditure charged to a contingency vote was on average less than 3% of the original budget (0.7% on average)
PI-2.1. Expenditure composition outturn by function		

7. Data obtained from the CBROP shows that the execution rate was above 75 per cent for all three years but also below 90 per cent (Table 3.2). The functions having the lowest budget execution rate are Public Works, Roads, Transport, Housing, Industrialization and Enterprise Development, which are likely related to a low rate of capital consumption (see in PI-2.2).

Table 3.5: Expenditure composition outturn by function (Ksh millions and %)

Functional head	Budget	Actual	Budget	Actual	Budget	Actual
	2013/14		2014/15		2015/16	
County Assembly	670	519	763	653	638	363
County Executive	193	187	1660	1516	740	642
Finance and Economic Planning	845	842	711	300	444	466
Agriculture	61	56	163	180	278	226

Environment and Natural Resources	37	36	110	116	271	136
Education, Youth Affairs And Social Development	79	54	529	345	924	643
County Health Services	306	257	588	497	1521	1321
Water and Irrigation	537	309	241	178	452	261
ICT and Gender			113	89	137	132
Public Works, Roads, Transport, and Housing	662	404	563	398	768	572
Industrialization and Enterprise Development	369	181	156	90	355	224
Total	3,758	2,844	7,259	5,877	7,269	5,628
Composition variance (%)		22.5		19.5		16.2

Source: CBROPs

In summary, variance in expenditure composition by administrative/functional classification was more than 15 per cent in at least two of the last three years.

Dimension rating** = **D.

PI-2.2: Expenditure composition outturn by economic type

8. Budgeted expenditure in the original budget was categorized into three main economic items: compensation of employees, use of goods and services and consumption of fixed capital.

9. A notable shortcoming in comparing budgeted expenditure to actual expenditure by economic classification is that the classifications in the approved budget do not match those reported in the financial statements.

10. However, the county reports on eight economic items, namely: compensation of employees, use of goods and services, consumption of fixed capital, interest, subsidies, grants, social benefits and other expenses in its financial statements. Table 3.3 gives information on expenditure composition outturn by economic type.

Table 3.6: Expenditure composition outturn by economic type (Ksh millions and %)

Economic head	2013/14		2014/15		2015/16	
	Budget	Actual	Budget	Actual	Budget	Actual
Compensation of employees	783.2	1,005.3	1,492.3	1,403.5	1,641.5	1,545.5
Use of goods and services	2,196.5	1,604.6	2,131.4	2,618.9	2,285.9	2,826.8
Consumption of fixed capital	1,062.8	0.0	2,044.8	0.0	2,661.4	0.0
Interest	0.0	0.0	0.0	25.0	0.0	31.2
Subsidies	0.0	0.0	0.0	181.2	0.0	0.0
Grants	0.0	179.2	0.0	149.9	0.0	578.2
Social benefits	0.0	0.0	0.0	42.9	0.0	35.0
Other expenses	0.0	0.0	0.0	10.7	0.0	32.6
Total expenditure	4,042.6	2,789.1	5,668.5	4,431.9	6,588.8	5,049.2
Total expenditure deviation (%)	144.9		127.9		130.5	
Composition variance (%)		52.6		85.5		91.9

Source: AFSs

11. Having observed low absorption for the last three subsequent years, this scenario is also reflected in the expenditure composition outturn by economic type.

12. Table 3.3 shows that absorption rate of expenditure by economic classification was below 70 per cent in 2013/14, with a striking execution rate of 128 per cent in compensation of employees. The table also shows that variance in expenditure composition by economic classification was 52.6, 85.5 and 91.9 per cent for financial years 2013/14, 2014/15 and 2015/16, respectively. The first reason explaining the variance in expenditure composition by economic classification is the absence of consumption of fixed capital in each of the last three completed years In addition, an increase of wages of nearly 30 per cent in 2013/14 above the initial budget must be pointed out, and an increase of use of goods and services of more than 20 per cent in 2014/15 and 2015/16.

In summary, variance in expenditure composition by economic classification was more than 15 per cent in at least two of the last three years.

Dimension rating = D.

PI-2.3: Expenditure from contingency reserves

13. In Kajiado County, contingency fund was captured as grants for management of natural disaster in the budget in 2013/14. The Emergency Fund was established and budgeted for in the financial years 2014/15 and 2015/16. Expenditure charge to a contingency vote was 0.7 per cent, which is below 3 per cent of the original budget.

In summary, actual expenditure charged to a contingency vote was on average less than 3 per cent of the original budget (0.7% on average).

Dimension rating = A.

PI-3: Revenue outturn

Summary of scores and performance table

PI-3 Revenue outturn (M2)	D	Brief justification for score
3.1 Aggregate revenue outturn	D	Actual revenue was below 85% of budgeted revenue in two of the last three years
3.2 Revenue composition outturn	D*	AFS do not present the breakdown of the local revenue, hence the composition variance could not be calculated

PI-3.1: Aggregate revenue outturn

14. Table 3.4 shows that deviation of local revenue and transfers from international organizations was 85.7, 42.1 and 30.8 per cent, respectively, in the last three fiscal years. The strong deviation is to be found in over-estimate of local revenues and grants from international organizations (see PI3.2).

Table 3.7: Aggregate revenue outturn (millions of Ksh and %)

Year	Estimate	Actual	Actual in % of Estimate
2013/14	516.8	442.9	85.7%
2014/15	1,836.8	772.6	42.1%
2015/16	2,116.5	650.9	30.8%

Source: CBROP

In summary, actual revenue was below 85 per cent of budgeted local revenue in two of the last three years.

Dimension rating = D.

PI-3.2: Revenue composition outturn

15. Article 209 of the Constitution of Kenya provides that a county may impose property rates, entertainment taxes and county governments may impose charges for the services they provide, but the taxation and other revenue-raising powers of a county shall not be exercised in a way that prejudices national economic policies, economic activities across county boundaries or the national mobility of goods, services, capital or labour.

16. Table 3.5 shows an over-estimate of local revenues and grants from international organizations in all three years. The revenue collection rate of the county was far below annual target. The reasons explaining under-performance of revenue in the county include pilferage of revenue and fraud; laxity in compliance among the taxpayers; inadequate capacity in terms of personnel, equipment and funds; and structural inefficiencies in revenue administration. As far as grants from international organizations are concerned, the estimates were also too optimistic. The county budgeted Ksh 15.5 million from DANIDA in 2015/16, but the funds were not transferred. The revenue foregone due to insufficient fiscal efforts by the counties represents a fiscal pressure on the national government to increase transfer going forward.

Table 3.8: Sources of revenue for the last 3 fiscal years (Ksh millions and %)

	2013/14		2014/15		2015/16	
Economic Head	Budget	Actual	Budget	Actual	Budget	Actual
Local revenue	516.8	435.5	1,821.3	772.6	2,101.0	650.9
Grants rom international organizations					15.5	0.0
Total revenue	516.8	442.9	1,836.8	772.6	2,116.5	650.9

Source: AFS

However, AFS do not present the breakdown of the local revenue, therefore it was not possible to calculate the composition variance according to the PEFA methodology.

Dimension rating = D*.

3.3 Pillar II: Transparency of Public Finances

PI-4: Budget classification

Summary of scores and performance table

PI-4 Budget classification (M1)	C	Brief justification for score
4.1 Budget classification	C	Budget formulation, execution, and reporting are based on administrative and economic classification that can produce consistent documentation comparable with GFS standards (at level 2 of the GFS standard for the economic classification)

PI-4.1: Budget classification

17. The budget is formulated on administrative, economic and functional classification using comparable GFS/COFOG standard. The GFS standards are anchored on the PFM Act 2012. Budget classification can be analyzed in the budget expenditure estimates that have been provided with GFS codes. The county government has not been using GFS Standards for revenue for

the last 3 years since revenues were collected off IFMIS (using LAIFOMS). However, in the financial year 2016/17, the county has used the GFS codes while budgeting for revenue. The budget is executed and reported according to the economic and administrative classification.

The breakdown of the county executive administration can be considered as satisfying COFOG classification:

- Agriculture, Livestock and Fisheries
- County Treasury
- Health Services
- ICT, Special Programmes and Governor's Delivery Unit
- Education and Vocation Training
- Lands and Physical Planning
- Public works, Roads, Housing and Energy
- Trade, Tourism and Industrialization
- Water, Irrigation, Environment and Natural Resources
- Public Service, Administration and Citizen Participation
- Public works, Roads, Housing and Energy

In summary, budget formulation documents apply GFS codes issued by the National Treasury and reporting is based on every level of administrative, economic GFS level 2, and function are prepared using GFS/COFOG standard.

***Dimension rating** = C.*

PI-5: Budget documentation

Summary of scores and performance table

PI-5 Budget documentation (M1)	D	Brief justification for score
5.1 Budget documentation		
	D	Two basic elements and one additional element fulfil the PEFA criteria requirements

18. As far as the basic elements of the PEFA criteria are concerned, forecast of the fiscal deficit or surplus or accrual operating result are available in the CFSP.

Aggregated budget data for both revenue and expenditure are available in the budget estimates.

	Basic elements	Criteria
1	Forecast of the fiscal deficit or surplus or accrual operating result	Yes
2	Previous year's budget outturn, presented in the same format as the budget proposal	No
3	Current fiscal year's budget presented in the same format as the budget proposal. This can be either the revised budget or the estimated outturn	No
4	Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates. (Budget classification is covered in PI-4)	Yes

19. With regard to additional elements, financial assets, including details at least for the beginning of the current fiscal year are not presented in accordance with GFS or other comparable standards. Documentation on the medium-term fiscal forecasts are presented in CSFP and budget estimates.

	Additional elements	Criteria
5	Deficit financing, describing its anticipated composition	N/A
6	Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate	N/A
7	Debt stock, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard	N/A
8	Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard	No
9	Summary information of fiscal risks, including contingent liabilities such as guarantees, and contingent obligations embedded in structure financing instruments such as public-private partnership (PPP) contracts, and so on	No
10	Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programmes	No

11	Documentation on the medium-term fiscal forecasts.	Yes
12	Quantification of tax expenditures	N/A

20. Forecast of fiscal deficit or surplus or accrual operating results, macroeconomic assumptions are captured in the CSFP. The county adopts macro-framework of the National Government. The CSFP also presents the medium-term framework covering two outer years. The county operates on a balanced budget principle and therefore anticipates a no deficit/surplus. The summary of fiscal risks has not been undertaken, therefore contingent liabilities such as guarantees, and contingent obligations have not been identified. The county does not have a summary of the debt stock nor a debt management strategy because it did not borrow.

In summary,, the county meets two basic elements and one additional element.

Dimension rating* = *D.

PI-6: County government operations outside financial reports

Summary of scores and performance table

PI-6 County government operations outside financial reports (M2)	D	Brief justification for score
6.1 Expenditure outside financial reports	D*	Data required for scoring the component was not availed
6.2 Revenue outside financial reports	D*	Data required for scoring the component was not availed
6.3 Financial reports of extra-budgetary units	D*	The financial reports of the extra-budgetary units were not availed

PI-6.1: Expenditure outside financial reports

21. Kajiado has extra budgetary units, such as schools and hospitals, but the financial statements were not availed.

Dimension rating* = *D*.

PI-6.2: Revenue outside financial reports

22. Data about revenue from extra-budgetary units has not been provided.

Dimension rating = D*.

PI-6.3: Financial reports of extra-budgetary units

23. The financial reports of the extra-budgetary units have not been provided.

Dimension rating = D*.

PI-7: Transfers to sub-national governments

Summary of scores and performance table

PI-7 Transfers to subnational Governments (M2)	N/A	Brief justification for score
7.1 System for allocating transfers	N/A	Not applicable at the level of sub-National Government.
7.2 Timeliness of information on transfers	N/A	Not applicable at the level of sub-National Government.
PI-7.1 System for allocating transfers		

24. Not applicable at the level of sub-National Government.

Dimension rating = N/A.

PI-7.2: Timeliness of information on transfers

25. Not applicable at the level of sub-National Government.

Dimension rating = N/A.

PI-8: Performance information for service delivery

Summary of scores and performance table

PI-8 Performance information for service delivery (M2)	D+	Brief justification for score
8.1 Performance plans for service delivery	B	Performance plans are published in annual development plans (ADP), detailed for all ministries by programme objectives, key performance indicators, and outputs

8.2 Performance achieved for service delivery	D	The county government has not established a unit to conduct performance evaluation
8.3 Resources received by service delivery units	D	Information on resources received by frontline service delivery units is collected and recorded in the budget implementation review reports, but the source of funds is not included, and no survey has been carried out in one of the last three years
8.4 Performance evaluation for service delivery	D	Evaluation of the efficiency or effectiveness of the service delivery units have not been carried out for the last three fiscal years

PI-8.1: Performance plans for service delivery

26. According to the constitutional obligation of Article 220(2) and the PFM Act 2012, Sec (126) every county government must prepare a development plan and an Annual Development Plan (ADP) to give a broad outline of expenditure programme priorities and allocation of funds for the next fiscal year and to ensure consistency in terms of programme/project activities implemented in reference to Programme-based Budget (PBB).

27. The county government prepares the budget involving members of the public through participatory forums. The ADP 2016/17 lists: the Programme, the Sub-Programme, the Objective, the Project Name, Performance Indicators, Target (output/outcome), Implementing Agency, Source of Funds and Cost in Ksh million for all ministries in the county government. However, target output and outcome are mixed in one column and most ministries present only output.

In summary, performance plans for service delivery are published in annual develop plans, detailed for all ministries by programme objectives, key performance indicators, and outputs.

Dimension rating = B.

PI-8.2: Performance achieved for service delivery

28. The County Treasury prepares annual budget implementation reports

which outline the status of implementation of projects and highlights key outputs. There is a section in these reports that discusses key outputs and achievements on the implementation of the budget. However, these reports are not published. The reports are submitted to the Controller of Budget (COB) according to the PFMA 2012, section 39(8). The COB publishes the quarterly budget implementation review reports on its website. These reports do not present the quantity of outputs produced or outcomes achieved referring to indicators and objectives defined in the performance plans, but present at least the budget execution by major categories of expenditure, a list of development projects with the highest expenditure, the budget expenditure by departments, etc.

In summary, the county government has not established a unit to conduct performance evaluation and has limitations in terms of human capacity to prepare performance evaluation reports for each service delivery unit that received funding.

Dimension rating = D.

PI-8.3: Resources received by service delivery units

29. Budget allocation of resources received by ministries is reported in the budget implementation review reports (BIRR) produced quarterly by the Controller of the Budget (CoB), but the only performance indicator presented in the report is the expenditure to budget allocation absorption rate. No report presents the amount of resources received by frontline service delivery units, performing activities on the behalf of the ministries.

In summary, no reports avail the amount of resources received by frontline service delivery units.

Dimension rating = D.

PI-8.4: Performance evaluation for service delivery

30. The county does not have a monitoring and evaluation department to evaluate service delivery in all aspects. The CBROP has a revenue analysis section showing the estimated and actual revenue performance for each stream and type and the challenges of under-performance and mitigation addressing the shortfall to boost collection. The expenditure section gives the ceiling, the variances and reasons for under-utilization.

In summary, information on resources received by frontline service delivery units is collected and recorded in the budget implementation review reports, but the source of funds is not included. Evaluation of the efficiency or effectiveness of the service delivery units have not been carried out for the last three fiscal years.

Dimension rating = D.

PI-9: Public access to fiscal information

Summary of scores and performance table

PI-9 Public access to fiscal information (M1)	D	Brief justification for score
9.1 Public access to fiscal information	D	Public access to fiscal information does not fulfil any basic element and fulfils only one additional element

PI-9.1: Public access to fiscal information

31. During the preparation and approval process of the annual budget, the public participates through various forums. The Appropriation Act is gazetted and made available to the public but was not available in the county government website https://www.kajiado.go.ke or the sub-county notice boards. The County Assembly has a library where the documents may be accessed by the public.

32. In-year and annual budget execution reports are not published on the county website either. The information is only availed in English, but a translator is engaged during the public participation forum session. Local radio discussions are also made in the local dialect where the public can call in and contribute on the fiscal documents before and after being tabled in the County Assembly. The county government has partnered with an NGO to prepare "Citizen Budget" in Kiswahili and in Maasai for the local community. This was meant to be done in the 2017/18 budget, though no evidence was availed to support this claim.

33. Quarterly and annual County Budget Implementation Review Reports (BIRR), presenting information detailed by county, are published by the Office of the Controller of Budget (OCOB) but only 3 months after the end of the period, which does not respect the PEFA criteria.

34. The audited financial statements are available at the Office of the Auditor General website and can be accessed by any person once they are posted after the audit, although not within twelve months after the end of the year, which

does not respect the PEFA criteria. Thus, the county government fulfils no basic element and only one additional element under this indicator. Other non-confidential reports on county government consolidated operations are made available on the OAG website within six months of submission, which satisfies one criteria of additional elements.

Elements	Compliance
Basic elements	
1. Annual executive budget proposal documentation. A complete set of executive budget proposal documents (as presented by the country in PI-5) is available to the public within one week of the executive's submission of them to the legislature	No
2. Enacted budget. The annual budget law approved by the legislature is publicized within two weeks of passage of the law	No
3.In-year budget execution reports. The reports are routinely made available to the public within one month of their issuance, as assessed in PI-27	No
4. Annual budget execution report. The report is made available to the public within six months of the fiscal year's end	No
5. Audited annual financial report, incorporating or accompanied by the external auditor's report. The reports are made available to the public within twelve months of the fiscal year's end	No
Additional elements	
6. Pre-budget statement. The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt are made available to the public at least four months before the start of the fiscal year	No
7. Other external audit reports. On-confidential reports on county government consolidated operations are made available to the public within six months of submission	Yes
8. Summary of the budget proposal. A clear, simple summary of the executive budget proposal or the enacted budget accessible to the non-budget experts, often referred to as a "citizens' budget," and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the executive budget proposal's submission to the legislature and within one month of the budget's approval	No
9. Macroeconomic forecasts. The forecasts, as assessed in PI-14.1, are available within one week of their endorsement	No

In summary, public access to fiscal information does not fulfil any basic element and fulfils only one additional element.

Dimension rating = D.

3.4 Pillar III: Management of Assets and Liabilities

PI-10: Fiscal risk reporting

Summary of scores and performance table

PI-10 Fiscal risk reporting (M2)	D	Brief justification for score
10.1 Monitoring of public corporations	N/A	The county is yet to constitute any public corporations
10.2 Monitoring of subnational Governments	N/A	Kajiado County does not have further devolved units
10.3 Contingent liabilities and other fiscal risks	D	Contingent liabilities and other fiscal risks have not been specified in the budget but have been outlined in the County Budget and Review Outlook Paper and the County Fiscal Strategy Paper

PI-10.1: Monitoring of public corporations

35. The county is yet to constitute any public corporation and for that reason there is no list of public corporations.

Dimension rating = N/A.

PI-10.2: Monitoring of sub-national governments

36. Functions are conducted centrally by the county government because the further devolved units are yet to be activated.

Dimension rating = N/A.

PI-10.3: Contingent liabilities and other fiscal risks

37. Contingent liabilities have not been isolated as an item within the budget. Other fiscal risks have been mentioned in the County Fiscal Strategy Paper

and the County Budget Review Outlook Paper (CBROP) but have not been quantified in the budget. Risks to the Outlook in the CBROP 2016 mention that the county should establish the level of pending bills before it becomes a hidden budget deficit.

Dimension rating = D.

