# An Assessment of the Public Expenditure and Financial Accountability – Makueni County

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KENYA INSTITUTE FOR PUBLIC POLICY
RESEARCH AND ANALYSIS
(KIPPRA)

# An Assessment of the Public Expenditure and Financial Accountability – Makueni County

**Kenya Institute for Public Policy Research and Analysis**

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ThinkTank Initiative

Initiative Thinktank

## Acknowledgements

The PEFA report for Makueni County was prepared by a team led by the KIPPRA Executive Director, Dr Rose W. Ngugi. The team members included Dr Christopher Hugh Onyango, Simon Githuku, Manasseh Otieno and Paul Odhiambo.

The oversight committee which provided strategic guidance for the assessment comprised Dr Rose Ngugi, Dr Augustus Muluvi, Dr Christopher Onyango, Simon Githuku, Benson Kiriga, Dr Douglas Kivoi (from KIPPRA), Christine A. Owuor, Tim Williamson (from World Bank), Joseph Kungu (Council of Governors), Warui Maina, Joel Bett (PFMR Secretariat), Joshua Musyimi, Grace Kimitei (Office of the Controller of Budget) and George Otieno (Office of the Auditor General).

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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

The basis of the public expenditure and financial accountability (PEFA) 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 public expenditure management (PFM) reform efforts in Makueni County. This assessment will become a benchmark for the upgrade of the PFM system(s) in counties that are still in the early stages of development.

The assessment period covers the last three completed fiscal years (FY) after the introduction of the 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*

Budget reliability is hampered by a low rate of global budget execution and high level of reallocation. Variance in expenditure composition by economic and functional classification was more than 15 per cent over the three-year period. Aggregate expenditure outturn was below 85 per cent of the approved aggregate budgeted expenditure in the last three years. With less than 92 per cent in the last three years, actual revenue was also far below target, but this did not lead to a budget deficit because of the low rate of budget execution.

The budget is prepared in accordance with National Treasury guidelines which require budget proposals to be presented using administrative, economic and programme-based approach using government finance statistics (GFS). However, budget execution and reporting is made only on the basis of administrative and economic classification. Expenditure outside government financial reports represents less than 5 per cent of the total BCG expenditure. They are also reported.

All major investment projects are prioritized based on the established public participation framework, but no economic analysis are conducted to assess major investment projects. Only one public corporation operates in the county and has not prepared its AFS. Projection of major investment projects and total capital cost is included in the budget documents, and project monitoring is performed by technical departments and other stakeholders including the public, but no monitoring and evaluation reports are established.

The county maintains a record of its holdings in all categories of financial assets, which are essentially cash at hand and its participation in one public enterprise. Rules for transfer or disposal of financial assets have been defined and partial information on transfers and disposal is included in the AFS.

The county maintains a register of its holdings of fixed assets and updates records upon acquisition of new assets, but does not report information on their usage and age. Information on contingent liabilities is not provided in AFSs. The county has not acquired any debt and has not developed a debt management strategy and does not report the debt inherited from the defunct authority. The OAG recommends that the county expedites taking over of the assets and liabilities of the defunct local authorities in liaison with the Transition Authority.

### *Strategic resource allocation*

Budget elaboration is based on a clear annual budget calendar. The CFSP reflects ministry ceilings, but they are not approved by the government before the first budget circular is issued. Medium-term fiscal forecasts are established, but the county does not prepare any fiscal policy scenarios. A report that describes progress made against its fiscal strategy is proposed to the legislature, but the reasons for any deviation from the objectives are not explained.

Legislature's review of strategic resource allocation and other elements of the budget proposal is based on organizational arrangements including specialized review committees, technical support, negotiation procedures and public consultation. The annual budget presents an estimate of expenditure for the budget year and the two following fiscal years, but these estimates are not supported by macroeconomic forecasts. Further, no explanation of changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget is provided. The county only assesses proposed changes in revenue policies in the finance bill.

### *Efficient service delivery*

No survey estimates of the resources received by service delivery units have been performed. Performance indicators for measuring the outputs or outcomes of the different ministries have not yet been put in place, but evaluations for services delivered have been performed by independent units, albeit not being published. Consequently, no information related to performance achieved for service delivery is being published. However, Auditor's report is available in the website of the OAG, and on the website of the County Government of Makueni.

Information on revenues is consolidated into a report, and revenue collections are transferred weekly to the Treasury. However, payers do not have sufficient access to information on their rights and obligations. Further, there are no systematic approaches for assessing and prioritizing compliance risks for revenue streams. Finally, no audit of revenue from any of the sources has been undertaken, while the stock of revenue arrears is above 40 per cent of the total revenue collection.

Appropriate segregation of duties is clearly laid down and comprehensive expenditure commitment controls are in place. Budgetary units are provided with reliable information on commitment ceilings quarterly in advance and limit commitments to projected cash availability and approved budget allocations. However, significant in-year adjustments to budget allocations are done once a year.

Changes to personnel and payroll records result in an audit trail. Reconciliation of the payroll with personnel records takes place at least every six months through a payroll audit. Required changes to the personnel records and payroll are updated in time and retroactive adjustments are rare, but there is no evidence that staff hiring is controlled by a list of approved staff positions. Payroll audits are periodically conducted.

Regarding public procurement, legal and regulatory frameworks, bidding opportunities and data on resolution of procurement complaints are available to the public. However, no database is maintained to provide information for contracts, value of procurement or who has been awarded contracts, while open tendering was used for less than 40 per cent of the total procurement. The procurement complaint system is nevertheless compliant with good practices, except for charging fees that may prohibit access by concerned parties.

In theory, internal audits are focused on evaluation of the adequacy and effectiveness of internal controls, but no quality assurance process has been put in place to show adherence to professional standards. Practically, internal audit remains focused on financial compliance, with an indication that most payments are compliant with regular payment procedures.

Access and changes to records during budget implementation is restricted and recorded, but no operational body, unit or team has been established to verify financial data integrity.

Monthly reporting on budget execution with production of quarterly budget implementation reports enables a partial follow up of service delivery. These reports produced on a cash basis provide a comparison between actual and budgeted expenditure with partial aggregation. Commitment expenditure are presented in a separate report.

AFSs are generally completed and available for audit, respectively three and four months after the end of the year. They contain information on revenue, expenditure, financial assets, financial liabilities, guarantees, but not on long-term obligations.

External audits of the county are still performed at the national level by the OAG. No independent constitutional body has been put in place at the county level. Material weaknesses are highlighted in the management letters that are issued to the County. For 2013/14, which was the first year of operation, the OAG stated that the County Executive and County Assembly had challenges in adhering to the existing PFM Regulation and Procedures, the Public Procurement and Asset Disposal Act 2015 and Regulations 2016 and to general human resources management policies and procedures. Consequently, the OAG did not give a positive opinion on the accounts. The OAG expressed a non-qualified opinion in its audit report for 2014/15, but a positive opinion on the accounts for 2015/16, which underlines a general improvement in the budget management and follow up by the county administration.

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

| ID_ Indicator | Indicator | Method | 1 | 2 | 3 | 4 | Global |
|---|---|---|---|---|---|---|---|
| HLG-1 | Transfers from a higher level of government | M1 | B | D | D | | D+ |
| PI-1 | PI-1. Aggregate expenditure outturn | M1 | D | | | | D |
| PI-2 | PI-2. Expenditure composition outturn | M1 | D | D | A | | D+ |
| PI-3 | PI-3. Revenue outturn | M2 | D | D | | | D |
| PI-4 | PI-4. Budget classification | M1 | C | | | | C |
| PI-5 | PI-5. Budget documentation | M1 | D | | | | D |
| PI-6 | PI-6. Central government operations outside financial reports | M2 | D | D | D | | D |
| PI-7 | PI-7. Transfers to sub-national governments | M2 | N/A | N/A | | | N/A |
| PI-8 | PI-8. Performance information for service delivery | M2 | D | D | D | D | D |
| PI-9 | PI-9. Public access to fiscal information | M1 | D | | | | D |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| PI-10 | PI-10. Fiscal risk reporting | M2 | C | N/A | D | | D+ |
| PI-11 | PI-11. Public investment management | M2 | D | A | C | D | C |
| PI-12 | PI-12. Public asset management | M2 | D | D | D | | D |
| PI-13 | PI-13. Debt management | M2 | D | N/A | D | | D |
| PI-14 | PI-14. Macroeconomic and fiscal forecasting | M2 | C | C | D | | D+ |
| PI-15 | PI-15. Fiscal strategy | M2 | D | B | C | | C |
| PI-16 | PI-16. Medium term perspective in expenditure budgeting | M2 | A | D | D | D | D+ |
| PI-17 | PI-17. Budget preparation process | M2 | B | C | B | | B |
| PI-18 | PI-18. Legislative scrutiny of budgets | M1 | A | A | C | B | C+ |
| PI-19 | PI-19. Revenue administration | M2 | D | D | D | D | D |
| PI-20 | PI-20. Accounting for revenue | M1 | A | B | C | | C+ |
| PI-21 | PI-21. Predictability of in year resource allocation | M2 | D | C | B | B | C+ |
| PI-22 | PI-22. Expenditure arrears | M1 | D | D | | | D |
| PI-23 | PI-23. Payroll controls | M1 | D | A | D | B | D+ |
| PI-24 | PI-24. Procurement management | M2 | D | D | C | A | C |
| PI-25 | PI-25. Internal controls on no salary expenditure | M2 | A | C | B | | B |
| PI-26 | PI-26. Internal audit | M1 | B | B | D | D | D+ |
| PI-27 | PI-27. Financial data integrity | M2 | B | D | D | B | C |
| PI-28 | PI-28. In year budget reports | M1 | B | B | B | | B |
| PI-29 | PI-29. Annual financial reports | M1 | B | D | C | | D+ |
| PI-30 | PI-30. External audit | M1 | B | B | A | A | B+ |
| PI-31 | PI-31. Legislative scrutiny of audit reports | M2 | D | D | C | D | D |

# ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| CBIRR | County Governments Budget Implementation Report |
| CIDPs | County Integrated Development Plans |
| CoG | Council of Governors |
| CRF | County Revenue Fund |
| CRA | Commission on Revenue Allocation |
| CRF | County Revenue Fund |
| 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 |
| 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 |
| 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. This 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 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 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 reforms can be implemented simultaneously after areas that require improvements are identified. The sub-national assessments, which covered six (6) out of forty-seven (47) counties, have been jointly financed by the World Bank and IDRC through KIPPRA.

## 1.1 Rationale and Purpose

**2.** The main rationale of this 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 Programme (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.

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

4. Effective PFM institutions and systems in 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 a 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, which is important because both levels of government share the same PFM system, implying that evidence-based reform agenda can be implemented simultaneously after areas that require improvements are identified.

5. Apart from Makueni, the other counties which voluntarily expressed interest in undertaking the PEFA assessments were Baringo, Kajiado, 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.

## 1.2 Objectives of the PEFA Assessments

The specific objectives of the PEFA assessment in Makueni county include the following:

(a) Assess the state of financial management capacities in the county government;

(b) Identify gaps in terms of capacity, systems, policies and processes in PFM in the county;

(c) Provide basis for informing entry points for PFM reform engagements in counties that will be used to leverage on existing capacity building efforts; and

(d) Facilitate and develop self-assessment capacity at the county level and build capacities of key staff to carry out assessments in the future.

## 1.3 Assessment Methodology

### *Coverage of the assessment*

6. This sub-national PEFA assessment covers the county of Makueni and is part of the assessment covering one-eighth of the counties in Kenya, which totals to six (6) counties. Kajiado, Baringo, Makueni, West Pokot, Nakuru

and Kakamega counties expressed their interest in undergoing a PEFA assessment and commitment to design and implement a reform agenda based on the assessment.

7. The assessment applies the PEFA 2016 methodology and specifically the supplementary version meant for sub-national entities. Sub-national PEFA uses the same indicators as the national ones, but with some modifications. The main modification is the introduction of "HLG" indicators for assessing transfers and earmarked grants to counties by the national government.

***Sources of information***

8. 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 is contained in the Annex 3C.

# 2. MAKUENI COUNTY BACKGROUND INFORMATION

## 2.1 Economic Context

### *An overview of the Kenyan economy*

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

10. The Kenyan economy has sustained its robust growth in the past decade supported by significant structural and economic reforms. The economy grew by 5.7 per cent, 5.9 per cent and 4.9 per cent in 2015, 2016 and 2017, respectively. 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.

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

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

### *Overview of Makueni county economy*

13. Makueni County is one of the forty-seven counties in Kenya. It is situated in South Eastern part of the country. It borders Machakos County to the north, Kitui County to the east, Kajiado County to the west and Taita Taveta County

to the south. The county lies in the arid and semi-arid zones of the eastern region of the country. The major physical features in Makueni County include the volcanic Chyulu hills which lie along the southwest border of the county in Kibwezi West constituency, Mbooni Hills in Mbooni constituency and Kilungu Hills in Kaiti constituency which rise to 1,900m above sea level. The county terrain is generally low-lying from 600m above sea level in Tsavo at the southern end of the county.

14. The county is currently divided into nine (9) sub-counties and twenty-five (25) divisions. The sub-counties are Makueni, Kilungu, Mukaa, Kibwezi, Kathonzweni, Makindu, Mbooni East, Mbooni West and Nzaui. There are six parliamentary constituencies, namely Kaiti, Makueni, Kibwezi East, Kibwezi West, Mbooni and Kilome. There are 30 county assembly wards. The main economic activities are: subsistence agriculture, beekeeping, small-scale trade, dairy farming and limited coffee growing, ecotourism and commercial businesses. In the year 2014, the projected population in the county was 939,879 consisting of 461,688 males and 478,191 females. The 2015 projected population in the county was 961,738 consisting of 468,298 males and 493,440 females. This is an increase from 884,253 persons as per the 2009 by Kenya National Population and Housing Census. The key socio-economic indicators for Makueni County are presented in a Table 2.1.

**Table 2.1: Basic economic data and indicators for Makueni county**

| Indicator | Value |
|---|---:|
| Area (km$^2$) | 8,008.7 |
| No. of constituencies | 6 |
| County assembly wards | 30 |
| Population | 939,879 |
| Population density per km$^2$ | 100 |
| Wage employment by sector | 15,084 |
| National government | 3,263 |
| County government | 1,437 |
| Teachers Service Commission (TSC) | 10,384 |
| ECDE centres: | 1510 |
| Public | |
| Private | |
| No. of primary schools: | |
| Public | 894 |

| | |
|---|---|
| Private | 103 |
| No. of secondary schools: | |
| Public | 358 |
| Private | 78 |
| No. of health facilities | 156 |
| Doctor to population ratio | 1/22,712 |

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

## 2.2 Fiscal and Budgetary Trends

***Revenue performance***

15. According to Article 203 of the Constitution of Kenya 2010, a minimum of 15 per cent of the total audited revenue collected by the National Government should be disbursed to County Governments every fiscal year. Counties are also supposed to collect their own revenues to fund their operations, but internal revenue generation has been low accounting for approximately 2 per cent of the county resource envelope (Table 2.2).

16. During 2015/16, the County received Ksh 5,970 million from the national shareable revenue as equitable share from the National Government. Transfers had a 14.6 per cent increase in comparison to the previous year.

17. During 2015/16 , the county collected Ksh 221 million as own source revenue against a target of Ksh 280 million. Revenue collection increased by 1.2 per cent compared to 2014/15. However, the collected revenue declined by 0.65 per cent as a proportion of total budget. The shortfall in revenue collection was partly attributed to delays in passing the 2015 Finance Bill and inadequate legal and institutional framework, delayed revenue automation and weaknesses in collection mechanisms. The county also collected Ksh 124.7 million in respect of Appropriations in Aid (AIA) against a target of Ksh 89 million, which was a 40 per cent increase above the target. The 6 constituencies' allocations had an upward trend from total allocations of Ksh 508.5 million in 2013/14 to Kshs 79.431 million in 2015/16.

***Expenditure performance***

18. The total expenditure for 2015/16 amounted to Ksh 5,520 million, which was the highest compared to the previous years. The County Executive received Ksh 6,464 million for both development and recurrent expenditure. The actual expenditure and commitments amounted to 78.2 per cent of

the budget. Despite the increase in the resource envelope, a reduction in investments was noted in some sectors that are fully devolved such as health, roads and agriculture. The performance expenditure and revenue of Makueni County is illustrated in Table 2.2.

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

| | 2013/2014 | 2014-2015 | 2015-2016 |
|---|---|---|---|
| Receipts | 0.0 | 0.0 | 0.0 |
| Tax receipts | 0.0 | | |
| Social security Ccontributions | 0.0 | | |
| Proceeds from domestic and foreign grants | 0.1 | 0.5 | 1.9 |
| Exchequer releases | 93.0 | 95.7 | 92.3 |
| Transfers from other government entities | 1.3 | | 1.2 |
| Proceeds from domestic borrowings | 0.0 | | |
| Domestic currency and domestic deposits | 0.1 | | |
| Proceeds from sale of assets | 0.0 | | |
| Reimbursements and refunds | 0.0 | | |
| Returns of equity holdings | 0.0 | | |
| Other receipts | 5.5 | 3.8 | 4.6 |
| Total receipts | 100.0 | 100.0 | 100.0 |
| Payments | 0.0 | 0.0 | 0.0 |
| Compensation of Eemployees | 34.9 | 35.6 | 35.0 |
| Use of goods and services | 17.5 | 18.7 | 27.0 |
| Subsidies | 0.0 | | |
| Transfers to other government entities | 9.6 | 2.3 | 1.3 |
| Other grants and transfers | 2.4 | 2.2 | 1.2 |
| Social Ssecurity benefits | 0.0 | | |
| Acquisition of assets | 10.0 | 18.8 | 20.6 |
| Finance costs, including loan interest | 0.0 | | 0.1 |

| | | | |
|---|---|---|---|
| Repayment of principal on domestic and foreign borrowing | 0.0 | | |
| Other payments | 2.8 | | 0.1 |
| | 0.0 | 0.0 | 0.0 |
| Total payments | 77.2 | 77.6 | 85.4 |
| | | 0.0 | 0.0 |
| Surplus/Deficit | 22.8 | 22.4 | 14.6 |

*Source: AFSs*

19. Table 2.3 presents actual budgetary allocations by sectors (as a % of total expenditures). According to this table, the largest budgetary allocation goes to the Health Department and General Public Service.

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

| Functional head | 2013/14 | 2014/15 | 2015/16 |
|---|---|---|---|
| General public services | 20.6 | 26.5 | 19.0 |
| Department of Lands, Physical Planning and Mining | 4.4 | 2.0 | 1.5 |
| Department of Trade, Tourism and Cooperatives | 4.2 | 2.9 | 3.1 |
| Department of Gender, Youth and Social Services | 4.6 | 3.3 | 3.1 |
| Department of Finance and Socio-Economic Planning | 4.4 | 4.4 | 9.1 |
| Department of Education and ICT | 5.6 | 7.8 | 7.1 |
| Department of Transport and Infrastructure | 7.4 | 6.3 | 8.8 |
| Department of Agriculture, Livestock and Fisheries Development | 6.9 | 7.8 | 6.1 |
| Department of Water, Irrigation and Environment | 7.3 | 9.0 | 11.7 |
| Department of Health | 27.5 | 29.9 | 30.5 |
| Donor-funded projects | 7.1 | 0.0 | 0.0 |
| Total | 100.0 | 100.0 | 100.0 |

*Source: CBROPs*

20. According to the economic classification, the 2014/15 budget ratios for recurrent and development budget were 51.87 per cent and 48.13 per cent, respectively. Out of the overall expenditure in 2015/16, the recurrent

and development expenditure stood at 72.2 per cent and 27.8 per cent, respectively. The expenditures on salaries were 46 per cent of the total expenditures while expenditure on operations and maintenance was 26 per cent of the total expenditure. The delay in approval of the 2014/15 budget led to delays in implementation of development programmes. Table 2.4 presents actual budgetary allocations by economic classification.

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

| Economic head | 2013/14 | 2014/15 | 2015/16 |
|---|---|---|---|
| Compensation of employees | 28.1 | 0.0 | 32.5 |
| Use of goods and services | 33.1 | 0.0 | 26.4 |
| Consumption of fixed capital | 38.8 | 100.0 | 41.1 |
| Interest | 0.0 | 0.0 | 0.0 |
| Other expenses | 0.0 | 0.0 | 0.0 |
| Total expenditure | 100.0 | 100.0 | 100.0 |

*Source: AFSs*

## 2.3 Legal and Regulatory Arrangements for PFM

21. The 2010 Constitution introduced significant changes to the political system of governance of Kenya. There are presently two levels of government: National Government and 47 County Governments that are described in Chapter 11 of the Constitution of Kenya. The legal and regulatory framework providing support for public finance management in the county of Makueni derives from the Constitution, Acts and Regulations developed by the National Government and which are as follows:

- The Constitution of Kenya (2010) Chapter 11 and 12. Principles of Public Finance are contained in Article 201. 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.
- The Public Financial Management Act (2012): Part IV of this Act details

responsibilities with respect to management of public funds in the counties. This Act covers all PFM aspects including but not limited to the budget-making process and public participation; operation of a 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.

- The Public Financial Management Regulations (2015) for County Governments: Some highlights include: strengthening of inter-governmental fiscal relations; restricting wages to 35 per cent of realized revenue; development budgets should be 30% of total budget, etc.
- The Public Procurement Asset and Disposal Act (2015): The Act provides for procedures for efficient public procurement and procedures for disposal of assets by public entities. The regulations are under development.
- Public Audit Act (2015): Provides for the organization, the functions and the powers of the Office of the Auditor-General (OAG), which are spelt out 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 the 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 a candidate and submit it to Parliament for its 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 approval of 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 practicing 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 governments, namely the National and County Governments. The legal and regulatory framework providing support for PFM in the County Government of Makueni, 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 enlists fourteen (14) roles and functions of the county governments. They are, namely:

1. Agriculture;
2. County health services;
3. Control of air pollution, noise pollution, other public nuisances and outdoor advertising;
4. Cultural activities, public entertainment and public amenities;
5. County transport;
6. Animal control and welfare;
7. Trade development and regulation;
8. County planning and development;
9. Pre-primary education, village polytechnics, home craft centres and childcare facilities;
10. Implementation of specific national government policies on natural resources and environmental conservation;
11. County public works and services;
12. Firefighting services and disaster management;
13. Control of drugs and pornography; and
14. Ensuring and coordinating the participation of communities and locations in governance at the local level and assisting communities and locations to develop the administrative capacity for the effective exercise of the functions and powers and participation in governance at the local

The county governments comprise the Executive, headed by elected Governors and the county assemblies comprising of elected members. The counties are also represented by Senators who are elected and constitute the Senate, which is the upper house of Parliament.

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

22. According to the County Government Act 2012, a county is comprised of the County Executive headed by a Governor and a County Assembly comprising 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 the establishment of sound institutional and regulatory environment at both national and county levels.

23. 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 chief accounting officers in their respective departments.

24. 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 have to be presented by the County Executive for approval. All funds including Emergency Funds and any other funds by the County Executive must be approved by the County Assembly.

25. The County Government Act 2012 also outlines the structure and operation of county governments as comprising Sub-Counties, Wards and Villages. The structure of the public sector and public finances in Makueni County is presented 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[1]** | **Public corporation sub-sector** | |
|---|---|---|---|---|---|
| | Budgetary Unit | Extra-budgetary Units | | Non-financial public corporations | Financial public corporations |
| County government | 6,981.0 [2] | N.A | N.A | N.A | N.A |

*Source: AFS 2015/16*

Notes: 1 /Social security fund are still managed at the national level; 2/ Budgetary county government comprises all county government entities included in the county government budget.

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

| | **Budgetary unit** | **Extra budgetary units** | **Social security funds** | **Total** |
|---|---|---|---|---|
| Revenue | 6,464.7 | n.a. | n.a. | 6,464.7 |
| Expenditure | 5,520.4 | n.a. | n.a. | 5,520.4 |

| | | | | |
|---|---|---|---|---|
| Transfers to County Assembly | 85.3 | n.a. | n.a. | 85.3 |
| Liabilities | 7.4 | n.a. | n.a. | 7.4 |
| Financial assets | 1,331.9 | n.a. | n.a. | 1,331.9 |
| Non-financial assets | 668.7 | n.a. | n.a. | 668.7 |

*Source: AFS 2015/16*

26. Public participation is part of the Constitution of Kenya and is stipulated as a function of Makueni county covernment. Sections 87 to 92 and 115 of the County Governments Act 2012 outline the principles of public participation and the imperative for facilitating public participation in the work of the county government.

# 3. ASSESSMENT OF PFM PERFORMANCE

## 3.1 Sub-national Government Profile

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 | B | Actual transfers have represented at least 90% of the original budget estimate in the last three years |
| HLG-1.2 Earmarked grants outturn | D* | The breakdown of the conditional grants originating from the national government is not available for the last 3 years |
| HLG-1.3 Timeliness of transfers from higher-level government | D* | Actual transfers normally distributed quarterly across the year through IFMIS but actual dates were not provided |

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

27. Article 216 mandates the Commission 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 for preparation of the first and second basis of sharing revenue to be made at three-year intervals. The first formula was approved by the 10th Parliament in November 2012.

28. The Formula reported in the Table 3.1 has been used to share revenue for financial years 2012/13, 2013/14, 2014/15 and 2015/16. The CRA recommends to introduce a development factor of 1 per cent and to reduce basic equal share by the same level.

**Table 3.1: Parameters used to share revenue for the last 3 fiscal years**

| Parameter | Current formula (%) |
|---|---|
| Population | 45% |
| Basis equal share | 25% |
| Poverty | 20% |
| Land area | 8% |
| Fiscal responsibility | 2% |
| Total | 100% |

*Source: Commission of Revenue Allocation*

29. According to Annual Financial Statements (AFS), the main sources of revenue for the county governments in Kenya are equitable share, conditional grants and own source revenues. Local revenues are not covered by HLG-1, and grants from international organizations (see PI-3). Table 3.2 presents the breakdown of these different sources of revenue. It indicates that actual transfers represented 92.5 per cent of total revenue in 2013/14, 93.9 per cent in 2014/15 and 91.1 per cent in 2015/16.

**Table 3.2: Estimate and actual revenue for the last 3 fiscal years (in Ksh millions and in %), 2015/16**

| Economic Head | Budget | Actual | Ex. rate (%) |
|---|---:|---:|---:|
| 2013/14 | 4,721 | 4,366 | 92.5% |
| 2014/15 | 5,557 | 5,216 | 93.9% |
| 2015/16 | 6,989 | 6,368 | 91.1% |

*Source: Annual Financial Statements*

In summary, actual transfers represented less than 95 per cent but more than 90% per cent of the original budget estimate in all of the last three years.

***Dimension rating =B.***

### *HLG-1.2: Earmarked grants outturn*

30. We assume earmarked revenues to be grants from the national government, as earmarked grants can only be part of this item. Grants from international organizations are considered in PI-3. Table 3.3 represents the amounts of equitable share and conditional grants from the government.

**Table 3.3: Source of revenue for the last 3 fiscal years (in million Ksh and in %)**

| | 2013/14 | | | 2014/15 | | | 2015/16 | | |
|---|---|---|---|---|---|---|---|---|---|
| Economic head | Budget | Actual | Ex. Rate | Budget | Actual | Ex. Rate | Budget | Actual | Ex. Rate |
| Equitable share | 4,366 | 4,366 | 100.0% | 5,194 | 5,194 | 100.0% | 5,970 | 5,970 | 100.0% |
| Conditional grants from government | 0 | 0 | - | 144 | 0 | 0.0% | 362 | 187 | 51.7% |
| Total revenue | 4,721 | 4,366 | 92.5% | 5,557 | 5,216 | 93.9% | 6,989 | 6,368 | 91.1% |

Note: Ex. Rate= expenditure rate

According to the PEFA supplementary guidance, "This dimension should be assessed on the same basis as PI-2. All transfers that are not earmarked should be counted in aggregate as one component of earmarking. Discrepancies in all other transfers should be considered sector by sector, corresponding to the 10-part Classification of the Functions of Government (COFOG) of the United Nations, or any similar classification to the extent it is applicable." However, the breakdown of the conditional grants originating from the national government was not available.

***Dimension rating = D*.***

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

31. 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.

In summary, transfers should be released quarterly across the year through IFMIS, but actual dates were not provided.

***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 the last three years |

32. Table 3.4 presents the budgeted and actual total expenditure for the years 2013/14 to 2015/16. It shows that the absorption rate of the approved budget was low at 66.6 per cent during 2013/14, 78.6 per c cent in 2014/15 and 78.6 per cent in 2015/16. The low absorption in 2013/14 was because it was the first year of implementation of the devolved system of government in Kenya. In 2013/14, the budget was approved in November 2013, giving the county only 7 months to implement the budget, which caused the low absorption rate of 67 per cent. This affected procurement and implementation of projects.

33. In 2014/15, the County Assembly adjusted the budget submitted by the County Executive. The adjusted budget was approved by the assembly and an appropriation Act enacted. The County Executive did not assent to the Act because the CEC finance was not consulted in the adjusted process which is a requirement of the law. The budget that was agreed on was passed in March 2015, giving only 3 months for budget implementation. The county was undergoing a process of being dissolved, causing minimal spending restricted to recurrent only through vote on account.

34. The implementation of the budget faced litigation in 2013/14. The key officers in the implementation team have been reinstated and the county has established an implementation taskforce to address the low absorption rate accumulated over the three years.

**Table 3.4: Aggregate expenditure outturn (%)**

| Fiscal Year | Budget | Actual | Total expenditure deviation (%) |
|---|---:|---:|---:|
| 2013/14 | 5,071.2 | 3,379.9 | 66.6% |
| 2014/15 | 5,627.5 | 4,421.7 | 78.6% |
| 2015/16 | 7,026.9 | 5,520.4 | 78.6% |

*Source: CBROPs*

In summary, aggregate expenditure outturn was below 85 per cent of the approved aggregate budgeted expenditure in 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 per cent in the last three years |
| 2.2 Expenditure composition outturn by economic type | D | Variance in expenditure composition by economic classification was more than 15 per cent in the last three years |
| 2.3 Expenditure for Contingency reserve | A | The actual expenditure charged to contingency was on average less than 3% of the original budget |

### *PI-2.1: Expenditure composition outturn by function*

35. Table 3.5 shows expenditure composition outturn for 2013/14 to 2015/16. Having observed low absorption for the last three subsequent years, this scenario is also reflected in the expenditure composition outturn by economic type. Actual expenditures were lower than budgeted figures across all the years. There was a bigger variance during 2013/14 financial year compared to the two subsequent years, with an average variance of 43.6 per cent. The expenditure composition outturn deviation by function was 29.2 per cent in the 2014/15 and 36.8 per cent in 2015/16.

36. The Department of County Public Service Board, Department of Devolution and Public Service, County Assembly and Health spent the largest shares of their budgets. The departments of Gender, Youth and Social services; Trade, Tourism and Cooperatives; Water, Irrigation and Environment, County Attorney's Office, and ICT had the largest variations between the budgeted and actual expenditure. Explanations about the deviations of expenditure from budgets were not available. Even though there was a budgetary allocation for donor-funded projects, there were no actual expenditures.

**Table 3.5: Expenditure composition outturn by administrative/ function classification (Ksh millions and %)**

| Functional head | 2013/14 | | 2014/15 | | 2015/16 | |
|---|---|---|---|---|---|---|
| | Budget | Actual | Budget | Actual | Budget | Actual |
| County Attorney's Office | 23.4 | 8.3 | 47.9 | 30.6 | 43.6 | 76.4 |
| Department of ICT | 118.9 | 46.9 | 57.4 | 81.3 | 0 | 5 |
| County Public Service Board | 27.8 | 27.8 | 43 | 42.8 | 51 | 52.7 |
| Department of Lands, Physical Planning and Mining | 222 | 99.9 | 113 | 129.1 | 105.6 | 82 |
| Office of the Governor | 108.5 | 99.7 | 140.2 | 151.7 | 174.6 | 201.1 |
| Department of Trade, Tourism and Cooperatives | 212 | 65.6 | 161.9 | 170.9 | 215.7 | 118.5 |
| Department of Gender, Youth and Social Services | 233.1 | 64 | 182.9 | 116.2 | 219.4 | 135.1 |
| County Secretary | 181.9 | 79.9 | 64.1 | 217.2 | 109.6 | 194 |
| Department of Finance and Socio-Economic Planning | 222.8 | 214.4 | 47 | 287.4 | 635.6 | 503.3 |
| Department of Education and ICT | 280.8 | 165.7 | 436.7 | 330.7 | 498.5 | 300.1 |
| Department of Transport and Infrastructure | 370.3 | 204.6 | 351.1 | 361.1 | 610.9 | 287.2 |
| Department of Agriculture, Livestock and Fisheries Development | 345.3 | 221.2 | 434.6 | 252.2 | 423.3 | 321.8 |
| Department of Water, Irrigation and Environment | 366.7 | 120.5 | 502.8 | 314.3 | 820 | 525.6 |
| Department of Health | 1385.3 | 1373.7 | 1664.7 | 1333.7 | 2128.8 | 1780.3 |
| County Assembly | 577.5 | 566 | 913.8 | 517.1 | 664.7 | 237.2 |
| Donor-funded projects | 354.9 | | 0 | 0 | | 670.8 |
| Department of Devolution and Public Service | | | 11.4 | 49.7 | 279.7 | 0 |
| Contingency | 40 | 21.8 | 55.1 | 35.7 | 45.9 | 28.9 |
| Total | 5,071.2 | 3,379.9 | 5,627.5 | 4,421.7 | 7,026.9 | 5,520.4 |
| Composition variance (%) | | 43.60% | | 29.20% | | 36.80% |

*Source: Annual original budget and programme implementation report for Makueni County*

Variance in expenditure composition by administrative/functional classification was more than 15 per cent in the last three years.

***Dimension rating =D.***

### *PI-2.2: Expenditure composition outturn by economic type*

37. The County Treasury and the Chief Officers administer expenditures according to administrative, economic, and programming classifications. The extent of variance between actual and budgeted expenditure by composition of expenditure by economic type is presented in Table 3.6. Actual expenditure deviated from the original budget appropriation by 31%, 140% and 27.4% during the FYs 2013/14, 2014/15 and 2015/16 respectively. The result is heavily influenced by fluctuations in consumption of fixed capital and compensation of employees, the two largest items in the budget.

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

| | 2013/14 | | 2014/15 | | 2015/16 | |
|---|---|---|---|---|---|---|
| **Economic head** | **Budget** | **Actual** | **Budget** | **Actual** | **Budget** | **Actual** |
| Compensation of employees | 1,426 | 1,477 | 2,228 | 2,024 | 2,287 | 2,266 |
| Use of goods and services | 1,679 | 1,069 | 1,528 | 1,071 | 1,855 | 1,744 |
| Consumption of fixed capital | 1,966 | 834 | 1,871 | 1,327 | 2,886 | 1,510 |
| Total expenditure | 5,071 | 3,380 | 5,628 | 4,422 | 7,027 | 5,520 |
| Composition variance (%) | 31.0% | | 140.0% | | 27.4% | |

*Source: AFSs*

The analysis shows a particularly low execution rate of consumption of capital and thus a significant amount of unutilized budget. One of the reasons for the deviation was the late approval of the budget. For instance, the 2014/15 budget was approved on 4th March 2015, leaving the county with a short period of time to implement the development programmes (see PI-18.3). The report of the OAG for 2013/14 showed that there was no budgetary provision for the construction of County Government of Makueni office block, Governor and Deputy Governor's residencies, which makes deviation even more important. The under-spending of budgeted recurrent expenditure indicates that the county's budget was not realistic for all the financial years under review. However, the execution rate of compensation of employees was the highest of all categories and even exceeded 100 per cent in 2013/14.

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

***Dimension rating = D.***

### *PI-2.3: Expenditure for contingency reserve*

38. The assessment revealed that there was no officially approved contingency fund in the county. A legal framework is required to create a contingency reserve fund even though an emergency reserve fund is already in existence. However, an emergency fund is created to cater for unforeseen circumstances. Information on contingent liabilities can be found under the emergency fund.

39. Table 3.7 summarizes the use of emergency funds for the year ended 30th June 2016 as reported to County Assembly as emergency funds report. Items of the energy fund are identified in the Standard Chart of Accounts. However, the external audit on financial statements for 2013/14 discloses that the county government made payments of Ksh 13.78 million for the supply of emergency materials and construction of various projects under emergency expenditure category. The County Assembly approval was not made available for audit review to confirm that the expenditure and the projects qualified to be categorized under emergency projects.