PI-11: Public investment management

Summary of scores and performance table

PI-11 Public investment management (M2)	D+	Brief justification for score
11.1 Economic analysis of investment proposals	D	No rigorous economic analyses techniques are employed for major investment projects beyond public participation
11.2 Investment project selection	D*	The budget and planning unit is responsible for project selection but the selection criteria is not documented. Most of the practices and rules have not been formalized and evidence showing the major investment projects selected by the Cabinet prior to their inclusion in the budget was not availed
11.3 Investment project costing	C	Projections of the total capital cost of major investment projects, together with the capital costs for the forthcoming budget year, are included in the budget documents
11.4 Investment project monitoring	D*	The total cost and physical progress of major investment projects are monitored by a team, which has been constituted by the county. But no information on implementation of major investment projects has been provided

PI-11.1: Economic analysis of investment proposals

38. Public forums at the ward level are used to populate a list of desired projects, which are then collated by the County Treasury. Prioritization is then done

considering the money allocated to each ward by the county. There is no evidence of the use of economic analyses methods to establish feasibility of investment projects.

Dimension rating = D.

PI-11.2: Investment project selection

39. Investment projects are selected jointly by representatives from the Budget Office, County Assembly and the implementing department. The standard criterion for project selection has not been presented but the central entity responsible for conducting project appraisal is the budget and planning unit. The budget and planning unit is responsible for project selection, but the selection criterion is not documented. Most of the practices and rules have not been formalized.

In summary, evidence that the major investment projects selected by the cabinet prior to their inclusion in the budget represent at least 25 per cent in value of all the major investment projects was not availed.

Dimension rating = D*.

PI-11.3: Investment project costing

40. Costing is done by the relevant department with the aid of the department of public works who prepare the bill of quantities. Evidence of medium-term projections was not provided. The budget process for recurrent and capital expenditure is not fully integrated. Projections for recurrent expenditure on capital investments are normally done once the project is complete.

In summary, the projections of the total capital cost of major investment projects and capital costs for the next budget year are included in the budget documents.

Dimension rating = C.

PI-11.4: Investment project monitoring

41. Although there is no M&E department, the Public Investment Committee, which comprises members from various departments, carries out monitoring and evaluation. The committee receives project details to enable them conduct evaluations. However, no information on implementation of major investment projects was provided.

Dimension rating = D*.

PI-12: Public asset management

Summary of scores and performance table

Public asset management (M2)	D	Brief justification for score
12.1 Financial asset monitoring	D	The government maintains a record of its holdings in major categories of financial assets, which are included into the report of the OAG published online. However, information on assets and liabilities contained in the bank reconciliation statement is not complete, especially those relating to the defunct local authorities
12.2 Non-financial asset monitoring	D	The government maintains a register of its holdings of fixed assets, which is not complete and information on their usage and age is generally not available
12.3 Transparency of asset disposal	D	Procedures and rules for the transfer or disposal of non-financial assets are not established yet. The county has not disposed of any assets except cash and cash equivalent. The county has not set up any rule related to transfers of assets for the defunct authorities

PI-12.1: Financial asset monitoring

42. The only financial assets held by the county are cash in hand and cash at bank. The information on cash at hand and at bank is contained in the annual financial and bank reconciliation statements. According to audit opinion, the financial statement for 2014/15 reflected an amount of Ksh 271.8 million under cash and bank balance, but a deposit amounting to Ksh 47.2 million could not be supported. Under the circumstances, the completeness and accuracy of cash and cash equivalents balance reflected in the statement of financial position could not be confirmed by the OAG. According to the audit report for 2014/15, the OAG observed that the financial statement did not

include assets amounting to Ksh 91.6 million acquired in 2013 and assets and liabilities of the defunct Local Authorities. The county government took possession of these assets and liabilities. In addition, the Transition Authority did not formally transfer assets and liabilities of the defunct Local Authorities in Kajiado to the county government. It is not yet clear when these assets and liabilities will be handed over to the county government. Consequently, the completeness and accuracy of assets and liabilities reflected in the notes and annexes to the financial statements could not be confirmed.

Box 3.1: Failure to hand over the assets and liabilities of the defunct local authorities

Proper handing over was not done though there was a statement of assets and liabilities as at 28 February 2013. This was contrary to the Ministry of Local Government, circular Ref. No. MLG/1333/TY/ (52) of 18 February, 2013 which had directed the Clerks being the Chief Officers of the Local Authorities to ensure there was proper handing over to the incoming County Government and to ensure that they also prepared statements of Assets and Liabilities as at 20 February 2013. A handing over report should be prepared by the Transition Authority so that what was transferred from the defunct Local Authorities to the County Government can be determined and properly accounted for.

Source: Report of the Auditor General on the financial operations of the County Government of Kajiado and its defunct local authorities for the period 1 January to 30 June 2013.

In summary, the government maintains a record of its holdings in major categories of financial assets, which are included into the report of the OAG published online. However, information on assets and liabilities is contained in the bank reconciliation statement is not complete, especially those relating to the defunct local authorities.

Dimension rating = D.

PI-12.2: Non-financial asset monitoring

43. This information is contained in the asset register though information on their value, usage and age is generally missing. This asset register sometimes contains information on usage and age but is not necessarily complete and

information contained in this register is not published. Table 3.6 presents the categories of non-financial assets for the last fiscal year.

Table 3.9: Categories of non-financial assets, 2015/16 (Ksh millions)

Asset class	Amount
Land	-
Buildings and Structures	869.1
Transport Equipment	109.9
Office Equipment, Furniture and Fittings	154.4
ICT Equipment, Software and Other ICT Assets	-
Other Machinery and Equipment	97.8
Purchase of Certified Seeds Breed Stock and Live Animals	1.7
Construction of Roads and Civil Works	335.2
Research, Feasibility Studies, Project Preparation and Design Project Supervision	18.7
Heritage and Cultural Assets	-
Intangible Assets	-

Source: AFS 2015/16

44. The OAG report of 2015 for 2014/15 points out that assets increased by Ksh 1,512, 171,277. A fixed assets register maintained by the county government was not up-to-date. Consequently, the nature, state and location of the assets could not be established when required.

In summary, the government maintains a register of its holdings of fixed assets, which is not complete and information on their usage and age is generally not available.

Dimension rating = D.

PI-12.3: Transparency of assets disposal

45. The county government has adopted the disposal procedure as per the Public Procurement and Assets Disposal Act 2015 provided under part 14 sections 163, 164, 165 and 166. The county owns an agricultural demonstration farm and occasionally sells off bulls to farmers. Public auction is used in the disposal of the bulls and the proceeds go to the agriculture department's livestock kitty.

In summary, procedures and rules for the transfer or disposal of non-financial assets are not established yet. The county has not disposed of any assets except cash and cash equivalent. It has not set up any rule related to transfers of assets for the defunct authorities.

Dimension rating = D.

PI-13: Debt management

Summary of scores and performance table

PI-13 Debt management (M2)	D	Brief justification for score
13.1 Recording and reporting of debt and guarantees	D	Though the counties are not authorized to incur debt, there was a pre-existing debt inherited from OlKejuado County Council. This debt has been serviced and records are maintained annually but no reconciliation is performed
13.2 Approval of debt and guarantees	N/A	Primary legislation grants authorization to borrow, issue new debt, but documented policies and procedures have not been established yet
13.3 Debt management strategy	D	A current medium-term debt management strategy has been established but is not publicly available yet. The debt management strategy establishes an allocation for debt servicing, but no evidence has been provided yet

PI-13.1: Recording and reporting of debt and guarantees

46. The County Government of Kajiado does not have any debt but inherited debts from OlKejuado County Council of approximately Ksh 319 million from which only Ksh 15 million has been serviced. According to the CSFP 2015, this debt should be included in the 2017/18 budget as per the 2017 Debt Management Strategy (DMS).

In summary, the County Government of Kajiado does not have any debt but inherited a debt from the defunct authority and no annual reconciliation is performed.

Dimension rating = D.

PI-13.2: Approval of debt and guarantees

47. Primary legislation grants authorization to borrow, issue new debt, but a framework for borrowing is yet to be developed. Therefore, the county is not in a position to borrow. Consequently, the budget expenditure contained in the fiscal strategy paper is balanced with the resource estimates and there is no anticipated need for deficit financing.

In summary, no approval of debt and guarantees has been implemented yet.

Dimension rating = N/A.

PI-13.3: Debt management strategy

48. The Debt Management Strategy (DMS) lays out the framework for short-term borrowing by county governments for management of cash flows. The DMS states that projections should be established for subsequent years and that information about debt should be maintained and recorded annually.

49. It was stated by the county administration that a debt strategy with an allocation for debt servicing was established before the loans for tractors and grading machines were cleared.

In summary, evidence about allocation for debt servicing has not been provided.

Dimension rating = D.

3.5 Pillar IV: Policy-based Fiscal Strategy and Budgeting

Budgets and fiscal strategies should be prepared with due regard to government policies, strategic plans, and adequate macroeconomic and fiscal projections. There are five indicators under this pillar: macroeconomic and fiscal forecasting, fiscal strategy, medium-term perspective in expenditure budgeting, budget preparation process and legislative scrutiny of budgets.

PI-14: Macroeconomic and fiscal forecasting

Summary of scores and performance table

PI-14 Macroeconomic and fiscal forecasting (M2)	D+	Brief justification for score
14.1 Macroeconomic forecasts	C	The county only provides a situational analysis of key macroeconomic indicators (growth, inflation, exchange rate, interest rates) at the national level in the CSFP
14.2 Fiscal forecasts	C	The budget forecasts for revenue, expenditure and fiscal balance for the budget year and the following years is prepared and presented in the CSFP and CBROP and submitted to the County Assembly. However, the CBROP does not present clear explanations for deviations and assumptions
14.3 Macro fiscal sensitivity analysis	D	The county does not do any scenario building and sensitivity analysis

PI-14.1: Macroeconomic forecasts

50. The county only provides a situational analysis of key macroeconomic indicators (growth, inflation, exchange rate, interest rates) in the CSFP. They also include growth forecasts for the medium term, but they do not provide forecasts for the other macroeconomic indicators. The assumptions that are used for growth projections are also not explicitly discussed. From the foregoing, the county prepares forecasts economic growth only but not for other key macroeconomic indicators, with clear assumptions.

In summary, the county only provides a situational analysis of key macroeconomic indicators (growth, inflation, exchange rate, interest rates) at the national level in the CSFP.

Dimension rating = C.

PI-14.2: Fiscal forecasts

51. The county government prepares budget forecasts for revenue, expenditure

and fiscal balance for the budget year and the following years as presented in the CFSP. A review of performance is also prepared and presented in the CBROP. Both the CFSP and CBROP are submitted to the County Assembly for approval. However, the CBROP does not present clear explanations for fiscal forecasts deviations and associated assumptions.

Dimension rating = C

PI-14.3: Macro fiscal sensitivity analysis

52. The county does not do any scenario building and sensitivity analysis. However, no sensitivity analysis is performed in relation to own source revenue.

Dimension rating = D.

PI-15: Fiscal strategy

Summary of scores and performance table

PI-15 Fiscal strategy (M2)	C	Brief justification for score
15.1 Fiscal impact of policy proposals	D	The county does not prepare estimates of the fiscal impact of all proposed changes in revenue and expenditure, except for a few cases
15.2 Fiscal strategy adoption	B	The government has adopted, submitted to the legislature, and published a fiscal strategy. But this strategy does not include explicit time-based quantitative fiscal goals and targets together with qualitative objectives for at least the budget year and the following two fiscal years
15.3 Reporting on fiscal outcomes	C	The government prepares an internal report on the progress made against its fiscal strategy. Such a report has been prepared for at least the last completed fiscal year. However, an explanation of the reasons for any deviation from the objectives and targets set is not provided in the CBROP

PI-15.1: Fiscal impact of policy proposals

53. Section 132 (c & e) of the PFM Act 2012 stipulates that the County Budget Committee shall consider the following before giving any recommendation on the revenue-raising measures: the impact of the proposed changes on the composition of tax revenue with reference to direct and indirect taxes and the impact on development, investment, employment and economic growth. Despite this legislative provision, the county does not prepare estimates of fiscal impact of all proposed changes in revenue and expenditure, except for a few cases (especially expenditure), such as an increase in spending on remuneration of doctors and nurses. This situation can partly be attributed to capacity constraints.

In summary, the county does not prepare estimates of the fiscal impact of all proposed changes in revenue and expenditure, except for a few cases.

Dimension rating = D.

PI-15.2: Fiscal strategy adoption

54. The county government prepares a CSFP annually, which outlines the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the next financial year and over the medium term. It also includes the financial outlook with respect to county government revenues, expenditures and borrowing for the next financial year and over the medium term. The CSFP is submitted to the County Assembly and published online . However, this strategy does not include explicit time-based quantitative fiscal goals and targets together with qualitative objectives for at least the budget year and the following two fiscal years.

In summary, the government has adopted, submitted to the legislature, and published a fiscal strategy. But this strategy does not include explicit time-based quantitative fiscal goals and targets together with qualitative objectives for at least the budget year and the following two fiscal years.

Dimension rating = B.

PI-15.3: Reporting on fiscal outcomes

55. The CBROP reviews actual budgetary performance against budget estimates and provides explanations for the deviations. However, an explanation of the reasons for any deviation from the objectives and targets set is not provided in the CBROP.

Dimension rating = D.

PI-16: Medium-term perspective in expenditure budgeting

Summary of scores and performance table

PI-16 Medium-term perspective in expenditure budgeting (M2)	D+	Brief justification for score
16.1 Medium-term expenditure estimates	A	The county government prepares medium term expenditure estimates by administrative, economic and functional classification, which are presented in both budget estimates and the CSFP
16.2 Medium-term expenditure ceilings	D	The expenditure ceilings (in CSFP and budget estimates) are approved after issuance of the budget circular
16.3 Alignment of strategic plans and medium-term budgets	D	The county has only prepared strategic plans for education, health and agriculture. The strategic plans are not aligned with the budget estimates. Budget estimates are mainly guided by the Annual Development Plan, which is based on the CIDP
16.4 Consistency of budgets with previous year's estimates	D	There is no consistency in medium term estimates for the different MTEF period and the budget documents do not provide an explanation for the changes

PI-16.1: Medium-term expenditure estimates

56. The county government prepares medium term expenditure estimates by administrative, economic and functional classification, which are presented in both budget estimates and the CFSP. The Kajiado County has established County Budget and Economic Forums (CBEFs) as a formalized platform for public consultations on matters of county planning and budget. However, these CBEFs are not functional, and majority of civil society felt the process of constituting them was not transparent and integral.

In summary, the county government prepares medium term expenditure estimates by administrative, economic and functional classification, which are presented in both budget estimates and the CSFP.

Dimension rating = A.

PI-16.2: Medium-term expenditure ceilings

57. The county government issues preliminary expenditure ceilings in the CBROP, which are finalized and approved in the CFSP. The expenditure ceilings are not included in the budget circular.

Dimension rating = D.

PI-16.3: Alignment of strategic plans and medium-term budgets

58. The county government prepared strategic plans for education, health and agriculture sectors. However, the strategic plans are not aligned to the budget estimates, because budget estimates are mainly guided by the ADP, which is based on the CIDP.

Dimension rating = D.

PI-16.4: Consistency of budgets with previous year's estimates

59. The budget allocation for the County Assembly in the second year (2017/18) of the 2016/17- 2018/19 MTEF period was Ksh 448 million. In the 2017/18 to 2019/20 MTEF period, the ceiling for 2017/18 ceiling was changed to Ksh 466 million but no explanation was given for the change.

In summary, there is no consistency in medium term estimates for the different MTEF periods, while the budget documents do not provide an explanation for the changes.

Dimension rating = D.

PI-17: Budget preparation process

Summary of scores and performance table

PI-17 Budget preparation process (M2)	B	Brief justification for score
17.1 Budget calendar	B	A clear annual budget calendar exists, is generally adhered to, and allows budgetary units at least four weeks from receipt of the budget circular to meaningfully complete their detailed estimates on time
17.2 Guidance on budget preparation	D	A comprehensive budget circular is issued to budgetary units, covering total budget expenditure for the full fiscal year. The budget circular does not include ministry ceilings. The approval of ceilings by the Cabinet are approved only before sending the budget to the County Assembly
17.3 Budget submission to the legislature	A	The executive has submitted the annual budget proposal to the legislature at least two months before the start of the fiscal year in each of the last three years

PI-17.1: Budget calendar

60. The county has a clear budget calendar and is appended to the budget circular. The detailed budget calendar for 2015/16 is shown in Table 3.7.

Table 3.10: Budget calendar for 2015/16

Activity	Responsibility	Timeframe
Develop and issue MTEF Guidelines	County Treasury	29th August 2015
Update Ministerial Strategic Plans	MPND/Ministries/ Departments	Mid -September 2015
Development and Approval of Annual Development Plan (ADP)	County Treasury	1st September 2015

Develop County Budget Review and Outlook Paper (CBROP)	Macro Working Group	September-October 2015
Departments in Sub-counties to submit their inputs to relevant ministry headquarters	Departments in the Sub-counties	October 2015
Circulate approved CBROP to Accounting Officers	County Treasury	By end of October 2015
Issue Circular on Revised Budget	County Treasury	Mid-November 2015
Submission of initial sector reports to Treasury	Sector working groups	By end of October 2015
Hold Sector Hearings	County Treasury	December 2015
Submit Final Sector Reports	Sector Working Groups	By Mid-January 2016
Publish Final Sector Reports	County Treasury	By end of January 2016
Submission of Supplementary Budget Proposals	Line Ministries	7th January 2016
Review of Supplementary Budget Proposals	County Treasury	31st January 2016
Submit Supplementary Budget Proposals to Cabinet	County Treasury	1st week of February 2016
Submit Supplementary Budget Proposals to County Assembly	County Treasury	By 28th February 2016
Prepare the County Fiscal Strategy Paper (CSFP), and approved by Executive committee	Macro Working/ County Treasury	By Mid February 2016
Submit CSFP to County assembly for Approval	County Treasury	By end of February 2016

Issue Treasury Circular for finalization of 2015/16 – 2017/18 MTEF Estimates and PBB	County Treasury	March 2016
Submission of Budget Estimates to Cabinet for Approval	County Treasury	By 20th March 2016
Finalize Ministerial itemized and Programme Based Budgets and submit it to the County Assembly	Ministries/CEC Finance	By 30th April 2016
Review of Ministerial itemized and Programme Based Budgets	County Assembly	By May 2016
Submission of Budget Estimates recommendation to CEC Finance for considerations	County Assembly	By 20th May 2016
Presentation of Budget To Assembly	County Treasury	By Mid-June 2016
Appropriation and Finance Bill passed	County Assembly	By end of June 2016

Source: County Secretary

The budget circular is issued in August and the budgetary units have largely enough time to prepare detailed estimates between August and March of the following year.

In summary, the calendar is generally adhered to by budgetary units, but quality in budget programming is often missing.

Dimension rating = B.

PI-17.2: Guidance on budget preparation

61. The circular generally contains guidelines as provided for by Section 117-

118 of the PFM Act 2012. Its purpose is to inform and guide ministries, departments and county government agencies on the preparation of the budget. It provides guidance on the form and content of the budget and the cost of programmes to be funded at the county in line with the Fourth Schedule of the Constitution. It also emphasizes the constitutional timelines and requirements as per the budget calendar discussed under 17.1. However, the guidelines do not include total budget expenditure for the financial year and the ministry ceilings.

In summary, a comprehensive budget circular is issued to budgetary units, covering total budget expenditure for the full fiscal year. The budget circular does not include ministry ceilings. The approval of ceilings by the Cabinet are approved only before sending the budget to the County Assembly.

Dimension rating = D.

PI-17.3: Budget submission to the legislature

62. The County Executive is expected to submit the budget to the County Assembly by 30th April of each financial year. According to the BIIR 2015/16, the County Executive Committee for Finance (CECF) submitted the budget estimates to the County Assembly on 30th April 2016, which was approved on 30th June 2016. The ADP and the CFSP were submitted to the County Assembly on 1st September 2015 and 28th February 2016, respectively. BIRRs for the previous years do not mention the dates of submission of the budget to the County Assembly. However, the COB would have mentioned the case of non-compliance if the 30th April deadline required by the 2012 PFM Act would not have been respected.

In summary, the County Executive submitted the budget to the County Assembly over the three years on a timely manner.

Dimension rating = A.