**Table 3.7: List of contingency items for 2015/16 (Ksh millions)**

| Details | Date | Amount |
|---|---|---|
| Dormitory construction Utithi secondary school-education | 21/09/2015 | 0.17 |
| Supply of diesel for grader at Mbitini-transport | 21/09/2015 | 1.49 |
| Supply of diesel for grader at Mbitini-transport | 21/09/2015 | 0.05 |
| Supply of diesel for grader at Mbitini-transport | 21/09/2015 | 0.34 |
| Supply of diesel for grader at Mbitini-transport | 21/09/2015 | 0.33 |
| Payment of supervisors and operators | 23/09/2015 | 0.33 |
| Kwolingu river opening | 06/11/2015 | 0.35 |
| Shipment and handling costs of medical equipment-health | 19/11/2015 | 10.79 |
| Supply of fuel | 09/12/2015 | 0.17 |
| Emergency response | 11/12/2015 | 0.03 |
| Supply of emergency materials | 22/12/2015 | 1.10 |
| Operators facilitation for emergency | 15/01/2015 | 0.13 |
| Supply of emergency materials | 24/02/2016 | 0.99 |

| | | |
|---|---|---|
| Supply of certified seeds | 06/03/2016 | 4.99 |
| Supply of beddings at barazani girls | 31/03/2016 | 0.53 |
| Payment for clearance of medical equipment | 15/04/2016 | 6.98 |
| Supply of mattress | 23/06/2016 | 0.17 |
| Total contingencies | | 28.93 |
| Total expenditure | | 5520.4 |
| Total contingencies in % of expenditure | | 0.52% |

*Source: AFS and CBROP*

40. The county government entered into a contract for the construction of a primary school under emergency expenditure category and made payments totalling Ksh 16 million. However, no documents were made available for audit review to confirm that the expenditure and the project qualified to be categorized under emergency projects. Table 3.8 shows that actual expenditure charged to contingency was on average 0.5 per cent, which would increase to about 1 per cent when unrecorded uses of emergency items are included.

**Table 3.8: Updated contingency items for 2015/16 (Ksh millions)**

| Details | Amount |
|---|---|
| Registered contingencies | 28.93 |
| Unregistered contingencies | 58.79 |
| Total contingencies | 42.71 |
| Total expenditure | 5,520.4 |
| Total contingencies in % of expenditure | 1.06% |

*Source: Authors calculations*

In summary, the actual expenditure charged to contingency was on average less than 3 per cent of the original budget.

***Dimension rating = A.***

### *PI-3: Revenue outturn*

41. The main sources of revenue for county governments in Kenya are equitable share, conditional grants and own source revenues. These revenues 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 Governments share of revenue, either conditionally or unconditionally. Conditional allocations are tied to implementation of specific national policies with specific objectives by the National Government.
- *Own source revenue:* 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.

Summary of scores and performance table

| PI-3 Revenue outturn (M2) | D | Brief justification for score |
|---|---|---|
| 3.1 Aggregate revenue outturn | D | Actual local revenue and transfers from international organizations were far below 92% of budgeted revenue in the last three years |
| 3.2 Revenue composition outturn | D* | Variance in revenue composition cannot be calculated because a breakdown of local revenue is not available for estimates and actual revenue |

***PI-3.1: Aggregate revenue outturn***

42. Budgeted and actual revenue streams by source are presented in Table 3.9. The equitable shares that represent the highest revenue source for the county (accounting for more than 90% of total revenues) are not considered in this indicator but as transfers to be covered by HLG-1. Therefore, calculation to score the indicator is made only on the grants originating from international organizations and own source of revenue. The table below shows total budgeted and actual revenue for the last three years. Actual revenue to budgeted revenue was only 26.8 per cent in 2013/14, 39.2 per cent in 2014/15 and 35.1 per cent in 2015/16.

**Table 3.9: Aggregate revenue outturn (%)**

| | 2013/14 | 2014/15 | 2015/16 |
|---|---:|---:|---:|
| Budget | 704.91 | 1 057.23 | 695.15 |
| Actual | 189.19 | 414.77 | 244.30 |
| % share | 26.84% | 39.23% | 35.14% |

*Source: AFS*

43. Aggregate revenue outturn execution rate has been lower than expected because both grants from international organizations and own source revenues were significantly below their expected level (see PI3.2).

In summary, actual local revenue and transfers from international organizations were far below 92 per cent of budgeted revenue in the last three years.

***Dimension rating = D.***

### *PI-3.2: Revenue composition outturn*

The composition outturn indicator was computed using the value of revenue in the original approved budget, by comparable classification and the end-of year outturn for the same categories for each of the last three completed fiscal years.

44. According to the calculation sheet provided by the PEFA Secretariat, different categories of revenue should be used for the assessment, such as: taxes on income, taxes on property, taxes on goods and services, grants from international organizations, sales of goods, fines, etc. However, the breakdown of budget local revenues was not disclosed in budget documentation and only the breakdown of actual local revenues is available in annual financial statements. Consequently, only grants from international organizations and own source revenue could be considered for scoring the indicator.

45. The overall performance of the revenue outturn for Makueni County government is summarized in Table 3.10. According to the CBROP 2015, the shortfall in own source revenue for 2014/15 was due to delay in passing of the Finance Bill for the year 2014/15. In addition, no grants from international organizations budgeted in 2013/14 was transferred to the county because it was the first year of implementation, but actual grants were also much below expectations in 2014/15 and 2015/16.

**Table 3.10: Revenue composition outturn for the last 3 fiscal years (Ksh millions)**

| Economic head | 2013/14 | | 2014/15 | | 2015/16 | |
|---|---|---|---|---|---|---|
| | Budget | Actual | Budget | Actual | Budget | Actual |
| Grants from intern. organizations | 354.9 | 0 | 657.2 | 199.4 | 295.1 | 24.1 |
| Own source revenue | 350.0 | 189.1 | 400.0 | 215.1 | 400.0 | 220.1 |
| Total | 704.9 | 189.1 | 1,057.2 | 414.8 | 695.1 | 244.3 |

*Source: AFS*

46. The variance in revenue composition cannot be calculated because a breakdown of local revenue is not available for estimates and actual revenue.

In summary, variance in revenue composition cannot be calculated according to the PEFA methodology.

***Dimension rating =D*.***

***On-going reforms***

47. The county has put in place measures to enhance revenue mobilization by reducing leakages, enhancing efficiency and identifying new revenue sources.

## 3.3 Pillar II: Transparency of Public Finances

There are five performance indicators under this pillar: budget classification, budget documentation, central government operations outside financial reports, transfers to sub-national governments, performance information for service delivery and public access to fiscal information. These indicators measure whether the budget and fiscal risks oversights are comprehensive and whether fiscal and budget information is accessible to the public.

***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 using GFS standards (at least level 2 of the GFS standard) or a classification that can produce consistent documentation comparable with those standards |

***PI-4.1: Budget classification***

48. The county budget classification is done in accordance to the National Government legal framework, which originates from the PFM Act 2012. The PFM act requires budget classification to be presented according to administrative, economic, programme-based budget (PBB) format. The classification is based on Standard Chart of Accounts (SCOA) derived from GFS standards. The PBB presents the budget by programmes according to administrative and economic classifications. Budget execution and reporting are presented according to administrative, economic, and programming classification. The administrative units to which programmes are classified and further reported in the accounts and budgets are set in the County Government Act 2012 and the Constitution of Kenya.

49. The functional classification is related to the administrative classification; as key persons are responsible for different sectors. This classification differs from the National Government classification, since some functions are not devolved, e.g. primary and higher education, security, among others.

50. The administrative classification consists of two different levels:

- the first level is composed only of:
- The County Government Executive (County Treasury);
- The County Assembly (Finance Budget and Appropriation Committee).
- The second level is composed of the key management personnel (accounting officers)) who has direct fiduciary responsibility, as follows:
- Office of the Governor
- Finance and Economic Planning
- Roads, Public Works and Transport
- Health and Sanitation

- Education and ICT
- Agriculture and Irrigation
- Livestock Development, Veterinary Services and Fisheries
- Trade, Industry, Cooperative Development and Energy
- Lands, Physical Planning and Urban Development and Housing
- Water, Environment and Natural Resources
- Tourism, Culture, Gender and Social Development
- Makueni County Public Service Board

51. The first level of programming classification is presented below:

- P 1: General Administration Planning and Support Services
- P 2: County Executive Affairs
- P 3: Public Service Board Services
- P 4: Field Administration Services
- P 5: Special Initiatives

52. Budgets have been consistently applying the administrative, economic, functional classification criteria. The budget is initially built in Excel before being uploaded as vote heads into the budget planning system through IFMS.

In summary, the County Government of Makueni budget is formulated, executed and reported on administrative, economic and functional classification using GFS/COFOG standard. However, economic classification is compatible with GFS standards only at level 2 of the GFS standard budget classification and the functional/programming classification is not compliant with COFOG at the detailed level.

***Dimension rating =C.***

### P*I-5: Budget documentation*

Summary of scores and performance table

| PI-5 Budget documentation (M1) | D | Brief justification for score |
|---|---|---|
| 5.1 Budget documentation | D | 4 elements (2+2) fulfil the criteria, with only two satisfying the basic criteria |

### *5.1: Budget documentation provided to the County Assembly*

53. According to Section 130 of PFM Act 2012, the previous year's budget outturn should be presented in the same format as the budget proposal, but this criterion is not satisfied in practice. However, the revised budget final supplementary estimates of current year are presented in the CSFP in the same format as the budget proposal. Finally, aggregation of both revenue and expenditure are presented in the CFSP and CBROP according to the main heads of the budget classification (programming/administrative and economic). However, data for the current and previous year with a detailed breakdown of revenue and expenditure estimates are not included.

54. Although Section 130 of PFM Act 2012 provides deficit financing through borrowing, county governments were restrained from borrowing in the absence of a clear borrowing framework. The county operates on a balanced budget principle and therefore anticipates no deficit or surplus in 2016/17.

55. Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate are considered only at the national level in the CFSP. Consequently, the criteria have been considered as non-applicable. The CBROP does not provide an explanation of budget implications of new policy initiatives and major new public investments.

56. A 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 debt stock nor a debt management strategy. The medium-term fiscal forecasts are done in the current budget and the CFSP. There were no indications of quantification of tax expenditures. The table 3.11 presents the compliance of elements contained in the budget documentation with basic elements of the PEFA methodology.

**Table 3.11: Compliance of elements contained in the budget documentation with basic elements of the PEFA methodology**

| | **Elements** | **Criteria** |
|---|---|---|
| | Basic elements | |
| 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 | Yes |
| 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) | No |
| | Additional elements | |
| 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 | N |
| 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, etc | N |
| 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 | No |

In summary, current fiscal year's budget fulfils the criteria while forecast of fiscal deficit is considered to be fulfilled as far as the basic elements are concerned. For the additional elements, deficit financing is considered to be fulfilled and documentation on the medium-term fiscal forecasts is provided.

***Dimension rating =C.***

### *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* | Expenditure outside government financial reports is likely less than 5% of total BCG expenditure, but no evidence was provided |
| 6.2 Revenue outside financial reports | D* | Revenue outside the government financial report is likely less than 5% of the total BCG revenue, but no evidence was provided |
| 6.3 Financial reports of extra-budgetary units | D | Detailed financial reports of the extra budgetary units are audited by the Auditor General within 9 months after the end of the year |

### *PI-6.1: Expenditure outside financial reports*

57. Budgetary units outside annual financial statements are considered to be the Makueni Sand Harvesting Authority, whose funding comes from the County Government, and the Early Childhood Development (ECD) centres. However, even though Makueni Sand Harvesting Authority raises money through licenses and fees, it has not prepared Annual Financial Statements. The ECD centres do not prepare/submit any financial statements either.

In summary, it was reported that expenditure outside government financial report is likely to be less than 5 per cent of the total county budget, but no evidence was provided.

***Dimension rating =D*.***

### *PI-6.2: Revenue outside financial reports*

58. It was reported that only ECD centres got revenues from the county government, which were not recorded in the government financial reports, even though this accounted for less than 5 per cent of the total county budget. Because ECD centres do not provide annual financial statements, additional revenues such as registration fees, school fees, donor grants, direct payments, nutrition support, etc are unknown.

***Dimension rating =D*.***

### *PI-6.3: Financial reports of extra-budgetary units*

59. No financial reports of the extra-budgetary units audited by the Auditor General were provided.

***Dimension rating =D*.***

### *On-going reforms*

60. The County government is in the process of bringing all the extra-budgetary units into the budget. This is demonstrated by the inclusion of the Sand Cess company in the budget under the section 'other revenues'.

### *PI-7: Transfers to sub-county governments*

### *PI-7.1: System for allocating transfers*

61. This component has not been assessed because there were no transfers to sub-county units/entities.

***Dimension rating = N/A.***

### *PI-7.2: Timeliness of information on transfers*

62. This component has not been assessed because there were no transfers to sub-county units/entities.

***Dimension rating = N/A.***

Summary of scores and performance table

| PI-7 Transfers to sub-national governments (M2) | N/A | Brief justification for score |
|---|---|---|
| 7.1 System for allocating transfers | N/A | There were no transfers to sub-county units/entities |
| 7.2 Timeliness of information on transfers | N/A | There were no transfers to sub-county units/entities |

### *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 | D | A framework of performance indicators relating to the outputs or outcomes of the majority of ministries is not in place and no performance plan is published |
| 8.2 Performance achieved for service delivery | D | No information related to performance achieved for service delivery is published annually |
| 8.3 Resources received by service delivery units | D | Information on actual resource disbursements service delivery units is available but it is not disaggregated by source of funds and is not disclosed in reports |
| 8.4 Performance evaluation for service delivery | D | No independent evaluation of efficiency and effectiveness of service delivery has been performed |

***PI-8.1: Performance plans for service delivery***

63. Makueni County has prepared Programme-Based Budget (PBB) since 2014/15, which includes information on outputs and outcomes of the budget. The PBBs are discussed in public forums at sub-county level. However, information on policy or programme objectives, key performance indicators, outputs and outcomes for most ministries, disaggregated by programme or function, is not published. A framework of performance indicators relating to the outputs or outcomes of most ministries is not prepared/published either.

A framework of performance indicators relating to the outputs or outcomes of most ministries is not in place and no performance plan is published.

***Dimension rating =D.***

***PI-8.2: Performance achieved for service delivery***

64. The County Treasury reviews annually the status of budget implementation, which is contained in the CBROP. A section of the CBROP discusses the outputs/key achievements on implementation of the budget. However, no precise information on the activities performed for most ministries is published annually.

In summary, no information related to performance achieved for service delivery is published annually.

***Dimension rating =D.***

### *PI-8.3: Resources received by service delivery units*

65. Information on actual resource disbursements to service delivery units is available, but it is not disaggregated by sources of funds given that all resources to counties (equitable share, own source revenue and grants) are lumped together. The information on actual disbursements to ministries and actual spending is published in the County Governments Budget Implementation Review Report by the Office of the Controller of Budget, but the source of funds is not mentioned in the reports. These reports do not detail resources received by service delivery units.

In summary, information on actual resource disbursements service delivery units is available but it is not disaggregated by source of funds and is not disclosed in reports.

***Dimension rating =D.***

### *PI-8.4: Performance evaluation for service delivery*

66. The County Government of Makueni prepares service delivery reports for all ministries and implementation of budget reports indicates achieved outputs. However, there have been no independent evaluations of the efficiency and effectiveness of service delivery within the county.

In summary, no independent evaluation of efficiency and effectiveness of service delivery has been performed.

***Dimension rating =D.***

### *On-going reforms*

67. The County Government of Makueni has institutionalized performance management through the establishment of the Office of the Performance Management Coordinator in the Office of the County Secretary as follows:

- Strengthening the Chief Officers' Forum to ensure cascading of performance contracts through performance appraisals to all staff in the County;
- Establishment of negotiation mechanisms through appointment of ad hoc

committees to facilitate the negotiation before signing of performance contracts and work as an evaluation committee at the end of the financial year to oversee the evaluation process and the ranking; and

- Strengthening the capacity of the Performance Contracting Secretariat to ensure efficient monitoring of the implementation of performance contracts in the county; consolidation of incomplete projects in the performance contracts of the following financial year; consideration of County Vision 2025 flagship projects in performance contracts; analysis of implementation by Directorates to ensure monitoring and quarterly reports and feedback are presented to assess achievement; and the development of performance management systems.

### *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 | The government makes available to the public only one basic element in accordance with the specified time frame. |

### *PI-9.1: Public access to fiscal information*

68. Public access to fiscal information at the sub-national level refers to access of the general public within the area and jurisdiction of the sub-national government. Article 35 of the Constitution and the PFM Act 2012 emphasizes the importance of public access to information: The County Executive Committee member for finance shall take all reasonably practicable steps to ensure that the approved budget estimates are prepared and published in a form that is clear and easily understood by, and readily accessible to, members of the public.

69. In assessing this indicator, five basic elements and four additional elements have been considered. Of the basic elements, a complete set of executive budget proposal documents (as presented in PI-5) is not available to the public within one week of the executive's submission of the documents to the legislature. Further, the enacted budget is not immediately published in the County Assembly website after it has been passed. However, the

public can get copies of the enacted budget from the County Government offices and ward offices. The County Executive puts in its website various documents such as ADP, CFSP, CIDP, and CBROPs (not for all years) but the in-progress reports of budget implementation are not published. The CFSP and the CBROP are published on the internet with delays.

70. During the preparation and approval process of the annual budget, the public participates through various forums (*barazas* and radio). The County Assembly has a library where the documents may be accessed by the public. The information is only availed in English, but a translator is engaged during the public participation forum. Local radio discussions are also made in the local dialect where the public are allowed to call in and contribute on the fiscal documents before and after being tabled in the County Assembly. The public participation initiative is cascaded downward to the lowest ward levels where Ward Administrators help explain the budget and other public initiatives to the people. Whereas the County does not publish audited financial reports, the same are available in the website of the OAG, and on the website of the County Government, although not within twelve months after the end of the year. The compliance to the basic elements is reported as follows:

| Elements | Compliance |
|---|---|
| ***Basic elements*** | |
| 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 |
| Enacted budget: The annual budget law approved by the legislature is publicized within two weeks of passage of the law | No |
| 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 |
| Annual budget execution report: The report is made available to the public within six months of the fiscal year's end | No |
| Audited annual financial report, incorporating or accompanied by the external auditor's report: The reports are made available to the public, but not within twelve months of the fiscal year's end. | No |
| ***Additional elements*** | |

| | |
|---|---|
| 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 |
| Other external audit reports: All non-confidential reports on county government consolidated operations are made available to the public within six months of submission | No |
| Summary of the budget proposal: A simple, clear 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 |
| Macroeconomic forecasts: The forecasts, as assessed in PI-14.1, are available within one week of their endorsement. | No |

In summary, the government makes available to the public only one basic element in accordance with the specified time frame.