PI-18: Legislative scrutiny of budgets

Summary of scores and performance table

PI-18 Legislative scrutiny of budgets (M1)	C+	Brief justification for score
18.1 Scope of budget scrutiny	A	The County Assembly review covers fiscal policies, medium-term fiscal forecasts, and medium-term priorities and details of expenditure and revenue
18.2 Legislative procedures for budget scrutiny	A	The procedures for budget scrutiny include specialized review committees, technical support, and negotiation procedures and arrangements for public consultation
18.3 Timing of budget approval	A	The budget estimates for 2014/15, 2015/16 and 2016/17 were discussed, adopted and approved by the County Assembly on 30th June of each of the respective years.
18.4 Rules for budget adjustments by the executive	C	The rules and guidelines enabling budget adjustments are found in the PFM Act and are adhered to in most instances. Budget users are allowed to make changes to their budgets of up to 10 per cent of the total.

PI-18.1: Scope of budget scrutiny

63. According to the Public Finance Management Act 2012 (PFM), the County Assembly reviews all fiscal policies, medium-term fiscal forecasts, and medium-term priorities and details of expenditure and revenue through the Budget and Appropriations Committee. The specific budget documents include the CFSP, CBROP, the ADP and the PBB. These documents are discussed and approved by the County Assembly and reports are produced by the Budget Committee. The Budget and Appropriations Committee decided to pass the budget for 2015/16 without amendments but pointed out that the Assembly will monitor its expenditure.

64. The reports of the Budget and Appropriations Committee on the Budgetary Estimates for 2014/15 and the approved report on the county budget estimates of revenue and expenditure for 2016/17 and the medium term were provided.

The County Assembly review covers fiscal policies, medium-term fiscal forecasts, and medium-term priorities and details of expenditure and revenue.

Dimension rating = A.

PI-18.2: Legislative procedures for budget scrutiny

65. The procedures for budget scrutiny are contained in Standing Order No. 187 which provides for the establishment of the Budget and Appropriations Committee and spells out its responsibilities. These procedures are approved before budget hearings. Details of public consultation, specialized sectoral committees and technical support are contained in the report by the Budget and Appropriations Committee, which is discussed and approved by the County Assembly.

Dimension rating = D.

PI-18.3: Timing of budget approval

66. The budget estimates for 2014/15, 2015/16 and 2016/17 were discussed, adopted and approved by the County Assembly on 30th June, hence before the start of the fiscal year. The County Assembly orders, which showed the exact dates when budget estimates were discussed and approved by the County Assembly, were provided.

In summary, the budget estimates were discussed, adopted and approved by the County Assembly on 30th June of each of the last three years.

Dimension rating = A.

PI-18.4: Rules for budget adjustments by the Executive

67. The rules and guidelines enabling budget adjustments through the supplementary budget (including reallocations) are found in the PFM Act 2012. Section 135 of the PFM Act 2012 provides the rules for adjustment of the budget.

68. Accounting officers are allowed to make changes to their budgets of up to 10 per cent of the total. Extension of the budget can be done up to 10 per cent but must be approved by Parliament within two months after the money is spent through a new Appropriations Act, and it may not exceed 10 per cent of the total budget for the year unless special permission has been granted by Parliament. The procedure for supplementary estimates is under Standing Order No. 127 of the PFM Act 2012. The County Assembly uses Standing Orders in making the adjustments. All the departments comply with the rule.

69. During 2014/15, the county government temporarily stopped all its development projects over lack of funds because the revised budget had been rejected by the Controller of Budget for exceeding the ceiling set for the county. However, there have been exceptional few cases where salaries and wages exceeded the 35 per cent of expenditure limits. This was mainly occasioned by increased salaries for striking doctors.

In summary, clear rules exist which may be adhered to in all instances but they are allowing extensive administrative reallocations and expansion of total expenditure up to 10 per cent.

Dimension rating* = *C.

3.6 Pillar V: Predictability and Control in Budget Execution

PI-19: Revenue administration

Summary of scores and performance table

PI-19 Revenue administration (M2)	D	Brief justification for score
19.1 Rights and obligations for revenue measures	D	Entities collecting revenues provide payers with access to information on the main revenue obligation areas but not on redress processes and procedures, while the mechanism is in place. The County Revenue Administration Act presents only the procedure for reduction of taxes, fees and charges
19.2 Revenue risk management	D	The county does not have a risk assessment framework in place for assessing and prioritizing risks

19.3 Revenue audit and investigation	D	Entities collecting the majority of government revenue undertake audits and fraud investigations. The majority of planned audits and investigations have been completed. However, no evidence that a compliance improvement plan was used has been provided
19.4 Revenue arrears monitoring	D	No record of revenue arrears is kept. The only list of arrears provided is for property rates cumulatively from July 2014 to April 2017. One cannot ascertain the age of the arrears

PI-19.1: Rights and obligations for revenue measures

70. The county government has enacted legislation to guide taxpayers on their rights and obligations and procedures on payment of rates and other charges. This includes the Finance Act 2016, County Revenue Administration Act 2016 and the Trade Licensing Act 2014. The county is in the process of enacting a County Rating Bill 2014 that will enable the county to impose rates on land and buildings in the county.

71. The revenue unit does not have an online portal and therefore taxpayers do not access the information online but is provided in the sub-county offices and the county headquarters. The County Revenue Administration Act 2016 is uploaded on the county website. Taxpayers know their rights and obligations through the sub-county offices. The rights and obligations of the taxpayers are also contained in the Finance Act 2016. The county holds public forums which are announced in advance through print media or a mobile vehicle that traverses the county during market days. The redress mechanism is implemented and handled at the sub-county offices. In case the complainant is not satisfied, the matter is referred to the Director of Revenue. However, payers are not provided with access to information redress processes and procedures. The County Revenue Administration Act presents only the procedure for reduction of taxes, fees and charges (article 12).

In summary, entities collecting revenues provide payers with access to information on the main revenue obligation areas but not on redress processes and procedures, while the mechanism is in place. The County Revenue Administration Act presents only the procedure for reduction of taxes, fees and charges.

Dimension rating* = *D.

PI-19.2: Revenue risk management

72. The county does not use risk management process in the main rights and obligation areas including registration, filing, and payment, among others. The revenue risk assessment is not carried out by the county and hence compliance risks are not prioritized. However, risks are identified in the revenue audit reports for some revenue streams and recommendations are given in these audit reports.

In summary, the county does not have a risk assessment framework in place for assessing and prioritizing risks.

Dimension rating* = *D.

PI-19.3: Revenue audit and investigation

73. The county undertakes quarterly audits of revenue collection after which an investigation is carried out to establish the reasons for the revenue collection performance. The audit exercise is planned and programmed in such a way that all material irregularities as pertains revenue collection and management are captured in the course of audit.

74. During audits, receipt books are examined and serial numbers are cross-checked with those from the Central Bank. Audit follow-up includes field visits to establish how much was collected, ensure enforcement and compliance with the existing laws and how to maximize revenue collection. Revenue collection performance is also analyzed in the quarterly Budget Implementation Review reports of the CoB.

75. From both the audit and investigations, recommendations are proposed for implementation to improve on the collections, and the government provides an audit response report. The county has a documented compliance improvement plan and all audits are managed and reported according to the documented compliance improvement plan, but the evidence was not produced by the County Executive.

In summary, most planned audits and investigations have been completed. However, no evidence that a compliance improvement plan was used has been provided.

Dimension rating = D.

PI-19.4: Revenue arrears monitoring

The county does not keep a record of all revenue arrears except for property rates from July 2014 to April 2017. In that case, full age of the arrears cannot be ascertained. Besides, the list of debtors in some sub-counties has not been reconciled with at the county headquarters.

Dimension rating = D.

PI-20: Accounting for revenue

Summary of scores and performance table

PI-20 Accounting for revenue (M1)	D+	Brief justification for score
20.1 Information on revenue collections	A	The county consolidates the revenue data into quarterly and annual reports. Data is presented by type of revenue in the quarterly BIR reports
20.2 Transfer of revenue collections	B	The revenue collectors deposit the revenue collection accounts held at the Kenya Commercial Bank weekly
20.3 Revenue accounts reconciliation	D	There is no complete reconciliation of assessments, collections, arrears and transfers
PI-20.1. Information on revenue collections		

76. The County uses LAIFOMS to collect some of the revenue. IFMIS is being upgraded to have revenue - expenditure integrated systems.

77. The County Revenue Administration Act 2016 outlines the procedures for revenue reports and stipulates that the receiver of revenues must give quarterly reports to the sectoral committees. In addition, annual revenue reports should be given to the County Executive Committee member responsible of finance within 90 days after the end of the financial year.

According to this Act, there is an established revenue register which should be maintained by the Director of Revenue on behalf of the County Treasury. The county has also established the revenue unit with two directors in charge of managing revenue in different regions.

78. Data is broken down by type of revenue and consolidated into the quarterly BIR reports.

Table 3.11: Annual revenue collection streams for 2014/15 and 2015/16 in Ksh

Collection stream	2014/15	2015/16
Finance		1 866 600
Trade and Industrialization	163 930 234	143 385 105
Land and Natural Resources	341 709 509	224 219 117
Roads	31 891 695	27 299 702
Cooperatives	23 952 070	21 237 530
Public Works	66 562 862	61 349 069
Communication and ICT	27 050 240	47 577 406
Agrculture and Livestock	44 933 391	38 584 670
Public Health	74 963 193	67 945 829
Water and Irrigation	476 700	1 192 550
Education Youth Culture and Social Services	31 830 575	16 327 400
Total	807 300 469	650 984 978

Source: quarterly budget implementation review reports

In summary, the county consolidates the revenue data into monthly reports. The information is broken down by revenue type and consolidated into a monthly, quarterly and annual report. Data is presented by type of revenue in the quarterly BIR reports.

Dimension rating = A.

PI-20.2: Transfer of revenue collections

79. The revenue collected is supposed to be deposited daily by revenue collectors in revenue collection accounts held at the Kenya Commercial Bank (KCB) and swept to the County Revenue Fund (CRF) account held at the Central Bank

of Kenya on a weekly basis. A credit advice is issued by KCB and transferred to the revenue collection accountant each time a deposit is made.

In summary, from the evidence made on the banking slips, the revenues are banked in the revenue collection account in the Kenya Commercial Bank (KCB on a weekly basis).

Dimension rating = B.

PI-20.3: Revenue accounts reconciliation

80. The revenue reconciliation in the county is governed by the County Revenue Administration Act 2016. The Act stipulates that revenue analysis should be done monthly and not later than the 15^{th} day of the following month based on the revenue targets and actual revenue collected. In addition, consolidation and reporting of revenues collected should be done quarterly. Banking detailed operations can be extracted daily through an online interface provided by KCB. However, no evidence was availed on the same. Reconciliation are done on monthly basis.

In summary, there is no complete reconciliation of assessments, collections, arrears and transfers.

Dimension rating = D.

On-going reforms

81. A new system has been contracted to integrate all revenue collection.

PI-21: Predictability of in-year resource allocation

Summary of scores and performance table

PI-21 Predictability of in-year resource allocation (M2)	C+	Brief justification for score
21.1 Consolidation of cash balances	D	Cash balances are consolidated on a yearly basis
21.2 Cash forecasting and monitoring	C	The county prepares cash flow forecast for the fiscal year, which is broken down to months but is not updated

21.3 Information on commitment ceilings	B	Budgetary units are provided reliable information on commitment ceilings at least quarterly in advance
21.4 Significance of in-year budget adjustments	A	Significant in-year adjustments to budget allocations take place no more than twice in a year and are done in a transparent and predictable way

PI-21.1: Consolidation of cash balances

82. Section 109 of the PFM Act 2012 provides that each county government shall ensure that all monies raised or received by or on behalf of the county government shall be paid into the CRF account. The county has four accounts maintained at the Central Bank, one of which is the CRF account and three more accounts held at Kenya Commercial Bank. All bank and cash balances are consolidated yearly for the preparation of the annual financial statements.

In summary, cash balances are consolidated on a yearly basis.

Dimension rating* = *D.

PI-21.2: Cash forecasting and monitoring

83. The cash flow forecast is prepared on a monthly basis and is informed by an assessment of the revenue streams. Revenue forecasts and the actual revenue are analysed but not updated monthly.

In summary, the county prepares cash flow forecast for the fiscal year, which is broken down to months but is not updated.

Dimension rating* = *C.

PI-21.3: Information on commitment ceilings

84. The commitment ceilings are received by the budgetary unit at least three months in advance and are based on the budgets. Budget requisitions are made to the COB on a monthly basis.

Dimension rating* = *B.

PI-21.4: Significance of in-year budget adjustments

85. The budget adjustments are governed by the PFM Act 2012. Through a circular, departments are communicated to submit their budget adjustments which are compiled by the budget department and submitted to the County Assembly for approval. In-year budget adjustments are done once a year.

Dimension rating = A.

PI-22: Expenditure arrears

Summary of scores and performance table

PI-22 Expenditure arrears	D	Brief justification for score
22.1 Stock of expenditure arrears	D*	Yearly pending bills are mentioned in AFS, but the stock of arrears is not established
22.2 Expenditure arrears monitoring	D*	The county government does not maintain a register of individual creditors or ledgers. In addition, the county government did not have an analysis of the pending bills or any other records indicating the existence of the pending bills

PI-22.1: Stock of expenditure arrears

86. The CBROP 2016 indicates that the county should establish the level of pending bills. Although the county acknowledged the existence of expenditure arrears, no evidence was provided on the amount of stock. There were discrepancies in the stock of pending bills. For instance, Annex 1 to the financial statement 2014/15 reflects pending bills amounting to Ksh 1.1 million at the end of June 2015 and Ksh 352 million end of June 2014. However, records provided indicated that pending bills as at end June 2014 amounted to Ksh 600 million. Thus, the accuracy and completeness of pending bills disclosed could not be confirmed.

In summary, yearly pending bills are mentioned in AFS, but the stock of arrears is not established.

Dimension rating = D*.

PI-22.2: Expenditure arrears monitoring

87. Data on expenditure arrears is generated annually, three months after the end of the financial year. Expenditure arrears on projects are generally processed and generated after the completion certificate has been awarded. The county government does not maintain records such as register of individual creditors or ledgers. In addition, the county does not undertake analysis of the pending bills. However, arrears may be significant because delay in disbursement of funds from the National Treasury for 2014/15 increased the number of unpaid bills leading some contractors and suppliers to stop collaborating with the county government.

In summary, the county government does not maintain a register of individual creditors or ledgers. In addition, it did not have an analysis of the pending bills or any other records indicating the existence of the pending bills.

Dimension rating = D*.

PI-23: Payroll controls

Summary of scores and performance table

PI-23 Payroll controls (M1)	D+	Brief justification for score
23.1 Integration of payroll and personnel records	D	Reconciliation of the payroll with personnel records takes place only annually. Staff hiring and promotion is checked against the approved budget prior to authorization
23.2 Management of payroll changes	B	Required changes to the personnel records and payroll are updated at least monthly, generally in time for the following month's payments. Retroactive adjustments are rare. Data shows corrections of a bit more than 3% of salary payments
23.3 Internal control of payroll	D	Sufficient controls exist to ensure integrity of 75% of payroll. However, 25% staff is paid through manual system, hence change records and payroll is not restricted

23.4 Payroll audit	D*	A payroll audit covering all county government entities has been conducted at least once in the last three completed fiscal years, but no evidence was provided

PI-23.1: Integration of payroll and personnel records

88. The county government uses the Integrated Personnel Payment Database (IPPD) management system to generate monthly payroll and staff payslip. The system is used for human resource management including appointments/ recruitment, personnel records management, career development and pension. In addition, it administers the records of benefits enjoyed by the officers such as loans, medical benefit, claims and personal advances, and allowances.

89. The county pays wages through IFMIS. The other modules have not been implemented. IFMIS system terminates at county headquarters and has been moved to some departments such as education. The payslip data base is uploaded to Government Human Resource Information system (GHRIS), which is an online platform that enables staff to access their pay information. The county does not have an approved staff establishment but uses existing staff and projected hires as a basis for the annual budget. In addition, staff hiring is done on need basis. Reconciliation of the payroll with personnel records takes place on an annual basis through payroll audit.

Dimension rating = D.

Box 1: Extract from the special audit report of the county government of Kajiado and the defunct local authorities

IPPD Payroll-the County IPPD payroll was implemented from April 2013 and incorporated all staffs of the two defunct Councils. No new appointments were noted. However, records indicated changes in staff emoluments arising from implementation of a Collective Bargaining Agreement. The data migrated into IPPD from LAIFOMS had a few integrity issues such as: - incorrect personal numbers, incorrect dates of birth, PINs, among others. Properly authenticated data should be captured on all the personnel of the County. 3.7 IFMIS and G-pay The County had installed IFMIS and G-pay which is operational and able to produce reports. However, revenue was still processed in LAIFOMS previously used by defunct Councils. The County should continue using the IFMIS and G-pay to enhance accountability.

Source: Special audit report of the County Government of Kajiado and the defunct two (2) local authorities during the transition period from 1 January to 30 June 2013

PI-23.2: Management of payroll changes

90. Any amendment to the personnel database on IPPD is processed through the Authorised Data Sheet (ADS). Such changes are performed in time to allow adjustments in the following month's pay. Only authorized officers are allowed to effect changes. The review of the ADS against payroll established that the retroactive adjustments amounted to 3 per cent.

In summary, required changes to the personnel records and payroll are updated at least monthly, generally in time for the following month's payments. Retroactive adjustments are rare.

Dimension rating = B.

PI-23.3: Internal control of payroll

91. The Head of Human Resource Management allocates IPPD access rights to ensure efficiency, effectiveness and accountability. The access control policy addresses the purpose, scope, roles, and responsibilities of IPPD system users in execution of the official duties. Every change of records in the IPPD system must be supported by duly filled and signed ADS. In summary, authority to change records and payroll for employees in the IPPD is restricted, results in an audit trail, and is adequate to ensure full integrity of data. However, 25 per cent of staff are paid through manual system where there are no restrictions in making payroll changes.

In summary, sufficient controls exist to ensure integrity of 75 per cent of payroll. However, 25 per cent staff is paid through manual system, hence change records and payroll is not restricted.

Dimension rating = D.

PI-23.4: Payroll audit

92. During the last three years, the payroll section carried out a human resource audit comparing the head counts by the County Public Service Board with the list of employees furnished by all departmental heads. Established anomalies were corrected. Since then, the section has been undertaking regular periodical payroll audits.

In summary, the payroll section has been undertaking regular periodical payroll audits, but there was no evidence provided to support this statement.

Dimension rating = D*.

PI-24: Procurement

Summary of scores and performance table

PI-24 Procurement (M2)	C	Brief justification for score
24.1 Procurement monitoring	D*	Database or records are maintained for contracts including data on what has been procured, value of procurement and who has been awarded contracts, but the database is not connected to IFMIS. The accuracy for procurement methods for goods, services and works could not be verified
24.2 Procurement methods	D	The total value of contracts awarded through competitive methods in the last completed fiscal year represents less than 60% of total value of contracts
24.3 Public access to procurement information	C	At least three of the key procurement information elements are complete and are made available to the public
24.4 Procurement complaints management	A	The procurement complaint system meets the first criterion, and all the other criteria

PI-24.1: Procurement monitoring

93. The Procurement Directorate oversees the entire supply chain management and uses an integrated internet-based system (e-procurement) to monitor the procurement process. Information on contracts awarded and project files can be accessed through the system. However, the database is not connected to IFMIS, as the module Procurement to Pay (P to P) developed at the national level as not been implemented.

94. The data provided was accurate and complete for procurement methods for goods, services and works and the status. However, procurement monitoring for public establishments was not availed. With all MDAs required since 2015 to regularly submit procurement information, PPRA developed a large Excel-based comprehensive procurement database. A copy was provided to the team and it was said that it covers more than 90 per cent of procurement, including SAGAs, State corporations and counties. Data are shown for the different types of procurement (e.g. open tendering, restricted tendering,

request for quotations) undertaken by each type of body. Numbers and values of each type of procurement are shown.

In summary, databases or records are maintained for contracts including data on what has been procured, value of procurement and who has been awarded contracts. However, materiality related to the completeness could not be verified as the procurement module is not connected to IFMIS.

Dimension rating = D*.

PI-24.2: Procurement methods

95. The Public Procurement and Asset Disposal Act 2015 provides for different procurement methods. The county relied on restricted tendering and request for quotations at 48.4 per cent and 34.4 per cent, respectively. In addition, the county used open tendering and request for proposal at 16.5 per cent and 0.7 per cent, respectively (Table 3.8). From Table 3.8, the county leaned heavily on restricted tendering and request for quotations which are not highly competitive procurement methods.

Table 3.12: Type of procurement methods, 2015/16

Procurement Method	Value (Ksh million)	%
Open Tender	244.25	16.50%
Restricted Tender	715.28	48.40%
Request for Quotation	509.07	34.40%
Request for Proposal	9.87	0.70%
Total	1,478.48	100%

Source: County Executive procurement departments

In summary, the total value of contracts awarded through competitive methods in the last completed fiscal year represents less than 60 per cent of total value of contracts.

Dimension rating = D.

PI-24.3: Public access to procurement information

96. The public can access the legal and regulatory framework (Public Procurement and Assets Disposal Act 2015) for procurement freely from the Public Procurement and Regulatory Authority (PPRA) website. Data on resolution

of procurement complaints is available online as published by the Public Procurement and Administrative Review Board (PPARB). The tendering opportunities are available on the county website. However, information on the county procurement plans, annual procurement statistics and details of contracts awarded are not posted on the website. The compliance with key procurement information that should be made available to the public is summarized in table below.

Table 3.13: Public access to procurement information

Key procurement information to be made available to the public	Compliance (Y/N)	Comments
Legal and regulatory framework for procurement	Yes	The legal and regulatory framework for procurement is available for download on the web site http://www.kenyalaw.org/lex//actview.xql?actid=No.%2033%20of%202015
Government procurement plans	No	Not all government procurement plans are published on the Internet
Bidding opportunities	Yes	All bidding opportunities above the threshold value are advertised in the national newspaper or on notice boards (for schools). Many are posted on the internet but not all of them
Contract awards (purpose, contractor and value)	No	Contracts awards are published on the PPRA website. This publishes contract awards including project description, contractor and the contract value. However, the website is not completely exhaustive
Data on resolution of procurement complaints	Yes	Most of the information on resolution of procurement complaints is published
Annual procurement statistics	No	The PPADA requires that MDAs keep records of their procurement activities. PPRA Annual Reports are available on PPRA's website in the form of comprehensive summary statistics on annual procurements (e.g. contract awards, 30% public procurement reservations and preferences for youth, women)

In summary, at least three of the key procurement information elements are complete and are made available to the public.

Dimension rating = C.

PI-24.4: Procurement complaints management

97. Procurement complaints are addressed by the PPARB under the PPRA. This is an external higher authority which is not involved in the procurement

process. There are clear guidelines on the process followed in case of complaints. The decisions of the PPARB are binding to all parties involved. There is a fee payable by the party filing complaints. Compliance of complaints reviewed by an independent body in accordance with the PEFA criteria is summarized in table below.

Table 3.14: Procurement complaints management

Complaints are reviewed by a body which:	Compliance (Y/N)	Comments
(1) is not involved in any capacity in procurement transactions or in the process leading to contract award decisions	Yes	Section 27 of PPADA establishes an independent Public Administrative Review Board (PPARB) to ensure the proper and effective performance of the functions of the PPRA. This was in fact in place under the previous public procurement legislation, as noted in the 2012 PEFA assessment
(2) does not charge fees that prohibit access by concerned parties	No	There is a fee payable by the party filing complaints. The schedule of fees can be extracted from the Public Procurement and Disposal Regulations 2013
(3) follows processes for submission and resolution of complaints that are clearly defined and publicly available	Yes	The process for submission and resolution of complaints is clearly provided for in the PPADA (Section 27) which is publicly available.
(4) exercises the authority to suspend the procurement process	Yes	The PPADA provides grounds for debarment of a person from participating in procurement or asset disposal proceedings
(5) issues decisions within the timeframe specified in the rules/regulations, and	Yes	The PPADA requires the PPARB to make a decision within thirty days of the date of submission of an application for review. The PPARB report for 2015/16 states that all cases lodged were heard and determined within an average of 22.5 days
(6) issues decisions that are binding on every party (without precluding subsequent access to an external higher authority)	Yes	The Procurement Regulations state that "a decision by the Review Board is binding on all parties concerned subject to judicial review where the parties so appeal"

In summary, the procurement complaint system meets the first criterion, and all the other criteria.

***Dimension rating* = *A*.**

PI-25: Internal controls on non-salary expenditure

Summary of scores and performance table

PI-25 Internal controls on non-salary expenditure (M2)	C	Brief justification for score
25.1 Segregation of duties	B	Segregation of duties is prescribed throughout the expenditure process. Responsibilities are clearly laid down for most key steps while further details may be needed in a few areas
25.2 Effectiveness of expenditure commitment controls	C	Expenditure commitment control procedures exist which provide partial coverage and are partially effective
25.3 Compliance with payment rules and procedures	D*	All payments should be made according regular procedures through IFMIS, but the data enabling to score the component was not provided

PI-25.1: Segregation of duties

98. The legislations about segregation of duties are, respectively: (i) the Constitution of Kenya of 2010; (ii) the Public Finance Management Act 2012; (iii) Circulars from National Treasury; and (iv) Public Procurement and Asset Disposal Act 2015. The different responsibilities about internal controls are: (i) Planning, (ii) Budgeting, (iii) Procurement, (iv) Accounting, (v) Monitoring and Evaluation, and (vi) Internal Auditing.

99. Appropriate segregation of duties is prescribed throughout the expenditure process. Responsibilities are clearly laid down. Payments go through various stages of approval and in IFMIS, there are different validators with unique passwords and different levels of access rights. Procurement process is clearly defined except under emergency cases and there is a separate emergency fund. The county government uses the Integrated Financial management information system (IFMIS) which has various modules and different levels of access rights to ensure adequate segregation of duties in the expenditure process. Each stage is assigned a specific officer with specific log-in credentials. No one officer can initiate a transaction and process it to completion without the approval of the other users. The budget execution process in IFMIS is summarized in Table 3.15.

Table 3.15: Different stages of control of budget execution

Stage	User	Roles
1	Invoicer	Initiates the payment
2	Validator	Confirms the accuracy of the expenditure
3	Authority to incur Expenditure (AIE) holder approval	Approves the expenditure
4	Approver 1	Checks correctness of the expenditure
5	Approver 2	Makes the final approval

Source: County Executive

100. Procurement process is clearly defined. However, in emergency cases, the procurement process is not well defined. The staff that prepares tender documents is not involved in tender evaluation. A committee is constituted for tender opening and another one for tender evaluation. This is to enhance fairness in the process. The procurement staff is not involved in processing of payments. There is a separate IFMIS section where various officers have been assigned different roles in the payment process up to the approval process. Payment is done by a cashier who has been assigned the role to make payments.

In summary, segregation of duties is prescribed throughout the expenditure process. Responsibilities are clearly laid down for most key steps while further details may be needed in a few areas.

Dimension rating = B.

PI-25.2: Effectiveness of expenditure commitment controls

101. Payments are made through IFMIS system and the system has the approved budget which serves as vote control mechanism. The Controller of Budget checks that quarterly release does not exceed approved budget allocations.

102. Any payment is supported by a payment voucher which is prepared from the user department. The payment voucher has various sections for authorization and approval. The AIE holder signs and certifies that the expenditure was incurred for the authorised purpose, then the departmental accountant signs to confirm the accuracy and the Chief Officer in the department of finance authorizes the payment. The payment voucher has a vote book control section (Vote Book Certificate) which is used to ensure that payments are

made within the approved vote. After authorization, the payment is initiated in IFMIS by the invoicer, and then a validator confirms the posting before the AIE holder approves the payment in IFMIS. Two more validators have to approve the transaction in IFMIS before the final stage of payment. The payment process in IFMIS is adhered to as everyone involved has a unique password with predefined limited access rights.

103. The OAG report on AFS 2014/15 points that, from a sample of payment vouchers reviewed, the vote book certificate was not duly filled and therefore there was a risk of making payments without considering the amount voted. Further, the payment vouchers were required to be examined and signed. The examination was not done. The part where the chief officer finance was required to sign was also left blank for most of the payment vouchers.

In summary, expenditure commitment control procedures exist which provide partial coverage and are partially effective.

Dimension rating* = *C.

PI-25.3: Compliance with payment rules and procedures

104. The county government uses payment authorization procedures as defined in IFMIS. However, the reports of the OAG pointed a certain number of lack of compliance with payment and procedures.

105. The counties' statements of their financial transactions differ from records on the Integrated Financial Management and Information System, according to a report by the Auditor General. In the 2016 county audit reports, OAG noted that the variations in majority of the 47 county governments could not confirm the accuracy and completeness of the expenditures incurred. "Although the automation was meant to make work easier and revenue collection more manageable, it was observed that the system was always down and the frequent breakdowns could not be justified,".

106. The Public Procurement and Disposal Act requires county accounting officers to maintain a filing system with clear links between procurement and expenditure files to facilitate an audit trail. The variance was recorded in receipts, payments, cash and bank, receivables and payables.

107. The report related to AFS 2014/15 observes that Ksh 13.8 million were paid to four firms contracted by the county to supply goods with either original or duplicate copies of LPOs instead of the triplicate copies as required by the Financial Orders and Regulations. Under these circumstances, the validity of this expenditure on use of goods and services amounting to about 1 per

cent of the whole expenditure could not be confirmed.

108. Further, a sample of payment vouchers obtained revealed that some payments were made without examination. The vote certificate section of the payment vouchers was also left blank for all payments but this was mainly attributed to the fact that vote book control is done only in IFMIS system. According to Section 114 of the PFM Act 2015, the County Assembly approves expenditure from the Emergency Fund. However, the OAG audit report for the year ended 30th June 2016 revealed that the county spent Ksh 72 million of the Emergency Fund without approval from the County Assembly. The OAG report also indicated that the county did not adhere to budgetary allocations in personnel emoluments. Further, the report revealed that the county did not adhere to the procurement plan. The county had planned to spend Ksh 40 million on development of asset management system (valuation roll) as per the procurement plan; actual expenditure was Ksh 59 million.

109. Reports from the OAG and the COB pointed out that the county did not adhere to budgetary allocations in personnel emoluments, spent the emergency fund without any approval from the County Assembly as required, made some payments without examination, and purchased goods from a non-prequalified enterprise.

In summary, all payments should be made according regular procedures through IFMIS, but the data to enable to score precisely the component was not provided.

Dimension rating = D*.

PI-26: Internal audit

Summary of scores and performance table

PI-26 Internal audit (M1)	C+	Brief justification for score
26.1 Coverage of internal audit	B	Internal audit is operational for the County Executive and the County Assembly
26.2 Nature of audits and standards applied	C	Audits were conducted, but no quality assurance process showing that internal audit activities are focused on evaluations of the adequacy and effectiveness of internal controls was disclosed

26.3 Implementation of internal audits and reporting	B	Annual audit programmes are performed annually and most programmed audits have been completed in 2015/16
26.4 Response to internal audits	B	Management provides a partial response to audit recommendations within twelve months of the audit report being produced for three entities audited

PI-26.1: Coverage of internal audit

110. Internal audit is operational for the County Executive and the County Assembly, which are central government entities collecting all budgeted government revenue and expenditure. The County Executive has a directorate of internal audit function which was established under Section 155 of the PFM 2012 and PFM Regulations No. 153 of 2015. The director of internal audit reports to the audit committee which has powers also to summon accounting officers. The County Assembly has also established an internal audit function which audits its operations guided by an audit charter. At the time of assessment, the internal audit section had only one-member staff but had nevertheless produced some reports.

Table 3.16: County government entities audited for the last 3 years

Department
1. Revenue Department
2. Accounts/Expenditure Department
3. Procurement and Stores Department
4. Roads Department
5. Public Works Department
6. Water Department
7. Health Services Department
8. County Public Service Board
9. Emergency Fund
10. Bursary Fund

Table 3.17: Entities to be covered by annual audit activities for the next 3 years

Department
1. Revenue Department
2. Accounts/Expenditure Department
3. Procurement and Stores Department
4. Roads Department
5. Public Works Department
6. Water Department
7. Health Services Department
8. County Public Service Board
9. Emergency Fund
10. Bursary Fund
11. People Living with Disability Fund

In summary, internal audit is operational for the County Executive and the County Assembly, which are central government entities collecting all budgeted government revenue and expenditure. There is no data to estimate the percentage of audited budget entities as the budget of public establishments is unknown. Based on estimations made on the ground, it is assumed that the budget of SAGAs is less than 25 per cent of total budget expenditure of CG.

Dimension rating = B.

PI-26.2: Nature of audits and standards applied

111. The internal audit directorate should apply international professional practice framework (IPPF) as stipulated in the PFM Act 2012. Although the directorate conducted internal audits to evaluate the adequacy of internal controls and compliance with governing regulations in the county, there was no evidence of a quality assurance process being followed. Similarly, the County Assembly's internal auditor conducted audits; there were no clear professional standards followed in the audit.

112. The audits are basically continuous audits. These include systems audits to ascertain existence and effectiveness of internal controls in such areas as the payment process, procurement process and revenue collection and reporting process. All audit activities that are expected to be carried out in the course of the financial year are enlisted in the Annual Work Plan with the necessary time and resource budgets. An audit programme is developed

for each audit activity, which details all the necessary substantive audit test to be carried out. The activities are then shared among the audit staff on the basis of competency and experience who then submit their findings to be compiled into one audit report by the Deputy Director of Audit. The Director of Internal Audit then reviews the report and issues draft report to the department concerned for response. A final report is issued to the Audit Committee and copied to the Governor.

Table 3.18: Table of risk index

Department	Risk Index	No. of times audited in a year
Revenue Department	High risk	3 times
Accounts/Expenditure Department	Medium risk	2 times
Procurement and Stores Department	Medium risk	2 times
Roads Department	Low risk	Once
Public Works Department	Low	Once
Water Department	Low	Once
Health Services Department	Low	Once
County Public Service Board	Low	Once
Emergency Fund	Low	Once
Bursary Fund	Low	Once

In summary, audits were conducted. Internal audit activities are focused on evaluation of the adequacy and effectiveness of internal controls. No quality assurance process showing that internal audit activities are focused on evaluations of the adequacy and effectiveness of internal controls was disclosed.

Dimension rating = C.

PI-26.3: Implementation of internal audits and reporting

113. The directorate of internal audit of the County Executive planned to conduct 11 audits in 2015/16 and managed to conduct eight (8) audits. The percentage of completed audit was 73 per cent.

Table 3.19: Planed and realized audits of the County Executive in 2015/16

Planned audits	Audits concluded (Y/N)	Reports released to management (Y/N)	Management response received (Y/N)
Cash survey as at 30 June 2015	Y	Y	Y
Development projects - roads, buildings and water projects	Y	Y	Y
Revenue audit	Y	Y	N
Examination of payment process / recurrent expenditure	Y	Y	Y
Verification of assets inherited from defunct authorities	N	N/A	N/A
Bursary fund	Y	Y	Y
Audit of health centres	N	N/A	N/A
Payroll audit	N	N/A	N/A
Internal controls system review	Y	Y	Y
Stores records/Inventories audit	Y	Y	N
County Public service board audit	Y	Y	Y

Source: Directorate of internal audit

114. Similarly, in the County Assembly, the internal auditor planned for 12 audits and managed to complete nine (9), which corresponds to an execution rate of 75 per cent.

In summary, annual audit programmes are performed annually and most programmed audits have been completed in 2015/16.

Dimension rating = B.

PI-26.4: Response to internal audits

115. The county has a functional audit committee with the authority to seek explanations on audit reports and discuss recommendations with the management for implementation.

116. In the financial year 2015/2016, the management responded to 6 out of the 8 audit reports. The County Assembly received nine (9) audit reports but responded to seven (7). However, as complete information was not available, a sampling approach was applied, but it was not possible to get five major budgetary units or institutional units as recommended by the PEFA methodology. Evidence was provided to assess the timeliness of the responses for three public entities presented below.

Table 3.20: Timeliness of the responses to internal audit by audited public entities

Entity	Nature of audit	Date of audit	Date of response	Time-lag in months	Type of response
Public Works and Energy	Development project	03/30/2016	08/09/2016	5.4	Complete
County Treasury	Recurrent expenditure	02/26/2016	03/16/2016	0.6	Complete
Public Service Board	Public procurement	07/19/2016	08/18/2016	1.0	Complete

Source: County Executive

In summary, audited entities provided a full response to audit recommendations within twelve months of the audit report being produced. This would have qualified for an A score, as everyone met the requirements. However, only three entities provided their report.

Dimension rating = B.

3.7 Pillar VI: Accounting and Reporting

PI-27: Financial data integrity

Summary of scores and performance table

PI-27 Financial data integrity (M2)	D+	Brief justification for score
27.1 Bank account reconciliation	D*	Bank reconciliation for all active county government bank accounts takes place at least monthly, usually within 4 weeks from the end of each month. However, bank reconciliation regarding extra budgetary units is unknown
27.2 Suspense accounts	D*	Suspense accounts are reconciled and cleared monthly but evidences have not been provided
27.3 Advance accounts	D*	The county prepares imprest reconciliation monthly. However, some items are not cleared on timely basis. Imprest account reconciliations have not been provided
27.4 Financial data integrity processes	C	IFMIS is used for recording and processing budget data originating from the national government. An examination unit ensures data integrity by pre-audit of payments before they are passed into the system. But no audit trail is available for local resources

PI-27.1: Bank account reconciliation

117. PFM Act, Section 90 (1), requires bank reconciliations to all active accounts to be prepared every month and submitted to the County Treasury with a copy to the OAG not later than 10th of the subsequent month. Manual bank reconciliation statements were provided for the months of June 2015 and June 2016 and December 2016.

In summary, bank reconciliation for all active county government bank accounts takes place at least monthly, usually within 4 weeks from the end of each month. However, bank reconciliation regarding extra budgetary units is unknown.

Dimension rating = D*.

PI-27.2: Suspense accounts

118. According to Section 107(2b) of the PFM Act, 2012, the accounting officer must ensure that monthly reconciliations are performed to confirm the balance of each account. The only suspense account at the county is deposit account which is used to record 10 per cent retention for contractors and it is paid once the project is complete. The reconciliation of this account is done monthly and cleared before the end of year. Bank reconciliations for the retention account were provided for June 2015 and June 2016.

119. The other form of suspense account is IFMIS-generated and comes about when the accounting process is not completed in the system. The reconciliation of this suspense is also done monthly. Provision of soft copy of reconciliation for system generated suspense account is still outstanding.

In summary, suspense accounts are reconciled and cleared monthly but evidences have not been provided.

Dimension rating = D*.

PI-27.3: Advance accounts

120. Section 93(1) of the PFM Act 2012 classifies imprests into temporary (safari imprests) which should be accounted for within seven days after returning to duty station and standing imprests. The county has imprest account as the only advance account. This is used to issue imprest to officers travelling on official duties. The imprest surrender is done within 7 days after an officer return to the duty station.

Imprest reconciliations are prepared monthly, but no evidence was provided.

Dimension rating = D*.

PI-27.4: Financial data integrity processes

121. Section 109 (1) and 110 of the PFM Act, 2012 requires the establishment of an IFMIS, with appropriate access controls put in place in the system to minimize breach of information confidentiality and data integrity.

122. The County Treasury uses IFMIS for recording and processing budget data. This system has various modules ranging from budgeting, payments and reporting. All users are assigned passwords and the Chief Officer finance

authorizes assignment of responsibilities in the various rights to the system. The IFMIS has an audit trail and any record change is electronically recorded in the system. The IFMIS department in the National Treasury is responsible for introduction of new users in the system with the approval of the accounting officer. Finally, the county has an examination unit that ensures data integrity by pre-audit of payments before they are passed into the system. However, there is no operational unit to verify financial data integrity.