***Dimension rating = D.***

## 3.4 Pillar III: Management of Assets and Liabilities

Summary of scores and performance table

| PI-10 Fiscal risk reporting (M2) | C+ | Brief justification for score |
|---|---|---|
| 10.1 Monitoring of public corporations | C | Only two public corporations operate in the county. Audited AFS are presented to the county government within nine months of the end of the fiscal year |
| 10.2 Monitoring of sub-national governments | N/A | Not applicable because the county operations are centralized at county level |
| 10.3 Contingent liabilities and other fiscal risks | D | The county does not provide any information about any contingent liabilities in its financial statement and does not mention the debt left by the defunct authorities |

### *PI-10.1: Monitoring of public corporations*

71. Public corporations are those established under the laws, control, and ownership of the sub-national government. The dimension applies only if the sub-national entity has direct ownership of the public corporation. The Public Finance Management Act 2012 Section 164 (4) requires every public entity to have completed and submitted its Annual Financial Statements (AFS) as on 30th September every year. Wote Water and Sewerage Company Ltd and Kibwezi-Makindu Water and Sanitation Company Ltd need to be considered as public enterprises according to the PEFA methodology. They submit their financial reports to the Auditor General for audit, which are then presented to the county government within nine months of the end of the fiscal year.

***Dimension rating = C.***

### *PI-10.2: Monitoring of sub-county governments*

72. There are supposed to be further devolved units below the county government level as per the Urban Areas and Cities Act 2011, but the Act has not been operationalized. Therefore, the dimension is not applicable since there are no devolved units below the county government level.

In summary, the dimension is not applicable because county operations are centralized at county level.

***Dimension rating =N/A.***

### *PI-10.3: Contingent liabilities and other fiscal risks*

73. The county does not provide information for any contingent liabilities and other fiscal risks from its own programmes and projects in its annual reports (CBOP and CFSP) and financial statements. Also, the government does not provide any guarantees for types of loans such as mortgage loans, student loans, agriculture loans, and small business loans, etc. The government does not manage any private pension fund insurance either, and there was no PPPs or court cases during the period under review.

In summary, the county does not provide any information about any contingent liabilities in its financial statement and does not mention the debt left by the defunct authorities.

***Dimension rating = D.***

### *PI-11: Public investment management*

Summary of scores and performance table

| PI-11 Public investment management (M2) | C | Brief justification for score |
|---|---|---|
| 11.1 Economic analysis of investment proposals | D | There is no evidence showing that economic analyses are conducted to assess major investment projects |
| 11.2 Investment project selection | A | All major investment projects are prioritized based on the established public participation framework on the basis of clear criteria. The county has documented its public participation framework |
| 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. However, recurrent costs are not included |
| 11.4 Investment project monitoring | D | Project monitoring is done by both the technical department and other stakeholders including the public. The monitoring and evaluation reports do not disclose detailed information on the follow up of major investment projects |

### *PI-11.1: Economic analysis of investment proposals*

74. The County undertook feasibility studies before implementation of the following projects:

- Kalamba fruit processing plant (Ndunda or Mary–CO Agriculture);
- Kambu abattoir (Esther–CO Trade)
- Thwake bridge (Kingola–CO Transport)
- ENE Microfinance bank (Esther–CO Trade)
- The universal health care (the business case and the guidelines) – Director Kiuluku
- The business case and guidelines for Tetheka fund–CO Gender

- Emali Bus Park

75. The County Budget and Economic Forum assists the County in reviewing the economic analyses of the projects. All projections are included in the budget documents. However, no evidence of economic analysis or rigorous analytical techniques to appraise their viability was provided.

There is no evidence showing that economic analyses are conducted to assess major investment projects.

***Dimension rating = D.***

### *PI-11.2: Investment project selection*

76. Selection of the projects to be implemented during the financial year in Makueni County is through the established public participation model. The participation involves identification and prioritization of projects from the 3,455 villages up to the Ward level. Project selection entails a consultative approach that is done according to the County Government Act.

77. The criterion for selecting projects is guided by treasury circulars. The circulars give guidance on the way community will identify and prioritize projects on the basis of either earlier funded projects, completion of existing projects, strategic objectives of the government, among others. The county has documented its public participation framework, which is available on the County Executive website. A public participation matrix is provided and available on the website of the County Executive. After each project is funded in the budget, each department is required to prepare a Cabinet paper for the projects. The Cabinet paper details the project background, justification of the project, project bill of quantities, risks inherent in project implementation, and stakeholders to be involved. After approval of the Cabinet paper by the Cabinet, the department starts the process of procurement and implementation. Public participation framework is clearly empowering the public by placing selection process and final decision making authority in the hands of the 55 representatives of their development committees.

In summary, all major investment projects are prioritized based on the established public participation framework and clear selection criteria.

***Dimension rating = A.***

### *PI-11.3: Investment project costing*

78. The county prepares programme-based budgets (PBB) with reference to key county/national government policy documents, particularly the Makueni County Integrated Development Plan (2013-2017), the Second Medium Term Plan (2013-2017) of the Vision 2030, and the draft Makueni County Strategic Plan (2013-2018). All these documents were provided and published. The total cost of projects is consolidated in the programme-based budget documents but expenditure is categorized into three broad categories: compensation to employees, recurrent and development expenditures. The costs of each programme presents both the recurrent and development costs. The recurrent costs include Project Management Committee (PMC) costs, and monitoring and evaluation (M&E). A policy has been developed to give guidelines on the payments of the recurrent costs.

In summary, the county does programme-based budgeting. Costs of each programme/sub-programe include development and recurrent costs. There is a distinction of projections between capital and recurrent costs of approved investment projects in the budget documents. Evidence is included in the budget documents.

***Dimension rating = C.***

### *PI-11.4: Investment project monitoring*

79. Project monitoring is done jointly by the technical departments, community members and host departments. The visits are periodical depending on the status and nature of each project. Information regarding the project is prepared by each department and is contained in the budget.

80. The status of the project is published online at https://www.makueni.go.ke/projects/public/projects.php. The status mentions only whether the project is new, has been completed or is still ongoing. In addition, the follow-up shows a lot of inconsistencies, such as: amount of expenditure being the same as the amount of budget while the project is still ongoing, “complete” mentioned instead of the amount of the budget, no expenditure shown while the project is “ongoing”, etc. This “online” follow-up does not appear to be very reliable and no official report is produced.

81. Independent monitoring and evaluation is also done by the Office of the Auditor General (OAG). For instance, according to the report by the OAG for 2014/15, the County Government entered into a contract for the extension of Kiboko Twaandu Water project at a contract sum of Ksh 5.2 million. Although

the contractor had been paid 93 per cent of the total cost of the project at the time of audit inspection, the project was half-way complete. Further, the outstanding works were not done due to way leave complications. The same report points out that the County Government entered into a contract for the supply and installation of a geographical information system phase one at a cost of Ksh 5.6 million. The project was to be done in two phases, but no funds had been put aside for phase two, which meant that value for money spent in phase one may not be realized without implementation of phase two.

82. For the construction of Kalamba fruit processing plant, the County Government paid Ksh 31 million to contractors for various preliminary works and services, including a payment of Ksh 6.3 million for consultancy services. However, the management did not avail the relevant procurement documents for audit review. For the construction of county technical training institutes, early childhood development (ECD) centres and rural electrification projects in various wards in the county at a total cost of Ksh 58 million, the County Government did not give full contracts to the contractors but instead split the contracts into two portions; the first portion was for the supply of the required materials and the second part was for supply of labour. The result was poor workmanship of the projects and some delivery of materials could not be verified. Further, market survey for the building materials was not carried out. In addition, it was impossible to check how the labour costs were determined.

In summary, the total cost and physical progress of investment projects are monitored by the technical departments of the implementing unit and a follow-up is available online. However, this information is not reliable and no monitoring and evaluation reports have been issued by the County Executive.

***Dimension rating = D.***

### *PI-12: Public asset management*

Summary of scores and performance table

| PI-12<br>Public asset management (M2) | D | Brief justification for score |
|---|---|---|
| 12.1 Financial asset monitoring | D | The government maintains a record of its holdings in all categories of financial assets, which are cash in hands and participation in one public enterprise but no record provided to show the assets which were handed over to the County Government, 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, but information on their usage and age is not published, while it is sometimes collected. Records are updated upon acquisition of new assets. |
| 12.3 Transparency of asset disposal | D | Rules for transfer or disposal of financial assets do exist but no transfer of assets has been registered yet |

### *PI-12.1: Financial asset monitoring*

83. Makueni County maintains records for financial assets such as cash in hand and in bank. Records for county corporations such as the Sand Harvesting Authority are contained in the Annual Financial Statements. Since these are the only financial assets counties are mandated to hold, records for the other forms of financial assets are non-existent.

84. According to a special audit report of the OAG on the operation of Makueni County Government and former councils for the period 1 January to 30 June 2013, "there was no record provided to show the assets which were handed over to the County Government. During the period ended 30 June 2013, the County Government of Makueni did not validate or consolidate its fixed assets especially those relating to the three defunct local authorities. The fixed asset balance for the period ending 30 June 2012 totalled Ksh 30,472,084".

In summary, financial assets are cash in hand and participation in one public enterprise, which are reported in annual financial statements. These asset holdings are published as AFS in the annex of the report of OAG, which is available online but they are incomplete.

***Dimension rating = D.***

### *PI-12.2: Non-financial asset monitoring*

85. The County Government maintains a register of fixed assets at historical costs. Records of these assets are maintained by every department. A summary of categories of non-financial assets for the 2014/15 and 2015/16 is reported in Table 3-12.

**Table 3.12: Categories of non-financial assets, 2014/15 and 2015/16 (Ksh millions)**

| Asset class | 2014/15 | 2015/16 |
|---|---:|---:|
| Land | 29.6 | - |
| Buildings and structures | 239.1 | 336.6 |
| Transport equipment | 288.4 | 99.3 |
| Office equipment, furniture and fittings | 13.0 | 164.4 |
| ICT equipment, software and other ICT assets | 23.8 | 10.9 |
| Other machinery and equipment | 34.8 | 52.1 |
| Household furniture and institutional equipment | - | 0.3 |
| Biological assets | 12.6 | 5.1 |
| Total | 641.3 | 668.7 |

*Source: County Executive*

86. Fixed assets are reported yearly in Annex 3 to the financial statements, but with some inconsistencies. For instance, the report of the OAG finds an unexplained difference of Ksh 430 million and points out that assets were not included in the fixed assets summary in the previous years. In addition, the fixed assets inherited from the defunct local authorities have not been incorporated. Accord to the OAG special audit report, "there was no record provided to show the assets which were handed over to the County Government. During the period ended 30 June 2013, the County Government of Makueni did not validate or consolidate its fixed assets especially those relating to the three defunct local authorities. The fixed assets balances for the period ending 30 June 2012 totalled Ksh 30,472,084".

87. As far as purchase of assets is concerned, the management did not produce procurement documents for audit verification. For instance, the sizes and ownership of three parcels of land could not be verified as no official documents were produced by the county government. The documents for all

the parcels of land that had been purchased by the county government had not been processed.

In summary, there is a register for non-financial assets and the records are updated upon acquisition of new assets, but the accuracy and completeness of the fixed assets register could not be confirmed by the OAG. The information about their usage and age is not published.

***Dimension rating = D.***

### *PI-12.3: Transparency of asset disposal*

88. The County Government of Makueni has adopted the disposal procedure as per the disposal of public assets and stores provided under part 14 sections 163,164, 165 and 166 of the Public Procurement and Assets Disposal Act 2015. This provision has been incorporated in the County Government of Makueni Financial Regulation and Procedures Manual, section 10.13 on disposal procedure. However, no transfer of assets has been registered yet in the accounting documents.

In summary, rules for transfer or disposal of financial assets do exist but no transfer of assets has been registered yet.

***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 | The county has not incurred any new debt, but inherited debt from the previous sub-national entities. These debt records are not updated and published annually |
| 13.2 Approval of debt and guarantees | N/A | Authorization to borrow, issue new debt, and issue loan guarantees on behalf of the county government to entities specifically is not included in the legislation yet |
| 13.3 Debt management strategy | D | A debt strategy is under development with IBEC, but has not been implemented yet |

### *PI-13.1: Recording and reporting of debt and guarantees*

89. Counties are allowed to borrow domestically or externally by Article 212 of the Constitution and under Section 140 of the PFM Act 2012. Borrowing framework is anchored in County PFM Regulations 2015 (176-196). However, Section 140 (d) of the PFM Act 2012 requires county governments to develop a debt management strategy, which is not the case yet (see PI-13.3). Consequently, the county has not incurred any new debt but has inherited debt from the previous sub-national entities. These debt records are not updated and published.

In summary, the county has not incurred any new debt, but inherited debt from the previous sub-national entities. These debt records are not updated and published annually.

***Dimension rating = D.***

### *PI-13.2: Approval of debt and guarantees*

According to Article 212 of the Constitution on public finance management and devolution, county governments are allowed to borrow only if guaranteed by the National Government and approved by the County Assembly. According to Article 213 of Constitution, guarantees by National Government must adhere to the following:

- Parliament to enact a law and prescribe how National Government may guarantee loans.
- Within two months after the end of a fiscal year, National Government to publish a report on all guarantees issued during past year.
- Authorization to borrow, issue new debt, and issue loan guarantees on behalf of the County Government to entities specifically is not yet included in the legislation. Therefore, documented policies and procedures do not provide guidance yet for undertaking borrowing and other debt-related transactions and issuing loan guarantees to one or several entities.

In summary, counties are allowed to borrow and the borrowing framework is anchored in County PFM Regulation, but there is currently an administrative moratorium on county borrowing.

***Dimension rating =N/A.***

***PI-13.3: Debt management strategy***

90. The Public Finance Management Act 2012 requires County Treasury to submit the County Government Debt Management Strategy to the County Assembly. Section 123 stipulates that: "On or before 28th February in each year, the County Treasury shall submit to the County Assembly a statement setting out the debt management strategy of the County Government over the medium term with regard to its actual liability and potential liability in respect of loans and its plans for dealing with those liabilities. The Makueni County 2016 County fiscal strategy paper simply mentions that: The County debt shall be maintained at a sustainable level as approved by County Assembly and that ... The County will uphold the fiscal responsibility principals outlined in the Public Finance Management Act 2012 which are - among others - limiting the county debt financing and any borrowing would be for development expenditure only. However, the county is yet to develop a debt management strategy or establish a debt management unit.

In summary, a debt strategy is under development with IBEC, but has not been implemented yet.

***Dimension rating = D.***

***On-going reforms***

91. The process of identifying and costing the inherited debt is currently ongoing and it being managed by the IGTRC. A county debt framework is being developed by National Treasury in consultation with Intergovernmental Budget and Economic Council (IBEC).

## 3.5 Pillar IV: Policy-based Fiscal Strategy and Budgeting

***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 does not prepare any macroeconomic forecasts, which are prepared at the national level |

| | | |
|---|---|---|
| 14.2 Fiscal forecasts | C | The county prepares revenue and expenditure forecasts for the current year and the two following years in the CBROP and revenue forecasts in the CFSP, but there is no clear presentation of the assumptions. The documents are submitted to the assembly |
| 14.3 Macro fiscal sensitivity analysis | D | The county does not prepare any fiscal policy scenarios |

### *PI-14.1: Macroeconomic forecasts*

92. According to Section 117 (2) of the PFM Act 2012, the County Treasury shall align its County Fiscal Strategy Paper (CFSP) with the national objectives in the budget policy statement. In addition, Section 118 (2) b) requires that the County Treasury specifies in its CBROP the updated economic and financial forecasts showing changes from the forecasts in the most recent CFSP. The CFSP should be presented to the Count Assembly by 28$^{th}$ February of budget year. Section 117 (6) of the PFM Act states that the County Assembly should in 14 days consider and may adopt it with or without amendments. Further, the County Treasury shall publish and publicize the CFSP after its submission in the Count Assembly (Section 117 (8) of the PFM Act). However, Makueni County documents presented to the County Assembly do not undertake any macroeconomic forecasts. They only include a brief outlook on key macroeconomic indicators in the CFSP, which covers the pervious and current years.

In summary, the county does not prepare any macroeconomic forecasts, which are prepared at the national level.

***Dimension rating = N/A.***

### *PI-14.2: Fiscal forecasts*

93. The county prepares revenue forecasts for the current year and the two subsequent years (by type – own source revenue, equitable transfer and conditional grants, but not by revenue streams) which are presented in the CFSP (Table 3.13). The CFSP was submitted to the County Assembly and approved. For revenue and expenditure, only forecast for the current year and one subsequent year are provided. The CSFP 2016 presents total projected revenue in 2015/16, 2016/17/2017/18, and a breakdown of expenditure by

sectors only for the 2015/16 and 2016/17 financial years. In Annex 1 of the CSFP, sector ceilings are presented only for 2015/16 budget and 2016/17 budgets. However, the projected revenue in the CSFP and in the CBROP have different amounts. The explanations of the main deviations are provided for in the CBROP, but there is no clear information on assumptions.

**Table 3.13: Forecasting for total revenue and expenditure for the budget year and the two following years.**

| | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|
| Total revenue | 7 026.9 | 9 533.6 | 10 458.6 |
| Total expenditure | 7 026.9 | 9 533.6 | 10 458.6 |
| Of which recurrent expenditure | 4 141.4 | 4 555.6 | 5 011.1 |
| Of which development expenditure | 2 885.5 | 4 978.0 | 5 447.5 |

*Source: BROP 2015*

94. Detailed estimates of expenditure for the budget year and the two following years are also available in the annex of the Programme Based Budgets (see PI-16).

In summary, the county government prepares forecasts of revenue, expenditure for the budget year and the two following fiscal years in the CROP. The budget balance is zero for all these years.

***Dimension rating = C.***

### *PI-14.3: Macro fiscal sensitivity analysis*

95. The county does not prepare any fiscal policy scenarios based on plausible unexpected changes in macroeconomic conditions or other external risk factors that have a potential impact on revenue, expenditure, and debt.