123. In addition, the report of the Auditor General on AFS 2015-16 states that "the County Government financial procedures requires that revenue receipt books be logged in the Counter Receipt Book Register (CTBR) upon receipt from the printers. However, the County Government did not adhere to these procedures. Consequently, completeness and accuracy of the other revenues balance of Ksh 650.9 million cannot be confirmed."

In summary, no audit trail is available for local resources and that the B score cannot be provided for the component.

Dimension rating = C.

PI-28: In-year budget reports

Summary of scores and performance table

PI-28 In-year budget reports (M1)	C+	Brief justification for score
28.1 Coverage and comparability of reports	C	Budget reports are prepared quarterly. This report has its own format but budget items are easily comparable to the initial budget
28.2 Timing of in-year budget reports	B	Budget execution reports are prepared quarterly and within one month from the end of that quarter
28.3 Accuracy of in-year budget reports	C	There may be concerns regarding data accuracy, which are not highlighted in the report. Data is consistent and useful for analysis of budget execution, but no analysis of the budget execution is provided on at least a half-yearly basis. Expenditure is captured at payment stage

PI-28.1: Coverage and comparability of reports

124. The PFM Act 2012 requires budget execution monthly financial statement and non-financial budgetary reports to be submitted to the County Treasury. The CBROP is prepared in accordance with Section 118 of the PFM Act 2012. According to this Act, the county should prepare quarterly implementation reports to give an overview of budget execution. They make comparisons between budget estimates and actual expenditures among departments and County Assembly.

125. The county prepares quarterly expenditure reports that show budgeted expenditure against actual expenditure and any revision in the exact budget line items. This report is prepared based on a template issued by the Controller of Budget. The county also prepares the CBROP and the CFSP. The CBROP though does not provide any breakdown of budget execution to enable comparison with the original budget according to economic classification. The CFSP presents budget execution according to the functional/administrative classification and not the economic classification.

In summary, budget reports are prepared quarterly. The BIRR reports show actual quarterly expenditure against the original budget, except for the last quarter, which compares to the revised budget only. However, comparison can be made by referring to other reports that show the original budget.

Dimension rating* = *C.

PI-28.2: Timing of in-year budget reports

126. PFM Act 166, 2012 requires counties to prepare quarterly reports and deliver copies to the National Treasury, COB and CRA while County Treasury Circular requires preparation of reports of performance of the entire budget during the implementation phase. Annual Expenditure Appropriation Accounts are prepared annually and submitted by 30th September. Budget execution reports are prepared quarterly and within one month from the end of that quarter. Table 3.10 presents timing for various in-year budget reports for 2014/15.

Table 3.21: Timing of in-year budget reports, 2014/15

End of quarter	Date of report
July-September 2014	20th November 2014
October-December 2014	22nd January 2015
Jan-March 2015	20th April 2015
April-June, 2015	20th July 2015

Source: County Executive

In summary, budget execution reports are prepared quarterly and within one month from the end of that quarter.

Dimension rating = B.

28.3: Accuracy of in-year budget reports

127. The in-year quarterly reports are prepared mainly on actual payments, and commitments are also included. The reports are prepared by County Treasury, reviewed and sent to various bodies including County Executive, National Treasury and the Controller of Budget. The level of review ensures that these reports are accurate. However, no analysis of the budget execution is provided for at least a half-yearly basis.

In summary, data is consistent and useful for analysis of budget execution, but no analysis of the budget execution is provided on at least a half-yearly basis. Expenditure is captured at payment stage.

Dimension rating = C.

On-going reforms

128. The National Treasury, through Price Waterhouse Coopers (PWC), has been assisting in preparation of the quarterly reports. Recently Public-Sector Accounting Standards Board issued another template for preparation of quarterly reports and hence has been adopted. The report has its own format.

PI-29: Annual financial reports

Summary of scores and performance table

PI-29 Annual financial reports (M1)	D+	Brief justification for score
29.1 Completeness of annual financial reports	B	Financial reports for budgetary county government are prepared annually. They include information on revenue, expenditures, and cash balances. They are comparable with the approved budget
29.2 Submission of reports for external audit	D	The annual financial statements were presented to the external audit on 30th September 2016 but were complete only by 8th June 2017, hence within twelve months after the end of the year
29.3 Accounting standards	C	The county prepares financial statements as per the cash basis IPSAS and that are clearly disclosed in the financial statements, but some weaknesses are raised by the report of the Auditor General and gaps are not explained in reports

PI-29.1: Completeness of annual financial reports

129. Section 68 of the PFM Act 2012 requires that all entities should prepare annual financial statements for each financial year within three months after the end of the financial year and submit them to the CoB and the OAG for audit.

130. The financial statements are prepared annually and submitted by 30th September every year. The county prepares financial statements as per the IPSAS Cash as required by the Public-Sector Accounting Standards Board. The AFS 2015-16 compares the actuals with those of previous year and with budgeted amount for the last AFS. However, it must be noted that for the preceding year, the report of the Auditor General stated that "the format of the financial statements and the format of approved budget were dissimilar and therefore it was not possible to compare the two sets of documents." And did not express an opinion on AFS 2014-15. AFS disclosures including revenue, expenditure assets and liabilities are accompanied by a balanced cash flow.

In summary, financial reports for budgetary county government are prepared annually. They include information on revenue, expenditures, and cash balances. They are comparable with the approved budget.

Dimension rating = B.

PI-29.2: Submission of reports for external audit

131. The first set of AFS for the year 2015/16 was submitted to the OAG 3 months after the year end as required by the PFM Act 2012. The executive accounts were presented to the external audit on 30th September 2016, hence within three months as per the PFM Act. However, financial accounts were considered as completed only on 8th June 2017.

In summary, financial reports for budgetary central government are submitted for external audit within 9 months of the end of the fiscal year.

Dimension rating = D.

PI-29.3: Accounting standards

132. The county prepares AFS as per the IPSAS Cash as per requirements of the Public-Sector Accounting Standards Board. The latest audited AFS was for the 2014/15 and audit opinion was provided where the OAG identified lack of complete fixed assets register, non-financial assets not already included in financial assets, and unsupported cash and cash equivalents.

In summary, accounting standards applied to all financial reports are consistent with the country's legal framework and ensure consistency of reporting over time. The standards used in preparing annual financial reports are disclosed.

Dimension rating = C.

3.8 Pillar VII: External Scrutiny and Audit

PI-30: External audit

Summary of scores and performance table

PI-30 External audit (M1)	C+	Brief justification for score
30.1 Audit coverage and standards	B	Office of the Auditor General is using ISSAIs on all external audits of National and County Governments, but public establishments are not regularly audited
30.2 Submission of audit reports to the legislature	A	Audit report of AFS 2015/16 was submitted to the legislature within three months from receipt of the financial reports
30.3 External audit follow-up	C	A progress report on the issues raised during the 2014/15 financial year is put in annex of the audit report for 2015/16. Audited entities provide a formal response to audit findings, but it is not necessarily comprehensive and timely
30.4 Supreme Audit Institution (SAI) independence	A	The Auditor General operates independently from the executive with respect to procedures for appointment and removal of the Head of the institution, the planning of audit engagements, arrangements for publicizing reports, and the approval and execution of its budget. This independence is assured by law. The SAI has unrestricted and timely access to records, documentation and information

PI-30.1: Audit coverage and standards

133. The OAG, headed by the Auditor General, has the primary oversight role of ensuring accountability in the use of public resources. The OAG may audit the accounts of any entity that is funded from public funds (including SAGAs, as discussed under PI-10). The Constitution and Public Audit Act 2015 specify that OAG must, within 6 months of the end of the year, audit and report on the accounts of all county government entities, covering revenue, expenditure, assets, and liabilities, using International Standards

on Supreme Audit Institutions (ISSAIs) or consistent national auditing standards. The audit reports should highlight relevant material issues, systemic and control risks. In depth audits should be carried out on the basis of risk analysis methods. More emphasis is given to performance audits (value for money) forensic audits and procurement/asset disposal than under the previous law (sections 34-38 of the Public Audit Act, 2015). The OAG annually audits all county government MDAs that are linked to IFMIS. Public establishments are not regularly audited, as they are not connected to IFMIS. Very few specific audits have been conducted on them during the last three completed years.

134. Audits for the last three fiscal years were provided. These audits were undertaken to assess the adequacy and reliability of the systems of management and financial controls instituted by the management of the county government in running its affairs with emphasis on the utilization of public resources. The audit coverage was:

i) Assessment of controls over management of cash and bank accounts.

ii) Assessment of controls over management of assets under the control of the county government.

iii) Assessment of compliance with the procurement laws in process of acquisition of goods or services.

iv) Assessment of compliance with Public Financial Management Act 2012 in the utilization of public funds.

v) Compliance with other relevant laws and regulations.

vi) To ascertain the integrity and reliability of financial and other information used by management in the utilization of public funds.

vii) Compliance with other relevant laws and regulations.

viii) To ascertain the integrity and reliability of financial and other information used by management in the utilization of public funds.

ix) To confirm that all necessary supporting documents, records and accounts have been kept in respect of all transactions.

135. The audit report of the OAG for 2013/14 did not highlight any relevant material issues, but no opinion was given. The OAG expressed a non-qualified opinion in its audit report for 2014/15, and the audit report of 2015/16 provided a positive opinion.

In summary, the Office of the Auditor General is using ISSAIs on all external audits of National and County Governments, but public establishments are not regularly audited, as they are not connected to IFMIS.

Dimension rating = B.

PI-30.2: Submission of audit reports to the legislature

136. According to the PFM Act 2012, it is not the responsibility of the County Executive to forward audit reports to the County Assembly. This is done directly by the Office of the Auditor General. Table 3.11 presents dates for the submission of audit reports to the legislature (Senate and the County Assembly). The scoring has been put based on the last submission of AFS to avoid scoring the same situation twice.

Table 3.22: Submission of audit reports to the legislature for the last 3 fiscal years

Year	Date AFS signed by CE	Date of OAG report	Date AFS submitted to the legislature
2013/14	30th September 2014	25th May 2015	10th July 2015
2014/15	30th September 2015	27th September 2016	17th October 2016
2015/16	30th September 2016	8th June 2017	30th August 2017

Source: OAG

In summary, audit report of AFS 2015/16 was submitted to the legislature within three months after the financial reports were considered complete.

Dimension rating = A.

PI-30.3: External audit follow-up

137. The Public Audit Act 2015 explicitly covers the audit process, including response and follow-up. The Public-Sector Accounting Standards Board has prepared a template for this. The audit process is prescribed in Section 31 of Part IV of the Public Audit Act 2015 on the 'Audit Process and Types of Audit'. The audit opinion and summary findings of the external audits of both year 2013/2014 and 2014/2015 have been received.

138. A progress report on the issues raised during the 2014/15 financial year is put in annex of the audit report for 2015/16. Audited MDAs provide a formal response to audit findings, but it is not necessarily comprehensive and timely. The 2009 Public Audit Act did not provide for this.

In summary, audited entities provide a formal response to audit findings, but it is not necessarily comprehensive and timely. It is too early to assess follow-up effectiveness.

Dimension rating = C.

PI-30.4: Supreme Audit Institution (SAI) independence

139. The OAG is established as an independent office under Articles 229, 248 and 253 of the Constitution. In accordance with the Constitution, the Auditor General is nominated and appointed by the President with the approval of the National Assembly. The statutory duties and responsibilities of the position are provided in Article 229 of the Constitution and in the Public Audit Act 2015. The OAG operates independently from the executive with respect to procedures for the appointment and removal of the head of the OAG, the planning of audit engagements, arrangements for publicising reports, and the approval and execution of the OAG's budget. This independence assures unrestricted and timely access to records, documentation and information. The Public Audit Act 2015 confirms OAG's independence from the executive branch of the National Government. Thus, OAG independence is assured by the Constitution and law.

140. Since the Public Audit Act 2015 came into force in January 2016, the follow-up process has become more formalized. The Public Sector Accounting Standards Board is established in sections 192-195 of the PFM Act 2012 and elaborated on under Financial Regulation 111 of 2015. The Board is located in the National Treasury and prepared a template in 2015/16 for preparing annual financial statements. Section 27 of the template (available on National Treasury's website) provides for monitoring the actions taken by an MDA in response to the recommendations of audit reports. A matrix contains the following in column form: List of issues raised by OAG in its Management Letter to the respective MDA; Management comments; name of MDA staff person in charge of resolving the issue; status of resolving the issue; and expected date for resolving the issue. The template came into effect in 2016/17. The audit process is still on-going, so it is not possible to assess how well this new process has worked.

In summary, the Auditor General operates independently from the executive with respect to procedures for appointment and removal of the Head of the institution, the planning of audit engagements, arrangements for publicizing reports, and the approval and execution of its budget. This independence is assured by law. The SAI has unrestricted and timely access to records, documentation and information.

Dimension rating = A.

PI-31: Legislative scrutiny of audit reports

Summary of scores and performance table

PI-31 Legislative scrutiny of audit reports (M2)	D	Brief justification for score
31.1 Timing of audit report scrutiny	D*	Scrutiny of audit reports is completed within 12 months in most instances. However, this could not be verified due to lack of supporting documentation
31.2 Hearings on audit findings	D*	Only the external audit for the year 2013/14 has been fully completed and discussed and no evidence of hearings has been provided
31.3 Recommendations on audit by the legislature	D*	The Assembly has a process for monitoring implementation of audit recommendations. However, no record of recommendations by the legislatures for actions to be taken up by the executive was provided
31.4 Transparency of legislative scrutiny of audit reports	D*	Committee reports have not been provided

PI-31.1: Timing of audit report scrutiny

141. Table 3.12 summarises the dates when the external audit reports were received and discussed by the County Assembly. There is no specific timeline to scrutinize audit reports by the County Assembly. The time for scrutiny depends on the programme of the committee. It has been said during meetings that the scrutiny was completed over a period of maximum two months but no evidence has been provided.

Table 3.23: Timing of audit reports

Financial year	Date received	Date when discussed and approved	Type of audit report
2015/16	30th August 2017	N.A	Financial statements
2014/15	17th October 2016	N.A	Financial statements
2013/14	30th August 2017	N.A	Financial statements

Source: County Executive

142. It was reported that it takes an average of 3-6 months to complete the scrutiny of audit reports on annual financial statements after their receipt.

In summary, scrutiny of audit reports is completed within 12 months in most instances. However, this could not be verified due to lack of supporting documentation.

Dimension rating = D*.

PI-31.2: Hearings on audit findings

143. Article 96 (3) of the Constitution states that "the Senate determines the allocation of national revenue among counties, as provided in Article 217, and exercises oversight over national revenue allocated to the county governments". In addition, Article 185 (3) gives the County Assembly oversight role over the County Executive.

144. The county confirmed that in-depth hearings on key findings of audit reports should take place regularly with responsible officers from all audited entities. Once the report is received from the OAG, it is tabled in the County Assembly and submitted to the relevant committees which summon the relevant parties. The relevant committees should follow up and prepare a final report within 2-4 weeks for submission to the County Assembly. Nevertheless, the exact timing of the audit report scrutiny could not be verified because no documentary evidence was provided. Only the external audit for the year 2013/14 has been fully completed and discussed.

In summary, in-depth hearings on key findings of audit reports take place occasionally, covering a few audited entities but no evidence was provided

Dimension rating = D*.

PI-31.3: Recommendations on audit by the legislature

145. The audit reports are submitted to the Public Accounts Committee (PAC) of the County Assembly which in turn seeks guidance from the OAG on the findings. The County Assembly then writes to the County Secretary requesting for information and setting a date for interrogation. The interrogation is held and a report including observations, findings and recommendations is prepared and tabled in the floor of the County Assembly. Once the report is adopted, it is forwarded to the Governor for implementation and a copy to the OAG. The implementation of the recommendations is monitored by the implementation committee or the PAC.

In summary, according to the County Assembly, there is a systematic follow-up of audit findings but no evidence of the responses was provided.

Dimension rating = D*.

PI-31.4: Transparency of legislative scrutiny of audit reports

146. Articles 196 and 201 of the Constitution and Section 115 of the County Government Act 2012 state that there shall be openness and accountability, including public participation in financial matters and a County Assembly shall conduct its business in an open manner, and hold its sittings and those of its committees in public and facilitate public participation and involvement in the legislative and business of the Assembly and its committees. The PAC proceedings are open to the public except under special circumstances that the County Assembly determines. Further, audit reports are discussed in the full chamber of the house.

In summary, the committee reports are not published on the County Assembly website.

Dimension rating = D*.

4. CONCLUSIONS OF THE ANALYSIS OF PFM SYSTEMS

4.1 Integrated Assessment of PFM Performance

Budget reliability

147. Actual revenues were short of budgeted amounts in all three years. Actual revenue was below 92 per cent of budgeted revenue and variance in revenue composition was more than 15 per cent in the last two fiscal years because of over-estimate of local revenues.

148. On the expenditure side, aggregate expenditure outturn was below 85 per cent of the approved aggregate budgeted expenditure in at all of the last three years, while variance in expenditure was more than 15 per cent. Extensive administrative reallocations may be permitted and have been used. The adjustments focused mainly on the development budget. Nevertheless, actual expenditure charged to a contingency vote represented less than 1 per cent of the budget.

Transparency of public finances

149. Budget formulation, execution, and reporting are based on administrative and economic classification (at level 2 of the GFS standard for the economic classification). Due to the adoption of a standardized Chart of Accounts (SCOA) in 2012/13 at the national level and the use of IFMIS, codes for budgets, budget execution, reports and accounts are the same.

150. Information on the activities performed for the majority of budget users is published annually in the budget implementation review reports (CBROP and CFS). Information on resources received by frontline service delivery units is collected and recorded in the budget implementation review reports, but the source of funds is not included and no survey has been carried out in one of the last three years.

151. Annual executive budget proposal documentation, enacted budget, in-year budget execution reports, and annual budget execution report have been produced by the county government but they are not put at the disposal of the public in a timely manner. The lowest performance in this section is that of financial reports of the extra-budgetary units which are not availed. The "citizens' budget" translated into spoken local language is not produced,

as well as macroeconomic forecasts at the county level (national economic forecasts are used instead).

Management of assets and liabilities

152. The government maintains a record of its holdings in major categories of financial assets, which are mainly composed of cash at hand. Information is contained in the bank reconciliation statement. The government maintains a register of its holdings of fixed assets, which is not complete and collects partial information on their usage and age.

153. Assets are mainly constituted of cash-in-hand and the county is yet to constitute any public corporations. Partial information on transfers and disposals is included in budget reports. However, procedures and rules for the transfer or disposal of non-financial assets are not established yet.

154. Though the counties are not authorized to incur debt, there was a pre-existing debt inherited from OlKajiado County Council. This debt has been serviced and records are maintained annually. The debt management strategy had established an allocation for debt servicing inherited from the defunct authority, but no information is being published. A debt strategy has nevertheless been put in place. Contingent liabilities and other fiscal risks have been outlined qualitatively in the CBROP and the CFSP but have not been specified in the budget in a quantitative manner.

155. The cost of major investment projects is included in the budget documents, such as CBROP and CFSP, but no rigorous economic analysis techniques is being employed for major investment projects beyond the public participation. The budget and planning unit is responsible for project selection and monitoring its implementation, but no selection criteria seems to be used.

Policy-based fiscal strategy and budgeting

156. The county government prepares medium term expenditure estimates by administrative, economic and functional classification, which are presented in both budget estimates and the CFSP but does not establish scenario building and sensitivity analysis.

157. A clear annual budget calendar exists and allows budgetary units at least four weeks from receipt of the budget circular to complete their detailed estimates. The budget reflects ministry ceilings, which are submitted to the County Secretary and approved before sending the budget to the County Assembly. The executive has submitted the annual budget proposal to the legislature at least two months before the end of the fiscal year and the

budget was also always approved before the end of the same year.