In summary, the county does not perform sensitivity analysis 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 only assesses proposed changes in revenue policies in the finance bill but no fiscal impact analysis is carried out |
| 15.2 Fiscal strategy adoption | B | The government has adopted and submitted to the legislature a current fiscal strategy that includes quantitative or qualitative fiscal objectives for at least the budget year and the following two fiscal years |
| 15.3 Reporting on fiscal outcomes | C | The government has submitted to the legislature along with the annual budget a report that describes progress made against its fiscal strategy but the reasons for any deviation from the objectives are not clearly exposed |

### PI-15.1: Fiscal impact of policy proposals

96. The county only assesses proposed changes in revenue policies in the finance bill but no fiscal impact analysis is carried out.

***Dimension rating = D.***

### PI-15.2: Fiscal strategy adoption

97. The County Treasury prepares County Fiscal Strategy Paper (CFSP) which sets out priority programmes to be implemented in the Medium-Term Expenditure Framework (MTEF) in accordance with Section 117 of PFM Act 2012. The CFSP outlines the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term. The document also includes the financial outlook with respect to county government revenues, expenditure and borrowing for the coming financial year and over the medium term. Some of the ongoing reforms include: establishing a resource mobilization unit; operationalization of the revenue automation system; and mapping all available revenue streams. The 2016 Makueni County Fiscal Strategy

Paper sets out the administration priority programmes to be implemented in 2016/17-2018/19 medium term expenditure framework (MTEF).

In summary, the government has adopted and submitted to the legislature a current fiscal strategy that includes quantitative or qualitative fiscal objectives for at least the budget year and the following two fiscal years.

***Dimension rating = C.***

### *PI-15.3: Reporting on fiscal outcomes*

98. According to the Public Financial Management Act 2012 (section 118), county governments should prepare the County Budget Review and Outlook Paper (CBROP), which presents the recent economic developments and actual fiscal performance and provides an overview of how objectives relate to the actual performance. The CBROP should also include reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time it would take to address the deviations.

99. Makueni County Executive prepares a County Budget Review and Outlook paper that reviews the previous year's performance in the County Fiscal Strategic Paper, but reasons for the deviations from the objectives are not clearly exposed in the CBROP.

In summary, the government has submitted to the legislature, along with the annual budget, a report that describes progress made against its fiscal strategy, but the reasons for any deviation from the objectives are not clearly exposed.

***Dimension rating = C.***

### *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 annual budget presents estimates of expenditure for the budget year and the two following fiscal years allocated by administrative, economic, and programme (or functional) classification |

| | | |
|---|---|---|
| 16.2 Medium-term expenditure ceilings | D | Aggregate expenditure ceilings for the budget year and the two following fiscal years are not approved by the government before the first budget circular is issued |
| 16.3 Alignment of strategic plans and medium-term budgets | D | The strategic plans have not been aligned to the medium-term budgets |
| 16.4 Consistency of budgets with previous year's estimates | D | The budget documents provide a general explanation of changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level, but this does not permit to quantify the changes to expenditure estimates |

***PI-16.1: Medium-term expenditure estimates***

100. For Makueni County, the estimates of expenditure for the budget year and the two following years by administrative and programme classification are provided for in the detailed budgets in the annex of the programme-based budgets that are submitted to the County Assembly.

***Dimension rating = A.***

***PI-16.2: Medium-term expenditure ceilings***

101. According to PFM Act 2012, the budget circular should be issued by 30$^{th}$ October. Budget ceilings are derived from the national Budget Policy Statement which are usually availed in February every year. The ceilings are included in the CFSP, which is supposed to be ready by 28$^{th}$ February. Evidence from the county indicates that aggregate and ministry-level expenditure ceilings for the budget year and the two following fiscal years were not approved before the first budget circular was issued.

***Dimension rating = D.***

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

102. The only strategic plan that has been prepared is the County strategic plan

at the count level (Makueni County Vision 2025). The county is currently in the process of preparing the ministerial strategic plans. Strategic plans have not been aligned to the medium-term budgets yet.

***Dimension rating = D.***

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

103. Estimates for the second and third year in the current medium-term budget were different from estimates in the previous medium-term budgets. However, the CBROP provides a vague explanation of some of the deviations. For instance, the CBROP 2015 simply states that "the realignments in the departmental ceilings set in the 2015 CFSP and the 2015/16 budget were occasioned by increased allocations to programmes that will facilitate the county's socio-economic transformation and the budget ceilings set by the CRA on the County Assembly and Executive".

In summary, the budget documents provide a general explanation of changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level, but this does not permit to quantify the changes to expenditure estimates.

***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 | C | A comprehensive budget circular is issued to the budgetary units. The circular does not contain ceilings but they are reflected in the CFSP. Ceilings for the budget year are approved by government before sending the budget to the County Assembly |

| | | |
|---|---|---|
| 17.3 Budget submission to the legislature | B | The executive has submitted the annual budget proposal to the legislature at least two months before the start of the fiscal year and one month before the start of the year in the third year |

### *PI-17.1: Budget calendar*

104. The county has a budget calendar which is in line with the PFM Act 2012. It is included as an appendix in the budget circular and is generally adhered to. The 2015/16 MTEF budget calendar presented in the Table 3.14 shows issue of circular for finalization of 2015/16 MTEF estimates and the submission of budget estimates to County Executive for approval. This allows budgetary units at least four weeks from receipt of the budget circular to meaningfully complete their detailed estimates on time.

**Table 3.14: Budget calendar 2015/16**

| Activity | Responsibility | Timeframe/ Deadline |
|---|---|---|
| Develop and issue circular on budget preparation and MTEF guidelines | C.E.C Finance and Planning | 2nd September, 2014 |
| Develop the County Annual Development Plan | C.E.C Finance and Planning | 15th September, 2014 |
| Undertake departments Public Expenditure Reviews | All departments/ Finance and Planning to coordinate | 30th September, 2014 |
| Development of County Budget Review and Outlook Paper (BROP) | County Treasury | By 27th September, 2014 |
| Presentation of County Budget Review and Outlook Paper (BROP) to County Executive Committee for approval | County Treasury | By 27th September, 2014 |
| Presentation of County Budget Review and Outlook Paper to County Budget and Economic Forum (CBEC) | C.E.C Finance &and Planning in consultation with the Governor | By 30th September, 2014 |
| Submission of County Budget Review and Outlook Paper (BROP) to the County Assembly | County Treasury | By 30th September, 2014 |
| Circulation of approved BROP to County Executive and Accounting Officers | County Treasury | By 30th October, 2014 |

| | | |
|---|---|---|
| Capacity building for MTEF and programme-based budget (PBB) | C.E.C Finance and Planning in collaboration with National Treasury | September – October, 2014 |
| Departmental sections to submit their inputs to relevant departments County Headquarters | Departmental sections in the sub-sections | By 30th October, 2014 |
| Start of sector consultations | All departments – Finance and Planning to coordinate in consultation with the Governor's office | By 1st November, 2014 |
| Submission of final sector reports | All C.E.Cs for their respective departments | By end of January 2015 |
| Development of County Fiscal Strategy Paper (CFSP) | County Treasury | By end of January 2015 |
| Submission of County Fiscal Strategy Paper (CFSP) to C.E.C for approval | County Treasury | By mid - February 2015 |
| Presentation of County Fiscal Strategy Paper to County Budget and Economic Forum (CBEC) | C.E.C Finance and Planning in consultation with the Governor | By 25th February, 2015 |
| Submission of County Fiscal Strategy Paper (CFSP) to County Assembly | County Treasury | By 25th February 2015 |
| Issue of circular for finalization of 2015/16 – 2017/18 MTEF estimates and PBB | County Treasury | By mid - March 2015 |
| Circulate approved County Fiscal Strategy Paper (CFSP) to County Executive and Accounting officers | County Treasury | By mid - March 2015 |
| Finalization of departmental itemized and programme-based budget (PBB) | All departments | By end - March 2015 |
| Review and finalization of departmental itemized and programme-based budgets | County Treasury | By mid - April 2015 |
| Submission of budget estimates to County Executive for approval | County Treasury | By mid - April 2015 |
| Publish departmental itemized and programme-based budgets | County Treasury | By 20th April 2015 |
| Presentation of budget to County Assembly | C.E.C Finance and Planning | By 30th April 2015 |
| Approval of the Budget and Appropriation Bill by the County Assembly | | By 30th June 2015 |
| Publication of Budget Estimates | County Treasury | By 21st July 2015 |
| Submission and Approval of the Finance Bill | C.E.C Finance and Planning and County Assembly | By 30th September 2015 |

*Source: County Executive*

105. Table 3.15 shows compliance to the budget calendar for 2015/16 and 2016/17. This calendar is generally adhered to. It was nevertheless observed that there were few cases where the timelines were not met. Budget 2015/16 was submitted on 3rd May to the County Assembly instead of 30th April. The CBROP 2015 also states that the budget was passed on 4th March 2015 and thus time was not sufficient to implement the development agenda for the budget elaboration.

**Table 3.15: Deadlines of the budget calendar and compliance for FY 201516 and 2016/17**

| Activity | Deadline | 2015/16 | 2016/17 |
|---|---|---|---|
| Develop and issue circular on budget preparation and MTEF guidelines | By 30th August | 27th August 2015 | 30th Aug. 2016 |
| Develop the County Annual Development Plan | By 15th September | 1st September 2015 | 1st Sept. 2016 |
| Submission of County Budget Review and Outlook paper to County Assembly | By 22nd October | 21st October 2015 | 21st Oct. 2016 |
| Submission of County Fiscal Strategy Paper (CFSP) to County Assembly | By 28th February | 2nd March 2015 | 22nd Feb. 2016 |
| Presentation of Budget to County Assembly | By 30th April | 30th April 2015 | 3rd May 2016 |
| Approval of the Budget and Appropriation Bill by County Assembly | By 30th June | 30th June 2015 | 30th June 2016 |

*Source: County Secretary*

In summary, 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.

***Dimension rating = B.***

### *PI-17.2: Guidance on budget preparation*

106. In the county, the budget circular is issued to budgetary units without expenditure ceilings. An annex of the circular presents a standard format for presentation of programme-based budgets that must be completed by the budget users. Expenditure ceilings are derived from the national BPS and provided for in the CFSP. Ceilings are presented by sector, programme and administrative classification, but only for the current and the following years. The submission of CFSP to the County Assembly was done on the 25th of February 2015 and the circular for finalization for 2015/16 – 2017/18 MTEF estimates and PBB was issued by mid-March 2015. Therefore, the ceilings were approved by the County Executive only before sending the budget to the County Assembly.

In summary, the budget circular is issued without ceilings. Ceilings are firstly presented in the CFSP by sector, programme and administrative classification, but only for the current budget exercise and the following year. Ceilings for the budget year and the two following years are provided for in the PBB, which is sent to the County Assembly. The budget estimates are approved by the County Executive after they have been completed in every detail by budgetary units.

***Dimension rating =C.***

### *PI-17.3: Budget submission to the legislature*

107. The County Executive submitted its annual budget proposal to the County Assembly on 30th April in 2013/14 and 2014/15 and submitted it on 3rd May in 2015/16.

***Dimension rating = B.***

### *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 legislature's 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 legislature's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to. The procedures include arrangements for public consultation. They also include internal organizational arrangements, such as specialized review committees, technical support, and negotiation procedures |
| 18.3 Timing of budget approval | C | The legislature has approved the annual budget before the start of the year in two of the last three fiscal years, with a delay of up to nine months in one of the three fiscal years |
| 18.4 Rules for budget adjustments by the executive | B | Clear rules exist for in-year budget adjustments by the executive and are adhered to in most instances. Extensive administrative reallocations may be permitted, and an increase of total amount of the budget up to 10% |

***PI-18.1: Scope of budget scrutiny***

108. The County Assembly's review covers fiscal policies, medium-term fiscal forecasts, and medium-term priorities and details of expenditure and revenue. These are included in the key budget documents that are submitted to the County Assembly, including finance bills, CFSP and the detailed budget estimates. Standing Order number 206 guides legislative scrutiny of the CFSP while Standing Order number 207 guides budget approval. The relevant budget documents are debated in the County Assembly as motions.

In summary, 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***

109. Article 35 of the Constitution, section 87 of the County Government Act 2012 and the PFM Act 2012 section 125 (2) provide that the public should be involved in the budget-making process through public participation. The

county government is required to seek the views and opinion of the public in the preparation of all budget documents. Standing Order number 187 provides for the establishment, mandate, composition and reconstitution of the County Budget and Appropriation Committee. The committee is reconstituted after every three years. The Public Accounts Committees hold public hearings/consultations on the budget. For the budget preparation, the county initiated public participation forums from Ward to the Village level. In these forums, the public highlight specific challenges they face and propose interventions to be initiated by the county government. For 2015/16, the challenges in the Water and Environment, Agriculture Livestock and Fisheries, Transport and Infrastructure and Health Services sectors were ranked as the most pressing.

In summary, the County Assembly's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to. The procedures include arrangements for public consultation. They also include internal organizational arrangements, such as specialized review committees, technical support, and negotiation procedures.

***Dimension rating = A.***

### *PI-18.3: Timing of budget approval*

110. According to the PFM Act 133, the Finance bill should be approved not more than 90 days after passing of the Appropriations Bill. According to the Public Finance Management Act 2012 - 129 (2) the County Executive should submit to the County Assembly the budget estimates, supporting documents, and any other Bills required to implement the budget, except the Finance Bill, by 30$^{th}$ April in that year.

111. The County Assembly of Makueni approved the annual budget before the start of the year in two (2015/16 and 2016/17) of the last three fiscal years, with a delay of more than 9 months in the third year (2014/15). The 2014/15 budget was approved only on 4$^{th}$ March 2015 (third quarter) of the year, leaving the county with less than two months to implement the development programmes. The Governor did not assent to the Appropriations Bill until March 2015, contrary to provisions of the Public Finance Management Act 2012 by directing his Finance Executive not to prepare and submit to the County Assembly the Makueni County Appropriations Bill 2014. The delay was mainly due to disagreements between the County Executive and the County Assembly.

In summary, the County Assembly has approved the annual budget before the start of the year in two of the last three fiscal years, with a delay of up to nine months in one of the three fiscal years.

***Dimension rating = C.***

### *PI-18.4: Rules for budget adjustments by the executive*

112. Clear rules exist for in-year budget adjustments by the executive as provided for in the PFM Act (Section 135) and PFM regulations. Budget adjustments are mainly done through preparation of supplementary budgets and reallocation across activities. These rules are adhered to in all instances. The supplementary budget is published as a supplementary Appropriation Act under the County government gazette supplement.

In summary, clear rules exist for in-year budget adjustments by the executive and are adhered to in most instances. Extensive administrative reallocations may be permitted and an increase of total amount of the budget up to 10%.

***Dimension rating = B.***

## 3.6 Pillar V: Predictability and Control in Budget Execution

Indicators of this pillar measure whether the budget is implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended. There are eight indicators under this pillar: revenue administration, accounting for revenue, predictability of in-year resource allocation, expenditure arrears, payroll controls, procurement, internal control on non-salary expenditure and internal audit.

### *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 the majority of revenues do provide payers with access to major information on the main revenue obligation areas, but the county does not have a documented redress mechanism but handles revenue complaints case by case |

| | | |
|---|---|---|
| 19.2 Revenue risk management | D | Entities collecting the majority of revenues do not use structured and systematic approaches for assessing and prioritizing compliance risks for revenue streams |
| 19.3 Revenue audit and investigation | D | There is no audit of revenue from any of the sources |
| 19.4 Revenue arrears monitoring | D | The stock of revenue arrears at the end of the last completed fiscal year is above 40% of the total revenue collection for the year and the revenue arrears older than 12 months are more than 75% of total revenue arrears |

***PI-19.1: Rights and obligations for revenue measures***

113. Revenue administration is governed by the County Finance Act 2017 that provides for the revenue-raising measures, and the County Revenue Administration Act which provides for the general administration of revenue laws.

114. The County Revenue Directorate is the only agency that is responsible for revenue collection through the "County receiver of revenue", which is designated pursuant to Section 157 of the Public Finance Management Act 2012 and the "County Revenue Collector", which is a county public officer authorized to collect revenue pursuant to Section 158 of the Public Finance Management Act 2012. The breakdown of local sources of revenue is presented in the table below:

Sources of revenue for 2014/15 (in Ksh)

| Source | Total 2014/2015 |
|---|---:|
| Barter market fee | 26,371,345 |
| Conservancy fee | 4,298,807 |
| Parking | 22,737,626 |
| Plot rent fee | 8,065,108 |
| Permits | 66,279,779 |
| Penalty fee | 1,698,194 |
| Stock market fee | 8,516,490 |
| Plan approval fee | 6,353,370 |
| Cess | 14,608,953 |

| | |
|---|---|
| Kiosk renewal fee | 2,969,900 |
| Other plot dues | 4,034,175 |
| Others | 23,760,087 |
| Stock movement fee | 1,929,580 |
| Liquor licensing | 22,184,620 |
| Sale of Ttenders | 1,540,920 |
| Total | 215,349,954 |

*Source: BROP 2015*

115. Advertisements are put on print media for payers regarding their rights and obligations. The county also runs a radio centre where all announcements are made in the local language. The county does not have a documented redress mechanism but handles revenue complaints case by case. The county has enacted the Finance Bill which provides for the various taxes, fees and charges for services, and for other revenue-raising measures.

In summary, entities collecting most revenues do provide payers with access to major information on the main revenue obligation areas, but the county does not have a documented redress mechanism but handles revenue complaints case by case.

***Dimension rating = D.***

### *PI-19.2: Revenue risk management*

116. Makueni County does not have a revenue risk management framework but instead uses the PFM Act 2012 which provides for the legal framework for collection and management of revenues for county governments. It works towards adhering to its requirements to reduce the risks that may occur during the daily operations of the county. A revenue directorate exists and has various cadres of staff, including the director, clerks, supervisors, sub-county revenue officers all with different roles and responsibilities. Other measures being undertaken by the county to reduce risks include:

- Segregation of duties among the various staff in the revenue unit, e.g. permits are signed by a supervisor who ascertains that all permits issued meet the required conditions before signing;
- Introduction of penalty after 31$^{st}$ March every year to ensure prompt payment and minimize default rate;
- The county has enhanced the capacity of internal audit unit to be able to assess level of risk exposure and advice appropriately;

- To ensure compliance, the county has bought vehicles and motor cycles to assist in officers' movement, which will allow collection from all areas including the most remote ones of the county;
- The county is finalizing the enactment of revenue administration bill that aims to strengthen compliance; and
- The county is implementing an automated revenue management system that will go a long way in minimizing revenue leakages and associated risks.