158. Budget estimates are supposed to be built based on Annual Development Plans (ADP) and the CIDPs, but those are prepared only for the main departments such as education, health and agriculture. Budget estimates are not aligned with the costing of these strategic plans.

159. The fiscal strategy is not very robust as the county only provides in the CFSP a situational analysis of key macroeconomic indicators (growth, inflation, exchange rate, interest rates) but data concerns the national level and not the county level.

160. The government has adopted, submitted to the legislature, and published a fiscal strategy but this strategy does not include an explicit time-based quantitative fiscal goals and targets together with qualitative objectives for at least the budget year. An internal on fiscal strategy performance is prepared annually, but no explanation of the reasons for any deviation from the objectives and target is provided.

161. The County Assembly reviews fiscal policies, medium-term fiscal forecasts, and medium-term priorities, which are presented in the CBROP and CFSP, and details of expenditure and revenue presented in the budget estimates. These procedures include specialized review committees, technical support and public consultation.

Predictability and control in budget execution

162. Budgetary units are provided reliable information on commitment ceilings at least quarterly in advance when they use IFMIS. Cash balances are consolidated on a monthly basis, but no monthly forecasting cash balance has been implemented yet.

163. The County Executive provides payers with access to information on the main revenue obligation areas but not on redress processes and procedures. The revenue collectors deposit most of collections in the revenue collection accounts held at the Kenya Commercial Bank weekly. Expenditure commitment control procedures provide only partial coverage and are partially effective. Internal audit is operational in the county government as well as in the County Assembly.

164. Procurement databases are maintained for contracts including data on what has been procured, value of procurement and who has been awarded contracts. The data are rather accurate and complete for most procurement methods for goods, services and works. However, only legal and regulatory framework for procurement, bidding opportunities and data on resolution

of procurement complaints is made available to the public. The total value of contracts awarded through competitive methods in 2015/16 represents less than 60 per cent of total value of contracts.

165. Segregation of duties is prescribed throughout the expenditure process. Responsibilities are clearly laid down for most key steps while further details may be needed in a few areas.

166. Significant in-year adjustments to budget allocations take place no more than twice in a year and are done in a transparent and predictable way. Sufficient controls exist to ensure integrity of the payroll data of greatest importance. However, 25 per cent staff is paid through manual system, and therefore change of records and payroll is not restricted. The county consolidates the revenue data into monthly reports. The information is broken down by revenue type and consolidated into a monthly, quarterly and annual report.

167. Reconciliation of the payroll with personnel records takes place only annually. Staff hiring and promotion is checked against the approved budget prior to authorization. Required changes to personnel records and payroll are updated at least monthly, generally in time for the following month's payments. Retroactive adjustments are rare. Data shows corrections of 3 per cent of salary payments. The county has arrears but did not provide any list of arrears. The county generates the stock of expenditure arrears annually within three months after the end of the financial year, but no evidence has been provided.

168. An internal body has been implemented both in the County Executive and in Parliament. Annual audits are programmed and most of them are completed, but a quality assurance process showing that internal audit activities are focused on evaluations of the adequacy and effectiveness of internal controls is not yet in place. No record of revenue arrears is kept.

169. Audits and fraud investigations are undertaken, and most planned audits and investigations are completed, but no risk analysis methodology and no compliance improvement plan is used. The county does not have a risk assessment framework in place for assessing and prioritizing risks. These audits nevertheless reveal that less than the majority of payments are compliant with regular payment procedures. Further, the management letter from the Auditor General indicated that the county did not adhere to budgetary allocations in personnel emoluments. Management provides a partial response to audit recommendations for most entities audited but no evidence was provided.

Accounting and reporting

170. The computerized system IFMIS is used for recording and processing budget data. Expenditure is captured at payment stage. An examination unit ensures data integrity before they are passed into the system, but it is not in charge of verifying financial data integrity. No analysis of the budget execution is provided on at least a half-yearly basis. As requested by law, budget reports are prepared quarterly, but budget items are not easily comparable to the initial budget.

171. Bank reconciliations for all active county government bank accounts, and all imprest accounts are supposed to be done monthly and all accounts to be cleared by the end of the year, but this is not done on a timely basis and several imprest account reconciliations are not made. In short, there is no complete reconciliation of assessments, collections, arrears and transfers.

172. Financial reports for budgetary county government are prepared annually and are comparable with the approved budget. They include information on revenue, expenditure, and cash balances. These accounts are presented to the external audit three months, but a consolidated set of financial statements for the year 2015/16 to assess the timeliness was not provided. Some weaknesses regarding data accuracy are raised by the report of the Auditor General. Data is nevertheless consistent and useful for analysis of budget execution.

External scrutiny and audit

173. External scrutiny and audit is done by the Office of the Auditor General, which operates at the national level. OAG has been employing ISSAIs on all external audits of National and County Governments since 2011. Material weaknesses are highlighted in the management letters issued.

174. Hearings on key findings of audit reports tool were fully completed and discussed only for the year 2013/14. They were covering a few audited entities. Scrutiny of audit reports is expected to be completed within 12 months, but reports are generally available more than one year after the end of the year.

175. The Assembly has a process for monitoring implementation of audit recommendations. However, no Committee reports and record of recommendations by the legislatures for actions to be taken up by the Executive was provided.

4.2 Effectiveness of the Internal Control Framework

Control environment

Based on the available information provided by the county, the internal control practice in place is not sufficient to contribute to the achievement of the four control objectives. National level internal control framework is indicative to a large extent for the county operation since the sub-national functions and operations mirror in regulation and practice the establishment on the national level. The following is an overview of the internal control activities collected from the preceding sections of the report. It builds on the description of the design of internal controls and the individual assessment of specific control activities as covered by the performance indicators (Section 3).

Risk assessment

176. County decisions do not appear to be driven by risk assessment and management activities. Risks are not evaluated by their significance or the degree of likelihood of occurring almost at all budget processes. Having no risk profile of the county functions, no risk responses are to be made to reduce the likelihood or downside outcomes for key operations. Thus, potential future events that create uncertainty are not covered for.

177. Following risks, which are not provided for exist in all stages of public finance management:

- Pillar 2: Transparency of public finances: County is not able to capture expenditure and revenue outside financial reports (PI-6), this creates the risk of having incomplete budget environment, potential misuse of funds and poor service to the public.
- Pillar 3: Management of assets and liabilities: with no economic analysis of investment proposals (PI-11), no costing of investment and no written procedures for monitoring of the investment performance, there is huge risk of abuse and loss of funds in loss-making investment. No practice of inherited debt reconciliation with creditors (PI-13).
- Pillar 4: Policy based fiscal strategy and budgeting: With no practice to provide for uncertain economic events and the lack of sensitivity analysis, the county fails to link policy formulation and programmed activities with the budget estimate; the risk of having inadequate and prone to amendment budget is not treated.
- Pillar 5: Predictability and control in budget execution: The revenue administration practice fails to have an integrated revenue management

system in place to detect and arrest potential revenue risks and to manage arrears (PI-19). The county fails to keep proper accounting of expenditure arrears tolerating a risk of accumulation (PI-22). Approved staff establishment is not linked to the Integrated Payroll and Personnel Database (IPPD), which is also not linked to IFMIS (PI-23). This creates a risk of ghost workers, otherwise the payment control is well formalized and applied for. Procurement practice shows that non-competitive selection methods are mostly applied, which creates the risk of discrimination, reduced control on the quality of procured services or works, misuse of funds and hence poor public service delivery (PI-24). There is clear segregation of duties with non-salary expenditures which are electronically set up in IFMIS with various authorization levels and roles assigned to different functions and operational staff. This arrangement provides for all phases of budget implementation to be executed in IFMIS (PI-25) but many operations remain executed outside IFMIS.

Control activities

178. The lack of risk profile of the county and the failure to define responses to the risk lead to inadequate and insufficient control activities that can treat, share, avoid or intercept the risk. The risk-related activities for both the budget process and the service delivery exist for the functions related to budget implementation, which are executed in IFMIS with clear segregation of duties. There are risks which are not covered for by appropriate control activities. They are in the area of transparency of public finances and are related to non-captured expenditure and revenue outside financial reports (PI-6). Management of assets and liabilities: No controls for the selection of investment activities (PI-11), no controls on aging of non-financial assets (PI-12). There are control activities in place for budget execution with clear control of payment rules for all operations captured by IFMIS. However, those outside the system are not all covered for. The control is not sufficient for the record of actual staff in IPPD and HR personnel records. Some staff is paid through manual system outside the records and the payroll.

179. Lack or even poor internal control system with time leads to unreliable financial record leading to loss of organizational integrity may affect only the execution of the budget but also implementation of projects and county priorities be they of development or recurrent nature.

Information and communication

180. This internal control element deals with the methods and records used to register, maintain, and report on facts and events of the entity, and to

maintain accountability for the related assets, liabilities, and initiatives of the county.

181. The channels of information and communication of the county are all related budget documents produced and disseminated to other budget users and the public. Despite the legal requirement for all documents related to use of public funds to be easily available, not all reach the public. The channels of internal information and communication are the orders and management letters issued by the respective function management and the CA. None of the basic elements of fiscal information to be made public and publicised is complied with, except for the external Audit Report which is issued with significant delay (PI-9).

182. The county is in the process of adopting legislation on public participation, which will set the rules for interaction with the public at all stages of budget formulation and service delivery.

Monitoring

183. Monitoring in COSO terms means the process of assessing the quality of internal control performance over time. In the context of the County Government, this aspect can be expanded to also encompass the monitoring practices of the public finance management process in general. Performance monitoring at the County of Kajiado is weak, the main tool of budget utilization monitoring being the quarterly reports and the budget execution reports. The County Budget Review and Outlook Paper (CBROP) is a kind of economic assessment paper. There are no specific reports elaborating on consistency of performance, planned outputs and achieved outcomes and explaining any deviation. The internal control framework of the county as described having in place only isolated control activities is not efficient to ensure against irregularities and errors. It also highlights areas insufficiently addressed such as: (i) performance information for service delivery; (ii) public access to fiscal information; (iii) monitoring of fiscal risk; (iv) no monitoring on public investment; and (v) poor public asset management information. In terms of assessment of the quality of the internal control system, the county has established Internal Audit Department. It is still in the process of establishing its practice. The focus of the internal audit is mainly on compliance and regulatory issues and is not yet developed to provide full oversight (of all budget users) of the effectiveness of the internal control system. The practice of the external audit, which is far more advanced, is focused on financial audit with elements of internal control. Apart from their usual financial report mandate, the external auditors check the processes

related to the accounting function, salary and payroll, and procurement practice.

184. The interaction between the external and the internal audit as far as the oversight of the internal control system is concerned has not been evidenced during the field work and the respective indicators assessment.

185. Apart from the OAG, external oversight mechanisms which is supposed to contribute to monitoring and effectiveness of the internal control system is the review of audits by the legislature, the follow-up systems for the executive's implementation of remedial measures, and providing public access to relevant reports and debates (PI-31). As the respective assessment of the oversight activities of the County Assembly of Kajiado (see PI-31) shows, the control practice in this respect has not been found to be effective. With lack of hearings of the external audit findings, no evidence on recommendations to the County Executive and no transparency of the external audit scrutiny, the County Assembly operation fails to contribute to building a sound internal control system. Therefore, the legislative scrutiny cannot serve as reinforcing mechanisms to the effectiveness of the internal control system of Kajiado County.

186. Lack of properly instituted county-specific systems of internal control (internal procedures) affects the financial reporting process and may ultimately lead to unreliable reports being produced, which in turn negatively impacts the accountability role of management. Detailed findings concerning the main elements of the five internal control components are summarized in Annex 2.

187. Weak internal controls encourage fraud, mismanagement of assets (Pillar 3), loss of revenue and embezzlement of public funds (Pillar 4). The county keeps minimum internal control over external factors such as unexpected economic, social and natural disaster events. As far as the national legislative framework is concerned, the internal control system of the county is largely sound. However, the specific control environment with its inherent risk assessment, relevant control activities and related monitoring is not sufficiently established to contribute to the county main fiscal and budgetary outcomes.

188. With existing and adequate internal control system in place at the county government, the resources will be safeguarded and directed in an optimal manner to the right and priority activities and projects as planned.

4.3 PFM Strengths and Weaknesses

Aggregate fiscal discipline

189. The revenue module of the IFMIS was not operational and hence the county government was using the LAIFOMS for managing and monitoring own source revenue collection. Therefore, the county government has not been using GFS Standards for revenue in the past, since revenues were collected off IFMIS (using LAIFOMS). The County Executive has used the GFS codes while budgeting for revenue for the financial year 2016/17.

190. According to the audit report for recurrent expenditure for January 2016, there was a significant improvement in the maintenance of the Cashbook as almost all the payment vouchers which were availed for audits were serially numbered. However, cashbook are not sufficiently balanced and reconciled with the bank statements. The IFMIS department now has the authority to return back any payment voucher without a duly signed memo or clearly outlined days and the applicable per diem rates for the towns/ counties visited. Authorization and approval of payment vouchers by all the required approvers as also been improved, as most vouchers are now signed by the respective Accounting Officers and the senior accountant, but most memos remain vaguely written, which hampers the relevance of payment justification and makes it difficult to determine how the amount claimed is arrived at. For instance, there is no indication of what duty the officer travelled to undertake, so no justification is given for the claims.

As far as development expenditures are concerned, development internal audit report for roads and building projects for 2014/2015 pointed out various deficiencies such as:

- Completed classrooms projects without supply of the furniture provided and classroom projects overpriced.
- Poorly done or overpriced building projects, with defects and omissions that were not noticed before final payment is made.
- Poorly done road projects with to roads needing to be redone and whose quality was not checked before final payment is released.

191. Well done but overpriced road projects.

Strategic allocation of resources

192. Allocation and prioritization of resources are established from the CIDP, the ADP, and departmental strategic plans. The CFSP outlines the medium term fiscal framework, policies and strategic objectives for the county, which is

the basis for the next year budget. They are supposed to be in line with the county government priority policies reported in the CIDP, as follows:

- agricultural transformation that promotes food security and sustainable income;
- creation of a suitable business environment;
- investing in environmental conservation;
- promotion of basic education and retention of learners throughout school;
- investing in quality and accessible healthcare services; and
- Investing in infrastructure including roads, water, energy, and ICT to support other sectors.

193. However, strategic allocation of resources is firstly hampered by mismanagement is accounting revenue. The county government had an under collection above Ksh 500 million in comparison with the budget revenue for all 3 years under review, because of delay in automation of revenue collection, conditional grant not realized and unpaid debts from key debtors companies, while not budgeted sale of goods was reported in the financial statement for 2013-2014 financial year. However, CFSP do not provide detailed reason why local government revenue failed to achieve the annual revenue budget.

194. Follow-up of strategic allocation of resources is also undermined by the format of the financial statements and the format of the approved budget which are dissimilar and therefore do not make it possible to compare the two sets of documents. For the last three fiscal years, the budgets presented to the County Assembly did not make detailed analysis of the various budgeted sources of internal revenue. In the circumstances, it was not possible to verify, analyse and comment on the specific revenue streams identified by the county government.

195. Finally, because the CIDP and ADP are built on national economic projections and hypothesis, instead of those relevant to the county, needs are not correctly identified, and strategic allocation of resources expenditure are not correctly defined.

Efficient use of resources for service delivery

196. Because of many misleading operations such as renovation of machinery and equipment disclosed as cost of acquisition of assets, lack of a Fixed Assets Register, unsupported account in cash book balances, unclear amount of pending bills, payments processed by either original or duplicate

for Local Purchase Orders instead of using them all, provisional sums paid without supporting documents, purchase of goods from a firm prequalified, unjustified use of emergency funds, dissimilar formats between AFS between approved budget and actual recurrent and development expenditure, over-expenditure in compensation of employees, and lack of alignment between approved budget and procurement plan. The Auditor General was not in a position to provide an opinion for the AFS 2014/15. In conclusion, use of resources for service delivery cannot be considered as efficient under such conditions.

197. In summary, this analysis concludes that the main weaknesses of the Kajiado County PFM system are: (i) to support the County strategy on a more realistic situation of the County economy than using the national level to better define the government's fiscal and budgetary objectives, (ii) to improve discipline and procedures of effective financial control, human resource management and rthics and to quickly get a positive opinion of the OAG on its AFS, and (iii) to improve service delivery and quality of service.

198. Additional reforms are also needed to enhance the policy/performance platform through the creation of a more reliable macroeconomic and fiscal framework at the sub-national level to really move towards more performance-based budgeting.

5. GOVERNMENT PFM REFORM PROCESS

5.1 Approach to PFM Reforms

199. In Kenya, the National Government through the National Treasury takes the lead in initiating and implementing PFM reforms. The Government of Kenya has undertaken PFM reforms since 2006 and has been elaborated in the Vision 2030. The current PFM reform strategy is elaborated in the Strategy for public Finance management reforms in Kenya 2013-2018. The overall goal of this Reform Strategy is to ensure "A public finance management system that promotes transparency, accountability, equity, fiscal discipline and efficiency in the management and use of public resources for improved service delivery and economic development". The main areas of emphasis in the strategy include: (i) Macroeconomic Management and Resource Mobilization; (ii) Strategic Planning and Resource Allocation; (iii) Budget Execution, Accounting and Reporting and Review; (iv) Independent Audit and Oversight; (v) Fiscal Decentralization and Intergovernmental Fiscal Relations; (vi) Legal and Institutional Framework; and (vii) IFMIS and other PFM Systems.

5.2 Recent and Ongoing Reform Actions

200. While not having been specifically introduced in ADP, a certain number of PFM reforms have been undertaken as follows:

- For the financial year 2016/17, the CG has used the GFS codes while budgeting for revenue.
- The county government has extended the use of IFMIS to budget revenue and has partnered with an NGO to prepare "Citizen Budget".
- A borrowing framework is being developed under the leadership of national government with the participation of county government and other stakeholders.
- The procurement department is also in the process of acquiring an integrated records management system which will help in records management.
- PWC is supporting the County Treasury in preparation of the budget quarterly

reports. A new template of public sector accounting standards board has been issued for preparation of quarterly reports and has been adopted. PWC are also providing technical assistance on financial accounting.

- Other measures, such as planning reforms (budget calendars) accounting reforms (improving cash books and AFS) are also on track.

5.3 Institutional Considerations

201. The devolution system as envisaged by the Constitution is ambitious and may have major challenges in the initial stages of implementation. The IFMIS has been implemented at the national and the county levels to reinforce accountability but has not proved to be a solution to the procurement-related issues. At the county level, there is need for a better appropriation control. More operations are passed outside IFMIS at the county level than at the national level. Implementation of a single treasury account should ensure better movement of funds. The PFM Act allows for the establishment of a committee to check on the use of funds, and disciplinary measures that can be taken. However, proper monitoring of public resources is only possible if IFMIS is fully used at the county.

Annex 1: Performance indicator summary

Indicator/component	Score	Explanation
HLG-1. Transfers from a higher level of government	D+	
HLG-1.1 Outturn of transfers from higher-level government	A	Transfers have been at least 95% of the original budget estimate in two of the last three years
HLG-1.2 Earmarked grants outturn	B	The difference between the original budget estimate and actual transfers and grants was less than 5% or less in two of the last three years.
HLG-1.3 Timeliness of transfers from higher-level government	D*	Quarterly transfers should be released quarterly, but the effective dates were not provided and important delays were reported in CFSP and in the press
PI-1. Aggregate expenditure outturn (M1)	D	
PI-1.1. Aggregate expenditure outturn	D	Aggregate expenditure outturn was below 85% of the approved aggregate budgeted expenditure in all of the last three years
PI-2. Expenditure composition outturn (M1)	D+	
PI-2.1. Expenditure composition outturn by function	D	Variance in expenditure composition by administrative/ functional classification was more than 15% in at least two of the last three years
PI-2.2. Expenditure composition outturn by economic type	D	Variance in expenditure composition by economic classification was more than 15% in at least two of the last three years
PI-2.3 Expenditure from contingency reserve	A	Actual expenditure charged to a contingency vote was on average less than 3% of the original budget (0.7% on average)
PI-3. Revenue outturn (M2)	D	
PI-3.1. Aggregate revenue outturn	D	Actual revenue was below 85% of budgeted revenue in two of the last three years
PI-3.2. Revenue composition outturn	D*	AFS do not present the breakdown of the local revenue, hence the composition variance could not be calculated
PI-4. Budget classification (M1)	C	
PI-4.1. Budget classification	C	Budget formulation, execution, and reporting are based on administrative and economic classification that can produce consistent documentation comparable with GFS standards (at level 2 of the GFS standard for the economic classification)
PI-5. Budget documentation (M1)	D	
PI-5.1. Budget documentation	D	Two basic elements and one additional element fulfil the PEFA criteria requirements

PI-6. County government operations outside financial reports (M2)	D	
PI-6.1. Expenditure outside financial reports	D*	Data required for scoring the component was not availed
PI-6.2. Revenue outside financial reports	D*	Data required for scoring the component was not availed
PI-6.3. Financial reports of extra budgetary units	D*	The financial reports of the extra-budgetary units were not availed
PI-7 Transfers to sub national governments (M2)	N/A	
PI-7.1 Transparency and objectivity in the horizontal allocation of central government grants to LGUs	N/A	Not applicable at the level of sub-national government
PI-7.2 Timeliness of reliable information to LGUs on their allocations	N/A	
PI-8. Performance information for service delivery (M2)	D+	
PI-8.1. Performance plans for service delivery	B	Performance plans are published in annual development plans (ADP), detailed for all ministries by programme objectives, key performance indicators, and outputs
PI-8.2. Performance achieved for service delivery	D	The county government has not established a unit to conduct performance evaluation
PI-8.3. Resources received by service delivery units	D	Information on resources received by frontline service delivery units is collected and recorded in the budget implementation review reports, but the source of funds is not included, and no survey has been carried out in one of the last three years
8.4 Performance evaluation for service delivery	D	Evaluation of the efficiency or effectiveness of the service delivery units have not been carried out for the last three fiscal years
PI-9. Public access to fiscal information (M1)	D	
PI-9.1. Public access to fiscal information	D	Public access to fiscal information does not fulfil any basic element and fulfils only one additional element
PI-10. Fiscal risk reporting (M2)	D	
PI-10.1. Monitoring of public corporations	N/A	The county is yet to constitute any public corporations
PI-10.2. Monitoring of sub county governments	N/A	Kajiado County does not have further devolved units
PI-10.3. Contingent liabilities and other fiscal risks	D	Contingent liabilities and other fiscal risks have not been specified in the budget but have been outlined in the County Budget and Review Outlook Paper and the County Fiscal Strategy Paper
PI-11. Public investment management (M2)	D+	

PI-11.1. Economic analysis of investment proposals	D	No rigorous economic analyses techniques are employed for major investment projects beyond the public participation
PI-11.2. Investment project selection	D*	The budget and planning unit is responsible for project selection but the selection criteria is not documented. Most of the practices and rules have not been formalized and evidence showing the major investment projects selected by the Cabinet prior to their inclusion in the budget was not availed
PI-11.3. Investment project costing	C	Projections of the total capital cost of major investment projects, together with the capital costs for the forthcoming budget year, are included in the budget documents
PI-11.4. Investment project monitoring	D*	The total cost and physical progress of major investment projects are monitored by a team, which has been constituted by the county. But no information on implementation of major investment projects has been provided
PI-12 Public asset management (M2)	D	
PI-12.1. Financial assets monitoring	D	The government maintains a record of its holdings in major categories of financial assets, which are included into the report of the OAG published online. However, information on assets and liabilities is contained in the bank reconciliation statement is not complete, especially those relating to the defunct local authorities
PI-12.2. Nonfinancial asset monitoring	D	The government maintains a register of its holdings of fixed assets, which is not complete and information on their usage and age is generally not available
PI-12.3. Transparency of assets disposal	D	Procedures and rules for the transfer or disposal of nonfinancial assets are not established yet. The County has not disposed of any assets except cash and cash equivalent. The County has not set up any rule related to transfers of assets for the defunct authorities
PI-13. Debt management (M2)	D	
PI-13.1. Recording and reporting of debt and guarantees	D	Though the counties are not authorized to incur debt, but there was a pre-existing debt inherited from OlKejuado County Council. This debt has been serviced and records are maintained annually but no reconciliation is performed
PI-13.2. Approval of debt and guarantees	N/A	Primary legislation grants authorization to borrow, issue new debt, but documented policies and procedures have not been established yet

PI-13.3. Debt management strategy	D	A current medium-term debt management strategy has been established but is not publicly available yet. The debt management strategy establishes an allocation for debt servicing, but no evidence has been provided yet
PI-14. Macroeconomic and fiscal forecasting (M2)	D+	
PI-14.1. Macroeconomic forecasts	C	The county only provides a situational analysis of key macroeconomic indicators (growth, inflation, exchange rate, interest rates) at the national level in the CSFP
PI-14.2. Fiscal forecasts	C	The budget forecasts for revenue, expenditure and fiscal balance for the budget year and the following years, is prepared and presented in the CSFP and CBROP and submitted to the County Assembly. However, the CBROP does not present clear explanations for deviations and assumptions
PI-14.3. Macro fiscal sensitivity analysis	D	The county does not do any scenario building and sensitivity analysis
PI-15. Fiscal strategy (M2)	C	
PI-15.1. Fiscal impact of policy proposals	D	The county does not prepare estimates of the fiscal impact of all proposed changes in revenue and expenditure, except for a few cases
PI-15.2. Fiscal strategy adoption	B	The government has adopted, submitted to the legislature, and published a fiscal strategy. But this strategy does not include explicit time-based quantitative fiscal goals and targets together with qualitative objectives for at least the budget year and the following two fiscal years
PI-15.3. Reporting on fiscal outcomes	C	The government prepares an internal report on the progress made against its fiscal strategy. Such a report has been prepared for at least the last completed fiscal year. However, an explanation of the reasons for any deviation from the objectives and targets set is not provided in the CBROP
PI-16. Medium-term perspective in expenditure budgeting (M2)	D	
PI-16.1. Medium-term expenditure estimates	A	The county government prepares medium term expenditure estimates by administrative, economic and functional classification, which are presented in both budget estimates and the CSFP
PI-16.2. Medium-term expenditure ceilings	D	The expenditure ceilings (in CSFP and budget estimates) are approved after issuance of the budget circular

PI-16.3. Alignment of strategic plans and medium-term budgets	D	The county has only prepared strategic plans for education, health and agriculture. The strategic plans are not aligned with the budget estimates. Budget estimates are mainly guided by the Annual Development Plan, which is based on the CIDP
PI-16.4. Consistency of budgets with previous year's estimates	D	There is no consistency in medium term estimates for the different MTEF period and the budget documents do not provide an explanation for the changes
PI-17. Budget preparation process (M2)	B	
PI-17.1 Budget calendar	B	A clear annual budget calendar exists, is generally adhered to, and allows budgetary units at least four weeks from receipt of the budget circular to meaningfully complete their detailed estimates on time
PI-17.2 Guidance on budget preparation	D	A comprehensive budget circular is issued to budgetary units, covering total budget expenditure for the full fiscal year. The budget circular does not include ministry ceilings. The approval of ceilings by the cabinet are approved only before sending the budget to the County Assembly
PI-17.3 Budget submission to the legislature	A	The executive has submitted the annual budget proposal to the legislature at least two months before the start of the fiscal year in each of the last three years
PI-18. Legislative scrutiny of budgets (M1)	C+	
PI-18.1. Scope of budget scrutiny	A	The County Assembly review covers fiscal policies, medium-term fiscal forecasts, and medium-term priorities and details of expenditure and revenue
PI-18.2. Legislative procedures for budget scrutiny	A	The procedures for budget scrutiny include specialised review committees, technical support, and negotiation procedures and arrangements for public consultation
PI-18.3. Timing of budget approval	A	The budget estimates for 2014/15, 2015/16 and 2016/17 were discussed, adopted and approved by the County Assembly on 30thJune of each of the respective years
18.4 Rules for budget adjustments by the executive	C	The rules and guidelines enabling budget adjustments through the supplementary budget (including reallocations) are found in the PFM Act and are adhered to in most instances. Extensive administrative reallocations may be permitted and the total amount of expenditure can be exceeded by 10% of the total amount of the budget
PI-19. Revenue administration (M2)	D	

PI-19.1. Rights and obligations for revenue measures	D	Entities collecting revenues provide payers with access to information on the main revenue obligation areas but not on redress processes and procedures, while the mechanism is in place. The County Revenue Administration Act presents only the procedure for reduction of taxes, fees and charges
PI-19.2. Revenue risk management	D	The county does not have a risk assessment framework in place for assessing and prioritizing risks
PI-19.3. Revenue audit and investigation	D	Entities collecting the majority of government revenue undertake audits and fraud investigations. Most of the planned audits and investigations have been completed. However, no evidence that a compliance improvement plan was used has been provided
PI-19.4. Revenue arrears monitoring	D	No record of revenue arrears is kept. The only list of arrears provided is for property rates cumulatively from July 2014 to April 2017. One cannot ascertain the age of the arrears
PI-20. Accounting for revenue (M1)	D+	
PI-20.1. Information on revenue collections	A	The county consolidates the revenue data into monthly reports. The information is broken down by revenue type and consolidated into a monthly, quarterly and annual report. Data is presented by type of revenue in the quarterly BIR reports
PI-20.2. Transfer of revenue collections	B	The revenue collectors deposit the revenue collection accounts held at the Kenya Commercial Bank weekly
PI-20.3. Revenue accounts reconciliation	D	There is no complete reconciliation of assessments, collections, arrears and transfers
PI-21. Predictability of in-year resource allocation (M2)	C+	
PI-21.1. Consolidation of cash balances	D	Cash balances are consolidated on a yearly basis
PI-21.2. Cash forecasting and monitoring	C	The county prepares cash flow forecast for the fiscal year, which is broken down to months but is not updated
PI-21.3. Information on commitment ceilings	B	Budgetary units are provided reliable information on commitment ceilings at least quarterly in advance
PI-21.4. Significance of in-year budget adjustments	A	Significant in-year adjustments to budget allocations take place no more than twice in a year and are done in a transparent and predictable way
PI-22. Expenditure arrears (M1)	D	
PI-22.1. Stock of expenditure arrears	D*	Yearly pending bills are mentioned in AFS, but the stock of arrears is not established

PI-22.2. Expenditure arrears monitoring	D*	The county government does not maintain a register of individual creditors or ledgers. In addition, it did not have an analysis of the pending bills or any other records indicating the existence of the pending bills
PI-23. Payroll controls (M1)	D+	
PI-23.1. Integration of payroll and personnel records	D	Reconciliation of the payroll with personnel records takes place only annually. Staff hiring and promotion is checked against the approved budget prior to authorization
PI-23.2. Management of payroll changes	B	Required changes to the personnel records and payroll are updated at least monthly, generally in time for the following month's payments. Retroactive adjustments are rare. Data shows corrections of a bit more than 3% of salary payments
PI-23.3. Internal control of payroll	D	Sufficient controls exist to ensure integrity of 75% of payroll. However, 25% staff is paid through manual system hence change records and payroll is not restricted
PI-23.4. Payroll audit	D*	A payroll audit covering all county government entities has been conducted at least once in the last three completed fiscal years, but no evidence was provided
PI-24. Procurement (M2)	C	
PI-24.1. Procurement monitoring	D*	Database or records are maintained for contracts including data on what has been procured, value of procurement and who has been awarded contracts. However, the database is not connected to IFMIS, hence the accuracy for procurement methods for goods, services and works could not be verified
PI-24.2. Procurement methods	D	The total value of contracts awarded through competitive methods in the last completed fiscal year represents less than 60% of total value of contracts
PI-24.3. Public access to procurement information	C	At least three of the key procurement information elements are complete and are made available to the public
PI-24.4. Procurement complaints management	A	The procurement complaint system meets the first criterion, and all the other criteria
PI-25. Internal controls on non-salary expenditure (M2)	C	
PI-25.1. Segregation of duties	B	Segregation of duties is prescribed throughout the expenditure process. Responsibilities are clearly laid down for most key steps while further details may be needed in a few areas
PI-25.2. Effectiveness of expenditure commitment controls	C	Expenditure commitment control procedures exist which provide partial coverage and are partially effective

PI-25.3. Compliance with payment rules and procedures	D*	All payments should be made according regular procedures through IFMIS, but the data enabling to score the component was not provided
PI-26. Internal audit (M1)	C+	
PI-26.1. Coverage of internal audit	B	Internal audit is operational for the County Executive and the County Assembly, which are central government entities collecting all budgeted government revenue and expenditure
PI-26.2. Nature of audits and standards applied	C	Audits were conducted, but no quality assurance process showing that internal audit activities are focused on evaluations of the adequacy and effectiveness of internal controls was disclosed
PI-26.3. Implementation of internal audits and reporting	B	Annual audit programmes are performed annually and most programmed audits have been completed in 2015/16
PI-26.4. Response to internal audits	B	Management provides a partial response to audit recommendations within twelve months of the audit report being produced for three entities audited
PI-27. Financial data integrity (M2)	D+	
PI-27.1 Bank account reconciliation	D*	
PI-27.2 Suspense accounts	D*	Suspense accounts are reconciled and cleared monthly but evidences have not been provided
PI-27.3 Advance accounts	D*	The county prepares imprest reconciliation monthly. However, some items are not cleared on timely basis. Imprest account reconciliations have not been provided
PI-27.4 Financial data integrity	C	IFMIS is used for recording and processing budget data originating from the national government. An examination unit ensures data integrity by pre-audit of payments before they are passed into the system. But no audit trail is available for local resources
PI-28. In-year budget reports (M1)	C+	
PI-28.1. Coverage and comparability of reports	C	Budget reports are prepared quarterly. This report has its own format but budget items are easily comparable to the initial budget
PI-28.2. Timing of in-year budget reports	B	Budget execution reports are prepared quarterly and within one month from the end of that quarter
PI-28.3. Accuracy of in-year budget reports	C	There may be concerns regarding data accuracy, which are not highlighted in the report. Data is consistent and useful for analysis of budget execution, but no analysis of the budget execution is provided on at least a half-yearly basis. Expenditure is captured at payment stage
PI-29. Annual financial reports (M1)	D+	

PI-29.1. Completeness of annual financial reports	B	Financial reports for budgetary county government are prepared annually. They include information on revenue, expenditures, and cash balances. They are comparable with the approved budget
PI-29.2. Submission of reports for external audit	D	The executive accounts were presented to the external audit on 30 September 2016, but were complete only by June 8, 2017, hence within twelve months after the end of the year
PI-29.3. Accounting standards	C	The county prepares financial statements as per the Cash basis IPSAS and that are clearly disclosed in the financial statements, but some weaknesses are raised by the report of the auditor general and gaps are not explained in reports
PI-30. External Audit (M1)	C+	
PI-30.1 Audit coverage & standards	B	Office of the Auditor general is using ISSAIs on all external audits of National and County Governments, but public establishments are not regularly audited
PI-30.2 Submission of audit reports to the legislature	A	Audit report of AFS 2015/16 was submitted to the legislature within three months from receipt of the financial reports
PI-30.3 External audit follow-up	C	Audited MDAs provide a formal response to audit findings, but it is not necessarily comprehensive & timely. A progress report on the issues raised during the 2014/15 financial year is put in annex of the audit report for 2015/16
PI-30.4 Supreme Audit Institution (SAI) Independence	A	The SAI operates independently from the executive with respect to procedures for the appointment and removal of the Head of the SAI, the planning of audit engagements, arrangements for publicizing reports, and the approval and execution of the SAI's budget. This independence is assured by law. The SAI has unrestricted and timely access to records, documentation and information
PI-31. Legislative scrutiny of audit reports (M2)	D	
PI-31.1. Timing of audit report scrutiny	D*	Scrutiny of audit reports is completed within 12 months in most instances. However, this could not be verified due to lack of supporting documentation.
PI-31.2. Hearings on audit findings	D*	In-depth hearings on key findings of audit reports should take place occasionally, but only the external audit for the year 2013/14 has been fully completed and discussed Only the external audit for the year 2013/14 has been fully completed and discussed and no evidence of hearings were provided

PI-31.3. Recommendations on audit by the legislature	D*	The County Assembly has a process for monitoring implementation of audit recommendations. However, no record of recommendations by the legislatures for actions to be taken up by the executive was provided
PI-31.4. Transparency of legislative scrutiny of audit reports	D*	Committee reports have not been provided

Annex 2: Summary of observations on the internal control framework

Internal control components and elements	**Summary of observations**
1. Control environment	The regulatory framework in the county which is derived from the national regulation, such as the Kenya Constitution- 2010, the Public Financial Management Act 2012 and the PFM Regulations 2015. Government circulars are issued periodically to ensure compliance with the laws
An internal audit department has been set up with few staff, which is largely insufficient. Annual external audits are carried out by the Office of the Audit General which is an independent body but operates at the national level. Audit reports are submitted to the County Assembly when completed. There is, however, delays in completion of the external audits. The last received audit reports were for the year 2014-15	
1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organization	Chapter Six of the Kenya Constitution sets out the responsibilities of leadership of all public officers. This includes Oath of Office of State officers, Conduct of State officers, and financial probity of State officers, restriction on activities of State officers, citizenship and leadership, legislation to establish the ethics and anti-corruption commission and legislation on leadership. These appear to be understood and internalized by the management and staff
1.2. Commitment to competence	With only one person working in the internal audit department, the county does not have access to a pool of qualified professionals who would deliver excellence in service delivery. However, judging from the findings of the external auditor, lack of adequacy of county assembly oversight and their competence may not have been felt through results
1.3. The "tone at the top" (i.e. management's philosophy and operating style)	The PFM Act 2012 paragraph 104 states that management must ensure proper management and control of, and accounting for the finances of the county government and its entities in order to promote efficient and effective use of the county's budgetary resources

There is no leadership, such as management's philosophy and operating style in the County, judging from the work of external auditors where audit findings are not acted upon. In addition, the Assembly which is a key institution of control has not also played its oversight role effectively	
1.4. Organizational structure	The county has an organization structure for the county and another for the department of Finance
From our discussions with management, the county structures have not been standardised. The staff expressed some concerns for instance the revenue department is not effective because the revenue officers are domiciled at the departments hence difficult for the director of revenue to monitor access and reward performance	
1.5. Human resource policies and practices	The county organization policies are management by the County Public Service Board. The Board is responsible for recruitment, staff development and discipline
The Public Service Commission is set up by Article 234 of the Constitution which outlines the functions and powers of the Public Service Commission. One of the key mandate of this commission is to investigate, monitor and evaluate the organization, administration and personnel practices of the public service including the county government	
2. Risk assessment	The county does not have a Risk Management Policy and a risk register yet. The PFM Regulation 165 sets out role of the Accounting Officer in risk management and requires the Accounting officer to develop: (i) a risk management strategies, which include fraud prevention mechanism; and (ii) a system of risk management and internal control that builds robust business operations
2.1 Risk identification	Several PIs are related to the extent to which risks are identified, notably:
PI-11.1 Economic analysis of investment proposals: proposed capital investment projects are submitted to the Public Investment Committee for appraisal before approval bur are not supported by economic analysis;	
PI-13.3 Debt management strategy: a medium-term debt strategy exists, but is supported by associated risk analysis, exchange rate and interest rate factors;	
PI-21.2 Cash forecasting and monitoring: a monthly cash flow is established and updated only annually;	