In summary, entities collecting most revenues do not use structured and systematic approaches for assessing and prioritizing compliance risks for revenue streams.

***Dimension rating = D.***

### *PI-19.3: Revenue audit and investigation*

117. Revenue audit is governed by PFM Regulation No. 153, 2015 but a revenue audit department is not operational yet. Only one fraud investigation report, originating from the revenue department dated $30^{th}$ June 2015 was provided. No audit of revenue from any of the sources has been provided.

118. Audit and investigation is performed mainly by the OAG. The external audit report on the Makueni executive for 2015/16 pointed out an unbanked revenue of Ksh 309,050 because three officers whose names are reported did not transfer this amount of collected revenue on the Central Bank of Kenya.

In summary, there is no audit of revenue from any of the sources.

***Dimension rating = D.***

### *PI-19.4: Revenue arrears monitoring*

119. According to the Public Finance Management Act 2012, Article 82. (1), at the end of each financial year, a receiver of revenue for the National Government shall prepare an account in respect of the revenue received and collected by the receiver during that financial year. An account prepared under subsection (1) shall include (a) a statement of receipts and disbursements in such form as the National Treasury may direct, and (b) a statement of arrears of revenue.

120. According to data provided by the Revenue administration, the stock of arrears at the end of 2015/16 amounted to Ksh 148,868,671, with 7 per cent of arrears less than 12 months and 93 per cent older than 12 months against

the total revenue collection of Ksh 220,171,649. Arrears appear to represent 68 per cent of the actual revenue collection and most of these arrears are more than one year of age.

121. The county is instituting requisite procedures for undertaking revenue audits and investigations. A legal framework on revenue administration is at the County Assembly for debate. A draft valuation and rating Bill is to be presented to the public for input.

In summary, the stock of revenue arrears at the end of the last completed fiscal year is above 40 per cent of the total revenue collection for the year and the revenue arrears older than 12 months are more than 75 per cent of total revenue arrears.

***Dimension rating = D.***

### *PI-20: Accounting for revenue*

Summary of scores and performance table

| PI-20 Accounting for revenue (M1) | C+ | Brief justification for score |
|---|---|---|
| 20.1 Information on revenue collections | A | The Directorate of Revenue obtains data at least weekly from all entities, collecting all revenues. This information is broken down by revenue type and is consolidated into a report |
| 20.2 Transfer of revenue collections | B | The entities collecting most county revenue transfers the collection to the County Revenue Fund on a weekly basis |
| 20.3 Revenue accounts reconciliation | C | Entities collecting most government revenue undertake complete reconciliation of collections and transfers to the Treasury and other designated agencies at least annually within 2 months of the end of the year |

### *PI-20.1: Information on revenue collections*

122. The county's directorate of revenue obtains data at least weekly from all accounting officers and other requisite staff collecting all revenues. These revenues are consolidated into a report and in AFS, which is broken down by revenue types.

***Dimension rating = A.***

### *PI-20.2: Transfer of revenue collections*

123. Article 207 of the Constitution and the PFM Act 2012 provides for the establishment of a County Revenue Fund (CFR). All monies raised or received by or on behalf of the county should be paid into the CRF, except those excluded by an Act of Parliament. Taxpayers pay their revenue obligations either through an internet platform (for instance VAT) directly to the CRF or to revenue collectors.

124. Once revenue has been collected, revenue collectors deposit the revenue collections on a weekly basis to the county collection accounts, which is then transferred to the CRF. When revenue is collected by cash, the deposit is to be made to the Treasury account within one week. The collection from all areas including the most remote ones of the county, sometimes by motor cycles, does not hamper the transfer of revenue collection due to the small size of the county.

125. Beginning 1st July 2017, the County Government of Makueni transited to an automated revenue collection system. Besides mobile banking and VISA card-enabled modes of payment, a customer portal is also being developed to facilitate internet banking revenue payment.

In summary, the entities collecting most county revenue transfer the collection to the county revenue fund on a weekly basis.

***Dimension rating = B.***

### *PI-20.3: Revenue accounts reconciliation*

126. The County Executive undertakes an annual reconciliation of assessment, collections and transfers within 2 months of the end of the year. The unit uses the business and property register to assess the potential of the revenue. The registers are reconciled annually. Based on the actual amounts collected, the focus is revised. The information on arrears is difficult to monitor due to user fees and inherited debts.

In summary, entities collecting most government revenue undertake complete reconciliation of collections and transfers to the Treasury and other designated agencies at least annually within 2 months of the end of the year.

***Dimension rating = C.***

### *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 | Balances from the different bank accounts are not swept into a central consolidated account |
| 21.2 Cash forecasting and monitoring | C | Cash flow projections are prepared annually for the fiscal year |
| 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 | B | Significant in-year adjustments to budget allocations take place no more than twice in a year and are done in a relative transparent way but reallocations may have already occurred with staff recruiting |

### *PI-21.1: Consolidation of cash balances*

127. The County has a total of 19 bank accounts in various commercial banks and the Central Bank. Six of them are in the Central Bank and the remaining 13 are in commercial banks. The consolidation of cash balances is done on a monthly basis.

***Dimension rating = D.***

### *PI-21.2: Cash forecasting and monitoring*

128. Management of cash at the County Government is governed by Section 120 of the PFM Act 2012, which requires county governments to prepare and submit annual cash flow plan under the direction of the County Treasury. Each year, the county prepares a cash flow projection. In addition, requisitions to the Controller of Budget are done based on the projected cash at hand and outflow projections. However, cash flow projections are not updated on the basis of actual cash inflows and outflows.

In summary, cash flow projections are prepared annually for the fiscal year.

***Dimension rating = C.***

### *PI-21.3: Information on commitment ceilings*

129. Financial management in the county is done in accordance with the provisions of the Public Finance Management Act 2012. The Public Procurement and Disposal Act 2005 and all other applicable regulatory statutes. Theoretically, expenditure management should be performed through the Integrated Financial Management Information System (IFMIS) across the county, but practically total budget allocations are divided by four for each quarter. Therefore, budgetary units are provided reliable information on commitment ceilings at least quarterly in advance. Expenditure is also committed once local purchase orders have been issued to suppliers, which may lead to an increase of expenditure arrears (see PI-22). Imprests are processed on a need basis.

In summary, budgetary units are provided with reliable information on commitment ceilings at least quarterly in advance.

***Dimension rating = B.***

### *PI-21.4: Significance of in-year budget adjustments*

130. In-year budget adjustments are governed by Section 135 of the PFM Act 2012, which provides that county governments submit a supplementary as a form of a request and the County Supplementary Appropriation Bill which approves the request. The supplementary budget is done once in a year by all the units and presented to the County Assembly for approval. The county enhances transparency of the in-year adjustments by tabling in the County Assembly. Requests are made through the county supplementary budgets and approval is granted through the supplementary appropriation Acts.

131. In-year adjustments are gathered in the county supplementary budget submitted to the assembly for approbation. For instance, Makueni County Assembly passed a Supplementary Appropriation Bill on 8th August 2015 which sought to allow the County Government to spend a supplementary budget of Ksh 2.4 billion. The amount was a balance of funds that the county was allocated in 2014/2015 financial year budget and was not utilized. Out of the total, Ksh 2.1 billion was to be allocated for development while approximately Ksh 336 million was to be used for recurrent expenditure. The total amount of supplementary budget for 2015/16 was Ksh 6.88 billion. Out of the total, Ksh 4.3 billion was to be allocated for development while Ksh 2.57 billion was to be used for recurrent expenditure.

In summary, significant in-year adjustments to budget allocations take place no more than twice in a year and are done in a relative transparent way but reallocations may have already occurred with staff recruiting.

***Dimension rating = B.***

### *PI-22: Expenditure arrears*

Summary of scores and performance table

| PI-22 Expenditure arrears (M1) | D | Brief justification for score |
|---|---|---|
| 22.1 Stock of expenditure arrears | D | The stock of expenditure arrears was no more than 10% of total expenditure in only one fiscal year |
| 22.2 Expenditure arrears monitoring | D* | Data on stock, age composition of expenditure arrears is generated only at the end of the financial year when the county administration is preparing financial statements. However, the stock of arrears are not included in notes in the AFS, and data on stocks of arrears could be collected only for 2015/16 |
| | | |

### *PI-22.1: Stock of expenditure arrears*

132. According to data provided by the administration, the county had stock of expenditure arrears of 13.4 per cent, 10.26 per cent and 8.2 per cent of expenditure for 2013/14, 2014/15 and 2015/16, respectively. For instance, the amount of expenditure arrears was Ksh 453.8 million at the end of financial year 2015/16 from all the thirteen offices and sectors. The existence of expenditure arrears results from the pending bills due to challenges in project implementation by the implementing departments. Payments are only completed once completion certificate has been issued for different stages. Review of records from the County Assembly revealed pending bills totalling Ksh 99.6 million, which comprised Ksh 88.7 million and Ksh 10.8 for supply of goods and services and staff payables, respectively. However, the report of the OAG for 2014/15 points out that an amount of Ksh 99.5 million had been omitted, while no supporting documents were availed for audit review on how the debts were incurred. In summary, the stock of

expenditure arrears was less than 10 per cent of the total expenditure in only one fiscal year.

In summary, the stock of expenditure arrears was no more than 10% of the total expenditure in only one fiscal year.

***Dimension rating = D.***

### *PI-22.2: Expenditure arrears monitoring*

133. The county monitors and reports all the arrears annually during the preparation of annual financial reports. However, recording of the arrears is done as they arise, but the compilation and consolidation of the expenditure arrears ise done during preparation of financial statements.

In summary, data on stock, age composition of expenditure arrears is generated only at the end of the financial year when the county administration is preparing financial statements. However, the stock of arrears not included in notes in the AFS and data on stocks of arrears could be collected only for 2015/16.

***Dimension rating = D*.***

### *PI-23: Payroll control*

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 at least every six months (each quarter) through payroll audit. However, there is no approved staff list and the Ccounty uses existing staff (staff in-post) as a basis for the annual budget, and staff hiring and promotion is not checked against the approved budget prior to authorization |
| 23.2 Management of payroll changes | A | Required changes to personnel records and payroll are updated in time for the following month's payments. Few retroactive adjustments are made |

| | | |
|---|---|---|
| 23.3 Internal control of payroll | D | Authority and basis for changes to personnel records and the payroll are clear and adequate to ensure integrity of the payroll data for about 80% of the payroll through IPPD, but integrity of the payroll data of greatest importance is not respected in manual payroll |
| 23.4 Payroll audit | B | A payroll audit covering all County government entities has been conducted every year. |

***PI-23.1: Integration of payroll and personnel records***

134. 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. The payslip data base is uploaded to Government Human Resource Information system (GHRIS), which is an online platform that enables staff to access their information. Currently, there is no approved staff list and the county uses existing staff (staff in-post) as a basis for the annual budget. Staff hiring and promotion is not always checked against the approved budget prior to authorization. In addition, it is not clear how the County Public Service Board advertised for vacancies in the various departments in the county. The organizational structure and staffing levels could also not be ascertained. In addition, the OAG report also showed that the county employed 349 new officers to various positions without an authorized staff establishment (see PI-23.3).

In summary, reconciliation of the payroll with personnel records takes place only each quarter through payroll audit (PI-23.4), but staff hiring and promotion is not always checked against the approved budget prior to authorization.

***Dimension rating = D.***

***PI-23.2: Management of payroll changes***

135. Any amendments required to the personnel database are processed in a timely manner through an official document called Authorized Data Sheet (ADS), and these changes always lead to a clear audit trail. Any changes are completed in time to allow adjustments in the following month's pay.

During 2015/16, payroll retroactive adjustments in IPPD were an average of 2.97 per cent of gross pay (Table 3.16).

**Table 3.16: Payroll adjustments in 2015/16 (Ksh million and %)**

| Month | Arrears | Gross pay | % adjustments |
|---|---|---|---|
| Jul-15 | 11.57 | 150.87 | 7.67 |
| Aug-15 | 8.21 | 154.07 | 5.33 |
| Sept-15 | 4.10 | 132.78 | 3.09 |
| Oct-15 | 1.53 | 132.19 | 1.16 |
| Nov-15 | 4.91 | 138.12 | 3.55 |
| Dec-15 | 0.56 | 150.27 | 0.37 |
| Janv-16 | 1.64 | 134.69 | 1.22 |
| Feb-16 | 3.28 | 138.48 | 2.37 |
| Mars-16 | 3.64 | 138.74 | 2.62 |
| Apr-16 | 2.00 | 138.03 | 1.45 |
| May-16 | 7.66 | 144.64 | 5.30 |
| Jun-16 | 2.21 | 145.74 | 1.52 |
| Average | 4.28 | 141.55 | 2.97 |

*Source: County Secretary*

136. About 20 per cent of payment are still done manually with the support of Excel software. Payroll adjustments in 2015/16 did not provide for the retroactive adjustment concerning these payments, but the payroll audit report of August 2015 shows a very small amount of unconfirmed payment at the time of the audit, even for manual payment supported by Excel.

| Payroll | Paid | Unconfirmed | Unconfirmed In % of Total |
|---|---|---|---|
| Ippd | 62,530,548 | 719,066 | 1.14% |
| Excel | 17,610,192 | 13,620 | 0.08% |
| Total | 80,140,740 | 732,686 | 0.91% |

*Source: Payroll audit report, August 2015*

In summary, required changes to the personnel records and payroll are updated at least monthly. Retroactive adjustments show corrections in less than 3 per cent of salary payments.

***Dimension rating = A.***

### *PI-23.3: Internal control of payroll*

137. According to the law, the only authorized mode of payment is through the IPPD. The county uses the IPPD and manual payroll systems as mentioned above. As per the IPPD payroll, the Head of Human Resource Management allocates duties in a manner which promotes high level of efficiency, effectiveness and accountability. Different access rights ensure that no one person can initiate and complete any payroll amendment without involving another party. Every change of records in the IPPD system must be supported by duly filled and signed ADS. The ADS will be placed in the personal file of the affected employee and signed in sequential order of the following actions:

- Form modified by: Signed after carefully confirming the employee's details against the personal file, clearly indicating the purpose of the ADS and the folio numbers of the document supporting each detail on the ADS.
- Changes authorized by: Signed after authenticating the stated supporting documents, and the circumstances and procedures necessitating the intended change of record.
- Data accepted by: Signed after registering the ADS with an accountable control number, and visually verifying compliance of the ADS with the strict system requirements regarding data entry. This task requires a person who is conversant with the data entry controls in the IPPD system.
- Data keyed by: Signed after entering the authorized changes in the database as indicated on the ADS.
- Data input verified by: Signed after verifying the accuracy of the data entered by visually comparing with the instructions on the ADS used, including highlighting any errors and initiating the process of making the necessary corrections. Each of the five (5) signatures on the ADS must clearly indicate the signer's personal number, full names, section of deployment, job designation and the date on which the specific action is completed.

138. With regard to the manual payroll, OAG report on AFS for 2014/15 showed that 1,185 employees were paid through the manual payroll every month. A copy of the manual payroll provided for audit review did not show details of the officers' job group, basic salary and deductions but only the net pay of Ksh 224.5 million during that year. In addition, the report also showed that the county employed 349 new officers to various positions during the period under review without an authorized staff establishment. Further, a scrutiny of a sample of personal files did not provide adequate information as letters

of offer were missing while some appointment letters were not signed, casting doubt on adherence to the recruitment procedures and Employment Act 2007.

In summary, authority and basis for changes to personnel records and the payroll are clear and adequate to ensure integrity of the payroll data for about 80 per cent of the payroll through IPPD, but integrity of the payroll data of greatest importance is not respected in manual payroll, as reported by the OAG report.

***Dimension rating = D.***

### *PI-23.4: Payroll audit*

139. Each quarter, the payroll section prints the entire county's payroll and each sectional head is required to confirm the people working under him/her and attaches each staff to a work station. This audit payroll covers both IPPD and the manual payroll, as shown in the reports.

140. This helps to identify ghost workers who cannot be traced to any work station and are therefore removed from the payroll. The entire payroll section has been covered by the end of the year. Payroll audit is also performed by external audit. The OAG report on AFS for 2014/15 pointed to the irregular promotion of one civil servant. The officer was upgraded after only 3 months in the service while no authority to move the officer six scales higher within 3 months of appointment was provided. Further, the officer received salary arrears despite the promotion.

In summary, a payroll audit covering all county government entities has been conducted every year.

***Dimension rating = B.***

### *PI-24: Procurement*

Summary of scores and performance table

| PI-24 Procurement (M2) | C | Brief justification for score |
|---|---|---|
| 24.1 Procurement monitoring | D | No databases are maintained to provide information for contracts, value of procurement and who has been awarded contracts |
| 24.2 Procurement methods | D | Open tendering was used for less than 40% of the total procurement |

| | | |
|---|---|---|
| 24.3 Public access to procurement information | C | Three of the key procurement information elements are complete and reliable for government units representing the majority of procurement operations, and are made available to the public |
| 24.4 Procurement complaints management | A | The procurement complaint system meets all criteria |
| | | |

***PI-24.1: Procurement monitoring***

141. The County Government has a procurement Directorate in charge of the entire supply chain. Procurement is initiated from respective departments through requisitions and then the supply chain section undertakes the supplier sourcing. However, there was no clear integrated mechanism to ensure monitoring of the procurement process. Information about procurement is found in respective project files. Accuracy and completeness of procurement information could not be verified as there was no procurement database to show how each contract was initiated, method used, tender award process and the status.

In summary, no databases are maintained to provide information for contracts, value of procurement and who has been awarded contracts.

***Dimension rating = D.***

***PI-24.2: Procurement methods***

142. Open tendering is considered a competitive method of procurement. The Public Procurement and Disposal Act 2015 requires that procurement exceeding Ksh 6 million shall be done through open tender method. The county relied mostly on direct procurement and Request for Quotation, which accounted for more than 60 per cent of total procurement. Further, several breaches of the law were pointed out in the report of the Auditor General related to 2014/15, as follows:

- The County Government procured computers, printers and digital cameras from various suppliers but the purchases were not supported by quotations. In addition, the orders were split into several smaller quantities to avoid open tender method of procurement.
- The County Government purchased a prime mover at a cost of Ksh 11.5

million, but the proof of the print media did not indicate the name of the newspaper, date and the closing date of the tender.

- The County Government procured services from various contractors and service providers on different dates totalling Ksh 146 million, but the tender/ quotation documents in respect of the various contracts and services were not provided.
- The County Government entered into a contract for the construction of Yikisemei Primary School under emergency expenditure category and made payments totalling Ksh 16 million. However, no documents were made available for audit review to confirm that the expenditure and the project qualified to be categorized under emergency projects. Besides, the contracting process was not subjected to competitive bidding, but instead management resorted to the use of Imprest to carry out the works.
- The County Government procured general office supplies items worth Ksh 2.3 million without subjecting the process to competitive bidding.
- Financial statements reflect training expenses amounting to Ksh 20 million, including Ksh 13.7 million in training of entrepreneurs, motor bike riders and other trainings, but no procurement documents were made available for audit review.

In summary, open tendering was used for less than 40 per cent of the total procurement.

***Dimension rating = D.***

### *PI-24.3: Public access to procurement information*

143. 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, and data on resolution of procurement complaints are not posted on the website.

| Key procurement information to be made available to the public: | Compliance (Y/N) |
|---|---|
| Legal and regulatory framework for procurement | Yes |

| | |
|---|---|
| Government procurement plans | No |
| Bidding opportunities | Yes |
| Contract awards (purpose, contractor and value) | No |
| Data on resolution of procurement complaints | Yes |
| Annual procurement statistics | No |

*Source: County Secretary*

In summary, three of the key procurement information elements are complete and reliable for government units representing most procurement operations and are made available to the public.

***Dimension rating = C.***

### *PI-24.4: Procurement complaints management*

144. The Public Procurement Oversight Authority (PPOA), the Public Procurement Advisory Board (PPAB) and Public Procurement Administrative Review Board (PPARB) were created through the Public Procurement and Disposal Act 2005.

145. The Public Procurement Administrative Review Board (PPARB) was established to promote and uphold fairness in the public procurement system through judicious and impartial adjudication of matters arising from disputed procurement proceedings. Any procurement complaints are addressed through the Public Procurement and Administrative Review Board which is an independent board under the Public Procurement Oversight Authority, which is a neutral body not involved in the procurement process. Any party who is interested in a public procurement process may lodge a review of the tendering process through this Board.

146. Clear guidelines on the process followed by any conflict are published and available online on the web site, www.ppoa.go.ke. The decisions of the Board are binding to all parties involved. However, the Board has prescribed some fees to be paid by parties filing complaints, presented in Table 3.17.

**Table 3.17: Fees for review by the Public Procurement Administrative Review Board according to amount of tender (Ksh)**

| Fees for review according to the type of tender | Fees (Ksh) |
|---|---|
| 1. Tenders of ascertainable value | |
| Does not exceed Ksh 2,000,000 | 1% subject to a minimum of Ksh 20,000 |
| Exceeds Ksh 2,000,000 | The fees for Ksh 2,000,000 plus an additional fee of 0.25% on the amount above Ksh 2,000,000 |
| Exceeds Ksh 50,000,000 | The fees for Ksh 50,000,000 plus an additional fee of 0.025% on the amount above Ksh 50,000,000 subject to a maximum fee of Ksh 200,000 |
| 2. Prequalification and other "unqualified tenders" | |
| Any other tenders | Subject to a minimum of Ksh 20,000 and a maximum of Ksh 40,000 |
| Upon request of an adjournment to a party by the Board | Ksh 10,000 |
| Filing preliminary objection | Ksh 5,000 |
| Fee to accompany the review of the Director General's order (s.106(3)) | Ksh 40,000 |
| Filing fees on each request for a review on debarment order (s.117 (3)) | Ksh 40,000 |

*Source: County Executive*

147. The review of the compliance with the PEFA criteria related to complaints reviewing by an independent body is reported in Table 3.18.

**Table 3.18: Procurement complaints management**

| Complaints are reviewed by a body which: | Compliance (Y/N) |
|---|---|
| (1) is not involved in any capacity in procurement transactions or in the process leading to contract award decisions | Yes |
| (2) does not charge fees that prohibit access by concerned parties | Yes |

| | |
|---|---|
| (3) follows processes for submission and resolution of complaints that are clearly defined and publicly available | Yes |
| (4) exercises the authority to suspend the procurement process | Yes |
| (5) issues decisions within the time frame specified in the rules/ regulations, and | Yes |
| (6) issues decisions that are binding on every party (without precluding subsequent access to an external higher authority) | Yes |

148. The procurement complaint system meets all criteria, except charging fees that may prohibit access by concerned parties.

In summary, the procurement complaint system meets all 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) | B | Brief justification for score |
|---|---|---|
| 25.1 Segregation of duties | A | Appropriate segregation of duties is prescribed throughout the expenditure process. Responsibilities are clearly laid down |
| 25.2 Effectiveness of expenditure commitment controls | C | Comprehensive expenditure commitment controls are in place and effectively limit commitments only to approved budget allocations |
| 25.3 Compliance with payment rules and procedures | B | Most payments (83%) are compliant with regular payment procedures. The majority of exceptions are properly authorized and justified |

### *PI-25.1: Segregation of duties*

149. The legislation about segregation of duties are, respectively: (i) the Constitution; (ii) the PFM Act, 2012; (iii) Circulars from National Treasury; and (iv) Public Procurement and Asset Disposal Act 2015. 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. Table 3.19 gives a breakdown of different IFMIS users and their role in budget execution.

**Table 3.19: Different stages of control of budget execution**

| Stage | User | Roles |
|---|---|---|
| 1 | Invoicer | Initiates the payment |
| 2 | Validator | Confirms the accuracy of the expenditure |
| 3 | AIE holder approval | Approves the expenditure |
| 4 | Approver 1 | Checks correctness of the expenditure |
| 5 | Approver 2 | Makes the final approval |

*Source: County Secretary*

150. The system respects the main incompatible responsibilities to be segregated: (a) authorization; (b) recording; (c) custody of assets; and (d) reconciliation or audit. As far as segregation of assets is concerned, disposal of public assets and stores is provided under the Makueni Financial Regulation and Procedures Manual section 10.13 on disposal procedures, derived from the Public Procurement and Assets Disposal Act 2015 (see PI-12.3). Records of these assets are maintained by the accounting section of every department and are reported in AFS.

In summary, appropriate segregation of duties is prescribed throughout the expenditure process. Responsibilities are clearly laid down.

***Dimension rating = A.***

### *PI-25.2: Effectiveness of expenditure commitment controls*

151. The county maintains vote books to ensure that there is no over commitment. No expenditure commitments can be made above the approved budget. Cash flow projections are done for every month at the beginning of the year, but they are not updated monthly. Consequently, expenditure commitment controls are in place and effectively limit commitments approved budget allocations for most types of expenditure, but not to projected cash availability.

In summary, comprehensive expenditure commitment controls are in place and effectively limit commitments only to approved budget allocations.

***Dimension rating = C.***

### *PI-25.3: Compliance with payment rules and procedures*

152. Generally, the county complies with payment procedures. All requisitions must be done through a specific form that is sent to financial control. A list of requisitions has been provided. However, the OAG report for 2014/15 points out some cases where payments have been made without proper documentation. This audit report revealed that there were irregular expenditures of approximately 17 per cent of the total expenditure.

In summary, most payments (83%) are compliant with regular payment procedures. The majority of exceptions are properly authorized and justified.

***Dimension rating = B.***

### *PI-26: Internal audit*

Summary of scores and performance table

| PI-26 Internal audit (M1) | D+ | Brief justification for score |
|---|---|---|
| 26.1 Coverage of internal audit | B | Most of departments were audited (84.61% of the budget) plus Mbooni Hospital in 2015/16 |
| 26.2 Nature of audits and standards applied | B | Internal audits are focused on evaluation of the adequacy and effectiveness of internal controls as evidenced by the available annual audit plan. But no evidence of a quality assurance process followed to show adherence to professional standards has been provided |
| 26.3 Implementation of internal audits and reporting | D | No annual audit plan has been set up for the last completed fiscal year 2015/16 |
| 26.4 Response to internal audits | D | The management had not responded to the audit reports for the previous fiscal year |

### *PI-26.1: Coverage of internal audit*

153. The legal framework defining the background for internal audit consists of Section 155 of the PFM Act 2012 and PFM Regulation No. 153 of 2015 for the county governments and the PFM Regulation No. 154 which specifies that internal auditors shall comply with the International Professional Practices Framework (IPPF) as issued by the Institute of Internal Auditors and shall conduct audits in accordance with policies and guidelines issued by the Public Sector Accounting Standards Board. In Makueni County, the internal audit unit was established only in 2015/16 and became functional in January 2017. Thus, no report was provided for the previous three fiscal years. Before its establishment, there was only one officer in charge of internal audit. The internal audit unit conducted audits only in 2015/16. According to data provided, most of departments were audited (84.61% of the budget) plus Mbooni Hospital and Makueni Hospital. The County Assembly has also established an internal audit unit, but no data was provided.

In summary, internal audit is operational for central government entities representing total budgeted expenditures and for central government entities collecting budgeted government revenue.

***Dimension rating =B.***

### *PI-26.2: Nature of audits and standards applied*

154. The internal audit function in Makueni County Government became operational in 2016/17. Internal audits focused on evaluation of the adequacy and effectiveness of internal controls as evidenced by the available annual audit plan. On 23rd February 2017, an Audit Committee was inaugurated to support the management in risk control and governance and also provide associated assurance. However, there was no evidence of a quality assurance process followed to show adherence to professional standards.

In summary, internal audits are focused on evaluation of the adequacy and effectiveness of internal controls as evidenced by the available annual audit plan. But no evidence of a quality assurance process followed to show adherence to professional standards has been provided.

***Dimension rating = B.***

***PI-26.3: Implementation of internal audits and reporting***

155. There was no annual audit plan for the last completed fiscal year (2015/16). The audit plan provided was for 2016/17. However, a list of completed internal audits for that fiscal year together with the respective reports was provided.

***Dimension rating = D.***

***PI-26.4: Response to internal audits***

156. The first internal reports that the audit team released were for 2015/16 and are still awaiting responses from the management (accounting officers).

***Dimension rating = D.***

## 3.7 Pillar VI: Accounting and Reporting

Indicators under this pillar measure whether accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs. There are three indicators under this pillar: financial data integrity, in-year budget reports and annual financial reports.

***PI-27: Financial data integrity***

Summary of scores and performance table

| PI-27 Financial data integrity (M2) | C | Brief justification for score |
|---|---|---|
| 27.1 Bank account reconciliation | B | Bank reconciliations are prepared at least monthly for all accounts of the budgetary administration |
| 27.2 Suspense accounts | D | Suspense accounts are not cleared less than two months after the end of the year, but they are monitored and a listing is provided |
| 27.3 Advance accounts | D | Imprest accounts are reconciled annually but the amounts are not cleared less than two months after the end of the year, as shown in AFS, and imprest accounts are not used in compliance with the law |

| | | |
|---|---|---|
| 27.4 Financial data Integrity | B | Access and changes to records is restricted and recorded, and results in an audit trail. However, no operational body, unit or team is presently in charge of verifying financial data integrity |

***PI-27.1: Bank account reconciliation***

157. The PFM Regulation No. 90 (1) of 2015 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. The county prepares monthly bank reconciliations for all the key bank accounts. Every 5th day of the following month, the reconciliations are done as per the County Financial and Procedure Manual.

158. The OAG report for 2014/15 nevertheless noted that out of the 12 bank accounts held by the county, bank confirmation certificates for nine accounts and bank reconciliation statements for seven accounts were not availed for audit review. The report also indicated that in four of the five bank reconciliation statements that were availed, cash book balances were not in agreement with the financial statements. The audit report also revealed that cash balances of Ksh 27.4 million and Ksh 11.5 million for development and recurrent expenditure for County Assembly accounts did not appear in the consolidated AFS of the County Government. Further, the County Assembly did not prepare and maintain cash books or prepare bank reconciliation statements for the two bank accounts. However, in 2015/16 the OAG report does not mention any of the previously mentioned issues and all bank accounts balances detained by the County Executive are reported in an Annex for AFS. In addition, balances of bank accounts detained by the County Assembly are also reported in an Annex for AFS and the report does not mention any delay in presenting the information.

In summary, the 2015/16 bank reconciliation for all active budgetary central government bank accounts took place at least on a monthly basis. Bank reconciliation statements and bank certificates for all accounts were availed for audit review.

***Dimension rating = B.***

### *PI-27.2: Suspense accounts*

159. According to PFM Regulation No. 107(2b) of 2015 of the PFM Act 2012, the accounting officer must ensure that monthly reconciliations are performed to confirm the balance of each account. Deposit account is the main suspense account held by the county. This account holds funds on behalf of the contractors awaiting the end of defect liability period. Once the contractor completes their obligation, the retained 10 per cent of the contract is paid to them. Every 5th day of the month, the reconciliations are done as per the County Financial and Procedure Manual. The deposits are only paid when the defect liability period ends, normally the period is six months and it runs across the financial year.

160. The other type of suspense is system generated suspense. This is brought by incomplete accounting process in IFMIS. This suspense is supposed to be cleared on an ongoing basis. However, the OAG audit report for 2014/15 found a certain amount of uncleared suspense accounts, such as unsupported foreign travel. In 2014/15, the county paid Ksh 5.5 million to facilitate various officers on trips outside the country, but the officers had not tabled back to office reports of the various training, workshops/seminars and conferences attended.

In summary, suspense accounts are not cleared less than two months after the end of the year, but they are monitored and a listing is provided.

***Dimension rating = D.***

### *PI-27.3: Advance accounts /Imprest account*

161. The PFM Regulation No. 93(1&5) 2015 classifies Imprests into temporary (safari Imprests) which should be accounted for within seven days after returning to duty station and standing Imprests. The county government issues a circular on end year procedures stating that all advances should be cleared before the fiscal year ends. The reconciliation of staff Imprest account is prepared/monitored on an ongoing basis. At the end of the year, a full reconciliation is done and amounts outstanding on the Imprest account are supported by the list of Imprest holders. The challenge is that the Imprests are not recovered from the holders as at the end of the year. According to the County Finance Manual, Imprest surrender is supposed to be done within 7 days after the office comes back from travel. The financial statements have a list of uncleared Imprests at the end of the year as shown in Table 3.20.

**Table 3.20: County Impests and clearance accounts (Ksh millions)**

| Description | 2015/16 | 2014/15 |
|---|---|---|
| Government Imprests | 7.09 | 4.53 |
| Clearance accounts | - | - |
| Total | 7.09 | 4.53 |

*Source: AFSs*

162. The report of the OAG on AFS 2014/15 nevertheless pointed out a certain number of breaches in the law, as follows:

- Payments totalling Ksh 16 million for the construction of a primary school under emergency expenditure category (see PI 2.3) resorted to the use of Imprest to carry out the works.
- The County Government issued cash Imprests amounting to Ksh 12 million to various officers to undertake the procurement of goods and services contrary to Treasury Circular No. 14/2013 dated 19 November 2013, which states that Imprest/cash should not be used to procure goods or services without involving the head of procurement.
- The County Assembly made cash payments totalling Ksh 2.3 million through Imprests to various Members of the County Assembly (MCAS) for various public participation programmes across the county. However, these programmes were not supported by budget lines and the Imprest was used to procure goods and services through direct procurement method.

163. The AFS also reflected accounts receivables balance of Ksh 4.5 million. Management has responded that Imprests surrender vouchers amounting to Ksh 1.5 million were taken by the Ethics and Anti-Corruption Commission (EACC), but no evidence was provided. In addition, the Imprest register did not indicate the personal numbers of the Imprest holders and the Imprest surrender voucher numbers. It was also noted by the OAG that additional Imprests were issued to officers with other uncleared or unsurrendered Imprests.

In summary, Imprest accounts are reconciled annually, but the amounts are not cleared less than two months after the end of the year, as shown in AFS and Imprest accounts are not used in compliance with the law.

***Dimension rating = D.***

### *PI-27.4: Financial data integrity processes*

164. The PFM Regulation No. 109 (1) and 110, 2015 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.

165. IFMIS is used for recording and processing budget data in the county. This system has various modules ranging from budgeting, payments and reporting modules. Any changes and introduction of users in the system has to be authorized by the Accounting Officers/Chief Officer Finance. The IFMIS department in the National Treasury is responsible for introduction of new users in the system with the approval of the accounting officer. All users are assigned passwords. 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.

In summary, access and changes to records is restricted and recorded, and results in an audit trail. However, no operational body, unit or team is presently in charge of verifying financial data integrity.

***Dimension rating = B.***

### *PI-28. In-year budget reports*

Summary of scores and performance table

| PI-28 In-year budget reports (M1) | B | Brief justification for score |
|---|---|---|
| 28.1 Coverage and comparability of reports | B | Budget reports are prepared monthly and quarterly reports. The reports show budgeted expenditure against actual expenditures and any revision with partial aggregation |
| 28.2 Timing of in-year budget reports | B | Quarterly budget execution reports are prepared within one month from the end of that quarter |

| | | |
|---|---|---|
| 28.3 Accuracy of in-year budget reports | B | Quarterly, half-year and yearly reports are prepared mainly on actual payments. Commitments are also prepared monthly on a separate report. There were no major concerns on data accuracy, and the report of the OAG for 2015/16 did provide a qualified opinion on the accounts |

### *PI-28.1: Coverage and comparability of reports*

166. Makueni County prepares monthly and quarterly budget reports. The reports show budgeted expenditure against actual expenditure and any revision in the same line items. Coverage and classification of data allows direct comparison to the original budget with a certain level of aggregation. Economic classification is the same as in the budget; there is no economic classification provided. Only the three main items of this classification (e.g. compensation of employees, use of goods and services and consumption of fixed capital) is provided in the reports. No transfers exist to de-concentrated units.

In summary, budget reports are prepared monthly and quarterly reports. The reports show budgeted expenditure against actual expenditures and any revision with partial aggregation.

***Dimension rating = B.***

### *PI-28.2: Timing of in-year budget reports*

167. Budget execution reports are prepared quarterly and the reports disclose monthly data. They are produced within one month from the end of that period. Precisely, fourth-quarter report for the period ended 30th June 2016 was completed on 20th July 2016.

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

***Dimension rating = B.***

### *PI-28.3: Accuracy of in-year budget reports*

168. In year quarterly and monthly reports by the county are prepared mainly on actual payments. Commitments are prepared on a separate report also

monthly. However, there are concerns on data accuracy, as the OAG audit report for 2014/15 does not give a positive opinion on the accounts.