There is no revenue risk management implemented yet	
2.2 Risk assessment (significance and likelihood)	This item has not been put into consideration because there is no risk management policy implemented at the county level
2.3 Risk evaluation	Risk-based annual audit plans have not been established yet
Audit Committees are progressively implementing key risks in the control environment.	
2.4 Risk appetite assessment	The county does not make any risk assessment yet
2.5 Responses to risk (transfer, tolerance, treatment or termination)	Not assessed (see 2.4)
3. Control activities	The various functions of departments are set out in the PFM Regulations. The accounting division, in charge of recording and keeping the books, is separate from the administrative roles, which normally handles the cashiering function. Procurement is also a separate function that works under the procurement Committee
3.1 Authorization and approval procedures	The Government Accounting Manual sets out the systems of authorization, policies, standards, and accounting procedures and reports. A Standard Chart of Accounts is used by all county departments
These procedures or activities are implemented in order to achieve the control objectives of safeguarding resources, ensuring the accuracy of data and enabling adherence to laws, policies, rules and regulations	
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	Appropriate segregation of duties exists, in accordance with SCOA, IFMIS and government circulars, which specifies clear responsibilities, but many operations are made outside IFMIS.
3.3 Controls over access to resources and records	PI-25.3 Most payments are compliant with rules and procedures; nut variations do occur and are pointed out in the report of the OAG
PI-27.4. Access and changes to records are restricted and recorded	
3.4 Verifications	The PFM regulations and finance manual sets out the usual internal control instructions for verification - review of transactions to check the propriety and reliability of documentation, costing, or mathematical computation. It includes checking the conformity of acquired goods and services with agreed quantity and quality specifications

The verification procedures are built-in in every transaction when IFMIS is used, but manual procedures are still used and verification procedures outside IFMIS are still weak	
3.5 Reconciliations	While monthly bank reconciliation statements are prescribed per law, issues of non-preparation, delayed submission, and non-recording of reconciling items are substantial
3.6 Reviews of operating performance	No review of operating performance has been implemented yet
3.7 Reviews of operations, processes and activities	PI-24 procurement monitoring is comprehensive, but no statistics are being published annually and the OAG reports many breaches in the law
13.3 No debt strategy has been developed yet and the County does not have any debt, so no operation, processes and activities can be recorded	
3.8 Supervision (assigning, reviewing and approving, guidance and training)	No information available from the PEFA assessment
4. Information and communication	All county governments are required to report quarterly and annually to the Controller of Budget, the Office of Auditor General and the National treasury through the production of financial reports in a template provided by the PSASB
5. Monitoring	PI-26, Internal Audit, found that internal audit has been formally established that audit programs are largely completed, but with delays
5.1 On-going monitoring	On-going monitoring in the County government is generally weak (PI-8.4 rated C, PI-11.4 rated D, PI-12.2 rated C)
5.2 Evaluations	PI-11.4. Major investment projects are not evaluated before they are included in the budget and Performance achieved for service delivery are not evaluated either
5.3 Management responses	PI-26.4. Due the lack of an audit committee and inadequate senior management support, there is no clear follow up of the management actions. The management had not responded to the audit reports for the previous fiscal year

Annex 3: Sources of information

Annex 3A: List of related surveys and analytical work

1. World Bank and Government of Kenya In-depth Report Recommendations and Action Plan Following the Analysis of Financial Management, Procurement and Human Resource Management in Kenya County Governments (2015)
2. World Bank Public Expenditure Review of 2015
3. World Bank Kenya Economic Updates of 2015 and 2016
4. World Bank Country Economic Memorandum 2016
5. Government of Kenya National Capacity Building Framework Progress and Implementation Reports
6. Kenya Economic Survey 2016
7. End of assignment report to the National Treasury by PwC on the provision of technical assistance in the preparation of individual and consolidated financial statements for the County Government entities for 2014/2015 (June, 2016)
8. Integrated Fiduciary Assessment Report. Programme for Results for the Kenya Devolution Support Operation (KDSP). 21 December 2015
9. KIPPRA Kenya Economic Report 2016
10. The Constitution of Kenya (2010)
11. Principles of Public Finance (Article 201)
12. Institutional Arrangement (Commission for Revenue Allocation, Controller of Budgets, Office of the Auditor General, The National Treasury, Parliament and County Assemblies, Salaries and Remuneration Commission, and Central Bank of Kenya), KRA, PPOA.
13. Public Financial Management Act (2012)
14. Public Financial Management Regulations (2015)
15. ublic Procurement and Disposal Act (2015)
16. Public Audit Act (2015)
17. Government of Kenya Review of the Public Finance Management Reforms (PFMR Strategy) 2013-2018 report (2016)
18. PEFA (2016a). Framework for Assessing Public Financial Management
19. PEFA (2016b). Supplementary Guidance for Sub-national PEFA Assessment

Annex 3B: List of persons who have been interviewed and provided information for the PFM Performance Report

Designation
Deputy Director Budget
Director, Revenue
Director, Budget and Economic Planning
Accountant
Fiscal Analyst, County Assembly
Director, Expenditure
Payroll Manager
Procurement Officer
Accountant
Director, Internal Audit
ICT Revenue Officer

Annex 3C: Sources of information used to extract evidence for scoring each indicator

Pi-1 aggregate expenditure outturn

- PI-1 expenditure calculation-Kajiado

Pi-2 expenditure composition outturn

- Emergency fund report
- Emergency fund 2015.2016 exp. Report
- Emergency fund expe. Report for 2013 -2014-2015
- Annual financial statements
- Appropriation acts
- County budget revenue and outlook papers
- En-pi-1 pi-2 exp calculation-Kajiado
- Original budget for Kajiado County government

Pi-3 revenue outturn (M2)

- Annual financial statements
- En-pi-3 2 rev outturn calculation-Kajiado
- Original budget for Kajiado County government

Pi-4 budget classification

- 201617 budget

- Kajiado county final budget 1415
- Supplementary budget 201516

Pi-5 budget documentation

- County budget revenue and outlook papers
- 2013-14 CBROP final
- 2013-14 CBROP final
- Brop 15
- CBROP 2016
- Original budget for Kajiado County government
- Original budget for Kajiado County government 20132014
- Original budget for Kajiado County government 20142015
- Original budget for Kajiado County government 20152016
- 2013-14 CBROP final
- 201617 budget
- Annual development plan 16-17 final
- Annual development plan 2015-16final
- Brop 15
- CBROP 2016
- CSFP 2015
- CSFP 2015
- CSFP 2016
- CSFP 2016
- Final CSFP 201617
- Final CSFP 201617
- KajiadoCSFP 2014 final
- Kajiado county final budget 1415
- Supplementary budget 201516

Pi-6 county government operations outside financial reports (M2)

- 201617 budget
- Kajiado county final budget 1415
- Supplementary budget 201516

Pi-7 transfers to sub National Governments

Pi-8 performance information for service delivery (M2)

- 201617 budget
- Annual development plan 16-17 final
- Annual development plan 2015-16final
- Kajiado county final budget 1415
- Program performance report for 2014-2015 and 2015-2016
- Supplementary budget 2015/16

Pi-9 public access to fiscal information

- Appropriation act 2013
- Appropriation act 2014
- Appropriation act 2015

Pi-10 fiscal risk reporting (M2)

- Budgets
- 201617 budget
- Kajiado county final budget 1415
- CBROP
- Brop 15
- CBROP 2016
- CSFP
- CSFP 2015
- CSFP 2016
- Final CSFP 201617

Pi-11 public investment management (M2)

Pi-12 public asset management

Pi-13 debt management

- 201617 budget
- Kajiado county final budget 1415
- Supplementary budget 201516

Pi-14 macroeconomic and fiscal forecasting (M2)

- Budgets
- 201617 budget
- Kajiado county final budget 1415

- Supplementary budget 201516
- CBROP
- 2013-14 CBROP final
- Brop 15
- CBROP 2016
- CSFP
- CSFP 2015
- CSFP 2016
- Final CSFP 201617

Pi-15 fiscal strategy (M2)

- CBROP
- 2013-14 CBROP final
- Brop 15
- CBROP 2016
- CSFP
- CSFP 2015
- CSFP 2016
- CSFP 2016/17

Pi-16 medium-term perspective in expenditure budgeting

- 201617 budget
- Kajiado county final budget 2014/15
- Supplementary budget 2015/16
- CSFP 2015
- CSFP 2016
- Final CSFP 201617
- Kajiado County budget 2016/17
- Pbb budget estimates 2015/16

Pi-17 budget preparation process (M2)

- Budget circular 2016/17
- Budget circular 2017/18
- Budget circular 2015/16

Pi-18 legislative scrutiny of budgets

- Kajiado County Assembly – Orders of the day

Pi-19 revenue administration

- County revenue administration act, 2016
- County trade licence act, 2014
- Finance bill 2016-final adjusted on 23rd june 2016
- Kajiado County revenue administration bill, 2016
- Kajiado rating bill, 2014
- Reminder letter for payment of due levies through public address system
- Audit report revenue
- Response to revenue audit report
- Stock of revenue arrears from july 1st, 2014 to april 6th, 2017.xps

Pi-20 accounting for revenue (M1)

- Monthly revenue report 2016-17
- Quarterly revenue report 2014-15
- Quarterly revenue report 2015-16
- Revenue analysis by revenue type 2012-2014 by year
- Banking extract
- Banking slip
- Daily deposits to revenue account at kcb

Pi-21 predictability of in-year resource allocation (M1)

- Certificate of balances 30th June, 2016
- List of bank accounts
- Cash flow projections
- Requisitions vs cash balances
- 201617 budget
- CSFP 2015
- CSFP 2016
- County appropriation act, 2015
- Final CSFP 201617
- Forwarding letter for CSFP
- Kajiado county final budget 1415
- Requisitions vs cash balances

- Copy of letter forwarding supplementary budget to the county assembly
- County supplementary appropriation act, 2015
- Forwarding letter for CSFP
- Public hearing proposal
- Public participation advert
- Supplementary budget 2015/16

Pi-22 expenditure arrears (M1)

202. Financial statement for 2014-15

Pi-23 payroll controls (M1)

Pi-24 procurement (M2)

- Contracts for 2013-14
- Contracts for 2014-15
- Contracts for 2014-15
- Contracts for 2015-16
- Contracts for 2015-16

Pi-25 internal controls on non-salary expenditure (M2)

- Audit report revenue
- Auditor general report 2014-2015
- Cash flow projections
- Emergency fund 2015.2016 exp. Report
- Emergency fund expe. Report for 2013 -2014-2015
- Pfm regulations 2015
- Public finance management act 2012
- Sample payment voucher to show approval process

Pi-26 internal audit (M1)

- Kajiado county assembly
- Audit reports-Kajiado assembly
- Audit report response -clp
- Auditt report- sergeants
- Car loan and mortgage audit report-2015-2016
- Finance audit report-2015-2016
- Hansard audit report

- Ict audit report
- Report human resource mgt audit
- Research services audit report
- Ward offices audit report-amended
- Annual work plan 2015-2016
- Annual work plan 2016-2017
- Audit committee charter
- Audits concluded in the county assembly fy 2015
- Internal audit charter
- Internal audit report - dev project report
- Management response to devproj report
- Internal audit report -psb
- Management response to psb report
- Internal audit report -recurrent
- Management response to recurrent report
- Audits concluded- county executive

Pi-27 financial data integrity (M2)

Pi-28 in-year budget reports (M1)

- Annual financial statement 30th june 2014
- Annual financial statement 30th june 2015
- Annual financial statement 30th june 2016

Pi-29 annual financial reports

- Annual financial statement 30th june 2014
- Annual financial statement 30th june 2015
- Annual financial statement 30th june 2016
- Financial statements 2013-2014 final copy
- Financial statements 2014-2015-final-amended
- Kajiado County amended fin statements 2015 - 2016

Pi-30 external audit (M1)

- Audit opinion 2013-14
- Audit opinion 2014-15

Annex 4: County profile

Kajiado County is one of the 47 counties in the Republic of Kenya. It is located in the Rift Valley on the southern part of Kenya. It borders the Republic of Tanzania to the South West, Taita Taveta County to the South East, Machakos and Makueni Counties to the East, Nairobi County to the North East, Kiambu County to the North and Narok County to the west.

This County consists of seven administrative districts: Kajiado Central, Isinya, Loitokitok, Magadi, Mashuru, Namanga and Ngong. Kajiado County is adjacent to the Capital City of Kenya, Nairobi. The county capital is Kajiado but the largest town is Ngong'. It has a population of 687,312 and an area of 21,292.7 km². The county borders Nairobi and extends to the Tanzania border further south. Its main tourist attraction is wildlife.

Kajiado County is divided into five administrative sub-counties, namely: Kajiado Central; Kajiado North; Loitokitok; Isinya; Mashuuru with a total of 17 administrative divisions.

The proportion of the county population living below poverty line is approximately 47 per cent compared to the country's 46 per cent. The county records a lower rate of population living below the poverty line; Kajiado North at 40 per cent and Kajiado West and South at 50 per cent.

The poverty and hunger situation is aggravated by frequent drought and lack of diversification of economic activities, among other factors.

The county has an annual population growth rate of 5.5 per cent and in the year 2012 total population was estimated at 807,069 with 401,784 being females and 405,285 males according to Kenya National Bureau of Statistics 2013

As per the population sensus conducted in 2009, Kajiado North constituency was the most populated with a population of 202,651, which represents 29.5 per cent of total county's population while Kajiado Central has the lowest population of 102,978 which represents 15 per cent of the total county's population. The high population in Kajiado North is attributed to its proximity to Nairobi city whereby many people working in the city reside in Ngong'.

Statistics for the County (in Percent) :

- Literacy: 55.4
- Attending School (15-18 yrs): 44.9
- Paved Roads: 5.9
- Good Roads: 38.4
- Electricity Access: 39.8

Source: USAid Kenya

The most extreme difference in secondary school education and above is in Kajiado County where the top ward (Ongata Rongai) has nearly 59 per cent of the population with secondary education plus, while the bottom ward (Mosiro) has only 2 per cent.

Annex 5: Calculation for PFM indicators PI-1 and PI-2i

Year 2013/14 (Ksh million & %)						
Functional Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	%
County assembly	670,271,602	518,918,957.05	497,437,579.86	21,481,377.19	21,481,377.19	4
Office of the governor	192,574,787	186,697,157	142,918,088.28	43,779,068.72	43,779,068.72	31
County public service	844,516,448	841,735,444	626,752,225.21	214,983,218.79	214,983,218.79	34
County public service board	60,672,414	55,673,917	45,027,625.66	10,646,291.34	10,646,291.34	24
County executive	37,151,497	35,815,683	27,571,734.65	8,243,948.35	8,243,948.35	30
County executive administration	7,440,723	7,071,659	5,522,082.74	1,549,576.26	1,549,576.26	28
Finance and planning	306,190,177	257,069,459	227,236,988.96	29,832,470.04	29,832,470.04	13
Trade and enterprise dev.	43,770,855	21,480,881	32,484,246.86	(11,003,365.86)	11,003,365.86	34
Agriculture	130,508,279	108,074,434	96,855,845.10	11,218,588.90	11,218,588.90	12
Water and irrigation	319,714,460	220,795,661	237,273,945.00	(16,478,284.00)	16,478,284.00	7
Education	362,618,998	179,723,977	269,115,260.50	(89,391,283.50)	89,391,283.50	33
Health	258,792,369	150,590,869	192,061,023.23	(41,470,154.23)	41,470,154.23	22
Lands and physical planning	83,734,176	32,851,321	62,142,757.86	(29,291,436.86)	29,291,436.86	47
Works and housing	369,097,081	180,706,121	273,922,926.41	(93,216,805.41)	93,216,805.41	34
Information communication	71,126,930	46,564,058	52,786,374.68	(6,222,316.68)	6,222,316.68	12
Allocated expenditure	3,758,180,796.00	2,789,108,705.00	2,789,108,705.00	54,660,893.05	628,808,186.12	
Contingency	50,000,000.00	1,979,632.00				
Total expenditure	3,808,180,796.00	2,791,088,337.00				

Year 2015/16 (Ksh million & %)						
Functional Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	%
Office of the Governor and the Deputy Governor	167.87	185.57	128.20	57.37	57.37	45
County Public Service Board	86.30	85.80	65.91	19.89	19.89	30
Education, Youth, Sports, And Social Services	923.52	642.98	705.27	(62.29)	62.29	9
Health Services	1 520.70	1 321.02	1161.32	159.70	159.70	14
Ict and Gender	137.28	131.73	104.84	26.89	26.89	26
Agriculture, Livestock and Fisheries	278.47	226.17	212.66	13.51	13.51	6
Water and Irrigation	451.85	261.47	345.06	(83.59)	83.59	24
Public Works, Roads, Transport, And Housing	767.88	572.46	586.41	(13.95)	13.95	2

Finance and Economic Planning	444.34	465.99	339,33	126.67	126.67	37
Industrialisation and Enterprise Development	355.24	223.73	271.29	(47.56)	47.56	18
Lands, Physical Planning, Environment, Wildlife and Natural Resources	271.09	136.13	207.02	(70.89)	70.89	34
County Assembly	638.40	362.55	487.53	(124.98)	124.98	26
County Public Service	485.86	370.27	371.04	(0.77)	0.77	0
allocated expenditure	6 528.79	4985.88	4985.88	(0.00)	808.06	
interests						
contingency	60.00	63.29				
Total expenditure	6588.79	5049.17				
Overall (PI-1) variance						77
Composition (PI-2) variance						16
Contingency share of budget						1
Year 2013/2014 (Ksh million & %)						
Economic head	Budget	Actual	Adjusted Budget	Deviation	Abs. Dev.	%
Compensation of employees	783.2	1005.3	540.4	465.0	465.0	86.0
Use of goods and services	2196.5	1604.6	1515.5	89.1	89.1	5.9
Consumption of fixed capital	1062.8	0.0	733.3	-733.3	733.3	100.0
Interest	0.0	0,0	0.0	0,0	0.0	-
Subsidies	0.0	0,0	0.0	0,0	0.0	-
Grants	0.0	179.2	0.0	179.2	179.2	-
Social benefits	0.0	0.0	0.0	0.0	0.0	-
Other expenses	0.0	0.0	0,0	0.0	0.0	-
Total expenditure	4042.6	2789.1	2 789.1	0.0	1466.5	
Overall variance						144.9
Composition variance						52.6
Year 2014/2015 (Ksh millions & %)						
Economic head						
Budget	Actual	Adjusted Budget	Deviation	Abs. Dev.	%	
Compensation of employees	1492.3	1403.5	1029.6	373.9	373.9	36.3
Use of goods and services	2131.4	2618.9	1470.5	1148.3	1148.3	78.1
Consumption of fixed capital	2044.8	0.0	1410.8	-1410.8	1410.8	100.0
Interest	0.0	25.0	0.0	25.0	25.0	-
Subsidies	0.0	181.2	0.0	181.2	181.2	-
Grants	0.0	149.9	0.0	149.9	149.9	-

Social benefits	0.0	42.9	0.0	42.9	42.9	-
Other expenses	0.0	10.7	0.0	10.7	10.7	-
Total expenditure	5668.5	4431.9	3910.9	521.0	3342.6	
Overall variance						127.9
Composition variance						85.5
Year 2015/2015 (Ksh millions & %)						
Economic head	Budget	Actual	Adjusted Budget	Deviation	Abs. Dev.	%
Compensation of employees	1641.5	1545.5	1132.5	413.0	413.0	36,5
Use of goods and services	2285.9	2826.8	1577.2	1249.6	1249.6	79.2
Consumption of fixed capital	2661.4	0.0	1836.2	-1836.2	1836.2	100.0
Interest	0.0	31.2	0.0	31.2	31.2	-
Subsidies	0.0	0.0	0.0	0.0	0.0	-
Grants	0.0	578.2	0.0	578.2	578.2	-
Social benefits	0.0	35.0	0.0	35.0	35.0	-
Other expenses	0.0	32.6	0.0	32.6	32.6	-
Total expenditure	6588.8	5049.2	4545.8	503.3	4175.7	
Overall variance						130.5
Composition variance						91.9

Kenya Institute for Public Policy Research and Analysis
Bishops Garden Towers, Bishops Road
P.O. Box 56445-00200, Nairobi, Kenya
Tel: +254 20 4936000; +254 20 2719933/4
Fax: +254 20 2719951
Email: admin@kippra.or.ke
Website: http://www.kippra.org

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