169. Management letter by the OAG identifies some areas of concern. For example, the recurrent expenditure for 2015/16 presented a total amount of Ksh 3.527 billion and development expenditure a total of Ksh 1.335 billion. These figures differed with the IFMIS vote book, which presented accumulated expenditure figures of Ksh 4.117 billion and Ksh 1.402 for both recurrent and development expenditures, respectively. Some concerns were also noted about revenue collection and preparation of cash book.

170. The situation improved for 2015/16, as the OAG was able to provide a qualified opinion, not seeing major discrepancies between IFMIS reports and AFS and stating that the financial statements presented fairly the financial position of the County Executive.

In summary, quarterly, half-year and yearly reports are prepared mainly on actual payments. Commitments are also prepared monthly on a separate report. There were no major concerns on data accuracy, and the report of the OAG for the 2015/16 did provide a qualified opinion on the accounts.

***Dimension rating = B.***

### *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 and are comparable with the approved budget. They contain information on revenue, expenditure, financial assets, financial liabilities, guarantees. There is no long-term obligation yet |
| 29.2 Submission of reports for external audit | D | The County Executive should provide accounts for audits within 3 months after year end and a consolidated set within 4 months after year end. However, AFS for 2015/16 were considered complete for external audit only on 21 April 2017 |

| | | |
|---|---|---|
| 29.3 Accounting standards | C | The county prepares financial statements as per the cash basis IPSAS and that is clearly disclosed in the financial statements. Variations between international and national standards are not disclosed in notes |

***PI-29.1: Completeness of annual financial reports***

171. The AFS are prepared based on a template issued by the Public Sector Accounting Standards Board. They all have disclosures including revenue, expenditure assets and liabilities. AFS are also accompanied by a balanced cash flow. Actual revenue and expenditure can be compared with the budget.

In summary, financial reports for budgetary county government are prepared annually and are comparable with the approved budget. They contain information on revenue, expenditure, financial assets, financial liabilities, and guarantees. There is no long-term obligation yet.

***Dimension rating = B.***

***PI-29.2: Submission of reports for external audit***

172. According to the PFM Act 2012, the County Executive should provide accounts for audits within three months after year end and a consolidated set within four months after year end. For Makueni County, consolidated financial statements for 2015/16 were submitted to the OAG on 28th October 2016 which is within four months after the end of the year.

In summary, the County Executive should provide accounts for audits within 3 months after year end and a consolidated set within 4 months after year end. However, AFS for 2015/16 were considered complete for external audit only on 21st April 2017.

***Dimension rating = D.***

***PI-29.3: Accounting standards***

173. The county prepares financial statements as per the IPSAS Cash basis that is clearly disclosed in the AFS. The county tries to comply with the requirement by the Public Sector Accounting Standards Board. The OAG has not identified any important issue about compliance with standards.

174. As far as compliance with IPSAS cash is concerned, AFS are compliant; in general, the statement of financial position (IPSAS 1), the statement of financial performance (IPSAS 1), the cash flow statement (IPSAS 2), the statement of changes in net assets/equity (IPSAS 1), the notes to the financial statements, or annex (IPSAS 1). According to the OAG report for 2015/16, the AFS comply with the IPSAS cash basis and with the County Government Act 2012 and the Public Finance Management Act 2012. However, many governments say they are introducing IPSAS because it is good practice. The majority of international standards have been incorporated into the national standards, but not a single country in the world has actually adopted all the standards. Variations between international and national standards are disclosed and any gaps clearly explained in the OAG reports.

In summary, the county prepares financial statements as per the cash basis IPSAS and that is clearly disclosed in the financial statements. Variations between international and national standards are not disclosed in notes.

***Dimension rating** = **C.***

## 3.8 Pillar VII: External Scrutiny and Audit

These indicators assess the arrangements for scrutiny of public finances and follow-up on implementation of recommendations by the executive.

### *PI-30: External audit*

Summary of scores and performance table

| PI-30 External audit (M1) | B+ | Brief justification for score |
|---|---|---|
| 30.1 Audit coverage and standards | B | Office of the Auditor general has been employing ISSAIs on all external audits of National and County Governments. Material weaknesses are highlighted in the management letters issued. Public establishments, which are not connected to IFMIS are generally not audited |

| | | |
|---|---|---|
| 30.2 Submission of audit reports to the legislature | B | Audit reports were submitted to the legislature more than 3 months but less than 6 months from receipt of the financial reports, all of the last three completed fiscal years |
| 30.3 External audit follow-up | A | A formal response was made by the executive or the audited entity on audits for which follow-up was expected during the last three completed fiscal years. The audit report for 2015/16 in the appendix provides the progress on the issues raised during the previous year. |
| 30.4 Supreme Audit Institution (SAI) independence | A | External audits of the County are executed by Office of the auditor general which is an independent constitutional body with its own systems and procedures hence independent of the County. |

***PI-30.1: Audit coverage and standards***

175. 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 financial 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 based on 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 Office of the Auditor General employs quality assurance system to assess whether its audits adhere to the adopted audit standards. These assessments are performed by independent peer reviewers or through the professional organization of the African Organization of English-speaking Supreme Audit Institutions (AFROSAI-E) which assisted in the development of a Quality Assurance Manual, whereas the Quality Control Manual was developed by the OAG. The AFROSAI-E made its first peer review in 2003, then in 2009, 2012, 2014 and 2016. Independent quality assurance reports are prepared by the reviewers. Since 2011, the OAG has been employing ISSAIs on all external audits of National and County Governments. Material weaknesses are highlighted in the management letters issued. Outstanding: Audited accounts for 3 years and Management letters. The audit report of the OAG of 2013/14 did not highlight any relevant material issues, and no opinion was given. The OAG expressed a non-qualified opinion in its audit report of 2014/15 and the audit report of 2015/16 provided a positive opinion on the accounts. Public establishments, which are not connected to IFMIS are generally not audited.

In summary, the Office of the Auditor General has been using ISSAIs on all external audits of National and County Governments. Material weaknesses are highlighted in the management letters issued. Public establishments, which are not connected to IFMIS are generally not audited.

***Dimension rating = B.***

### *PI-30.2: Submission of audit reports to the legislature*

176. According to the PFM Act 2012, it is not the responsibility of the County Executive to forward audit reports to the County Assembly. This task is done directly by the Office of the Auditor General. Table 3.21 provides details of dates when audit reports were submitted to the County Assembly.

**Table 3.21: Submission of audit reports to the legislature**

| | Date annual financial statement completed by CE | Date annual AFS received by SAI | Date audited annual financial statement submitted to legislature |
|---|---|---|---|
| 2013/14 | 30th September 2014 | N/A | 28 August 2015 |
| 2014/15 | 30th September 2015 | N/A | 6 September 2016 |
| 2015/16 | 30th September 2016 | 21 April 2017 | 15 August 2017 |

*Source: OAG*

177. Based on the information that could be exploited, and in order not to hamper the scoring of the previous indicator, it was considered that audit reports were submitted to the County Assembly less than 6 months after the receipt of the AFS, as the OAG generally complies with the regulations.

In summary, audit reports were submitted to the legislature more than 3 months but less than 6 months from receipt of the financial reports for the last three completed fiscal years.

***Dimension rating = B.***

### *PI-30.3: External audit follow-up*

178. A summary of external audit findings implementation was provided, and a follow up report for 2014/15. Some follow up issues from the previous years were included in the reports. The OAG does not give an opinion because of the weakness of internal audit. The audit report of 2015/16 presents in the Appendix the progress on issues raised during the previous year.

In summary, a formal response was made by the executive or the audited entity on audits through which follow-up was expected during the last three completed fiscal years. The audit report of 2015/16 presents in the Appendix progress on issues raised during the previous year.

***Dimension rating = A.***

### *PI-30.4: Supreme Audit Institution (SAI) independence*

179. 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. 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 (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 ongoing; therefore it is not possible to assess how well this new process has worked.

In summary, external audits of the county are executed by Office of the Auditor General which is an independent constitutional body with its own systems and procedures, hence independent of the county.

***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 generally completed in more than 12 months from the receipt of the report |
| 31.2 Hearings on audit findings | D* | In-depth hearings on key findings of audit reports take place with responsible officers from most audited entities which received a qualified or adverse audit opinion or a disclaimer |
| 31.3 Recommendations on audit by the legislature | C | The legislature issues recommendations on actions to be implemented by the executive but no evidence on the follow up on their implementation is provided in the PAC reports |
| 31.4 Transparency of legislative scrutiny of audit reports | D | All committee proceedings shall be open to the public unless in exceptional circumstances. The committee reports are not published on any official website |

### *PI-31.1: Timing of audit report scrutiny*

180. Until now, the County Assembly received only 2013/14 and 2014/15 reports. Table 3-22 presents, scrutiny of audit reports is completed within 12 months in most instances.

**Table 3.22: Timing of audit reports**

| Financial year | Date received | Date when discussed and approved | Type of audit report | Duration |
|---|---|---|---|---|
| 2015/16 | 15th August 2017 | The Assembly is working on it | Financial operations | NA |
| 2014/15 | 24th November 2016 | The Assembly is working on it | Financial operations | 4 Months to date |
| 2013/14 | 15th September 2015 | 22nd November 2016 | Financial statements | 13 months |
| 2013/14 | 15th July 2015 | 1st December 2015 | Financial operations | 6 months |
| | | | | |

181. Signed attendance sheets were received and analysed as follows:

- 06/08/2015 - First assembly third session showing full chamber and in attendance officials from OAG. It also included officials from Public Procurement and Oversight Authority.
- Public Accounts Committee meeting on 10/07/2014, 09/07/2014, 08/07/2014. Some of the officials in attendance were: CECM health, County Secretary, Chief Officer Finance, etc.

182. PAC meeting attendance sheets for a report writing on financial statements with members of the Auditor General covered the 16-month period ended 30th June 2014. This was held from 7th to 9th October 2016.

In summary, scrutiny of audit reports on annual financial reports has been completed by the legislature in more than twelve months from receipt of the reports.

***Dimension rating =D.***

### *PI-31.2: Hearings on audit findings*

183. The 2013/14 report of the OAG exposed a disclaimer opinion while the 2014/15 report had adverse opinion and the 2015/16 report a qualified opinion. The deliberations for year 2014/15 are ongoing at the Assembly. There was evidence that interrogations for the year ended 30th June 2014 were held for responsible officials of the county to discuss audit findings and opinion. Various county officials including head of finance, head of Trade and directors were interrogated by the Public Accounts Committee on 25th August 2016. Other Interrogation exercises were held from 22nd to 24th July

2016, respectively. External audit reports for 2015/16 are yet to be released by the Auditor General.

184. The OAG's report on the County Executive budget for 2015/16 presents in an annex all the progress/remarks on the issues raised in its report for 2014/15. Appendix 6 of the report from the Public Accounts Committee on consideration of the Auditor General on the financial statements of Makueni County Government for the 16 months period ended 30th June of 2014 presents the interrogation of key management personnel regarding the report of the Auditor General. The PAC 2013/14 audit report recommendation summary presents the list of implanting offices: The County Secretary, ECM Finance and Planning, Committees on Implementation, ECM Education, Ethics and Anti-Corruption Commission, Clerk of the County Assembly, County Assembly Service Board, which represent more than 75 per cent of audited entities.

In summary, in-depth hearings on key findings of audit reports take place with responsible officers from most audited entities which received a qualified or adverse audit opinion or a disclaimer.

***Dimension rating =D*.***

### *PI-31.3: Recommendations on audit by the legislature*

185. When the audit reports are received from OAG, they are committed to the Public Accounts Committee. The Committee writes to the office of the OAG requesting for the Auditor to guide them on the findings. The Auditor also guides on any further information to interrogate the concerned officers. The National Assembly then writes to the County Secretary requesting him to provide information and setting the date for interrogation. This letter also indicates the officers who are expected to be interrogated and the deadlines of submitting the information required for the Committee. Some time is allowed to scrutinize the information provided by the County Executive. The Committee and the OAG prepares chairman's brief to guide the interrogation process. The interrogation is held and a report including observations, findings and recommendations are prepared and tabled in the floor of the House for debate. Once adopted, the report is forwarded to the Governor for implementation and the Auditor General. The implementation of the recommendations is monitored by the Implementation Committee or the Public Accounts Committee.

186. Public Account Committee (PAC) reports do not present a follow up on their implementation, contrary to the reports of the Auditor General.

In summary, the County Assembly issues recommendations on actions to be implemented by the Executive and follows up on their implementation, but no evidence on the follow-up has been provided.

***Dimension rating =C.***

### *PI-31.4: Transparency of legislative scrutiny of audit reports*

187. Interim standing orders of the County Assembly number 179 (1) States that all committee proceedings shall be open to the public unless in exceptional circumstances where the Speaker has determined that there are justifiable reasons for the exclusion of the public. Further, some audit reports are discussed in the full chamber of the House. For example, on 6$^{th}$ August 2015, first assembly third session was showing full chamber and in attendance were officials from OAG. It also included officials from Public Procurement and Oversight Authority. This meeting was to discuss audit findings. The committee reports are not published on official website, but the Makueni County Assembly Official Reports are published on the website and the County Assembly has a library where some of the reports are available to the public.

In summary, all committee proceedings shall be open to the public unless in exceptional circumstances. The committee reports are not published on any official website, even though the County Assembly Official Reports are published on the website and the Assembly has a library where some of the reports are available to the public.

***Dimension rating = D.***

# 4. CONCLUSIONS OF THE ANALYSIS OF PFM SYSTEMS

## 4.1 Integrated Assessment of PFM Performance

***Budget reliability***

Budget reliability is hampered by a low rate of budget execution and high level of reallocation. Variance in expenditure composition by economic functional classification was more than 15 per cent over the three-year period. Aggregate expenditure outturn was below 85 per cent of the approved aggregate budgeted expenditure in the last three years. With less than 92 per cent in the last three years, actual revenue was also far below target, but this did not lead to a budget deficit because of the low rate of budget execution.

***Transparency of public finances***

188. Budget formulation, execution, and reporting are based on administrative and economic classification using GFS standards. Budget documentation that is transferred to the County Assembly contains: forecast of the fiscal deficit/surplus; previous and revised budget in the same format as the budget proposal in the budget estimates; and aggregated budget data for both revenue and expenditure. Expenditure outside government financial reports are also reported and they represent less than 5 per cent of total BCG expenditure.

189. Medium-term fiscal forecasts are established, but there are no survey estimates of the resources received by service delivery units. Performance indicators for measuring the outputs or outcomes of the different ministries have not been put in place, but evaluations for services delivered have been performed by independent units, albeit not being published. Consequently, no information related to performance achieved for service delivery is published annually. The audited AFS report and the external auditor's report are made available to the public (on the OAG website).

***Management of assets and liabilities***

190. All major investment projects are prioritized based on the established

public participation framework, but no economic analyses are conducted to assess major investment projects. Only one public corporation operates in the county and has not prepared its AFS. Projection total capital cost of major investment projects are included in the budget documents, and project monitoring is performed by technical departments and other stakeholders including the public, but no monitoring and evaluation reports are established.

191. The county maintains a record of its holdings in all categories of financial assets, which are essentially cash at hand and its participation in one public enterprise. Information on the performance of these assets is published in line with international accounting standards in the AFS. Rules for transfer or disposal of financial assets do exist and partial information on transfers and disposal is included in the budget documents of the county.

192. The county maintains a register of its holdings of fixed assets and updates records upon acquisition of new assets but does not report information on their usage and age. Information on contingent liabilities is not provided in AFSs. The county has not acquired any debt and has not developed a debt management strategy. Authorization to borrow, issue new debt, and issue loan guarantees on behalf of the county to entities is not included in the legislation. Records on debt inherited from the defunct local authorities are not updated. The OAG audit report for 2013/14 recommended that the county should expedite taking over of the assets and liabilities of the defunct local authorities in liaison with the Transition Authority.

### *Policy-based fiscal strategy and budgeting*

193. Budget elaboration is based on a clear annual budget calendar. The CFSP reflects ministry ceilings allocated by administrative, economic, and programme (or functional) classification, but they are not approved by the government before the first budget circular is issued. Further, the county does not prepare any fiscal policy scenarios and medium-term aggregate expenditure and ceilings. A report that describes progress made against its fiscal strategy is proposed to the legislature, but the reasons for any deviation from the objectives are not explained.

Legislature's review covers fiscal policies, medium-term fiscal forecasts, and medium-term priorities, and details of expenditure and revenue, which is based on organizational arrangements including specialized review committees, technical support, negotiation procedures and public consultation. The annual budget presents an estimate of expenditure for the budget year and the two following fiscal years, but they do not rely on any macroeconomic forecasts. Further, no explanation of changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget is provided. The county only assesses proposed changes in revenue policies in the finance bill.

***Predictability and control in budget execution***

194. The Directorate of Revenue obtains data at least weekly from all entities collecting all revenues. This information is consolidated into a report and revenue collections are transferred weekly to the Treasury. However, payers do not have sufficient access to information on their rights and obligations. Further, there are no systematic approaches for assessing and prioritizing compliance risks for revenue streams. Also, no audit of revenue from any of the sources has been undertaken. The stock of revenue arrears is above 40 per cent of the total revenue collection, while the stock of expenditure arrears varies between 8 per cent and 13 per cent of the total expenditure.

195. Appropriate segregation of duties is clearly laid down and comprehensive expenditure commitment controls are in place. Budgetary units are provided with reliable information on commitment ceilings quarterly in advance and limit commitments to projected cash availability and approved budget allocations. However, significant in-year adjustments to budget allocations are done once a year according to the law and presented to the County Assembly.

196. Changes to personnel and payroll records result in an audit trail. Reconciliation of the payroll with personnel records takes place at least every six months through a payroll audit. Required changes to the personnel records and payroll are updated in time and retroactive adjustments are rare, but there is no evidence that staff hiring is controlled by a list of approved staff positions. Payroll audits are periodically conducted at least once in the last three completed fiscal years.

197. Bank reconciliations and all cash balances are prepared and consolidated on a monthly basis. Data on stock, with age composition of expenditure arrears is generated only at the end of the financial year when financial statements are prepared. Reconciliation of revenue collections and transfers to Treasury is also done only at the end of the year.

198. Regarding public procurement, legal and regulatory frameworks, bidding opportunities and data on resolution of procurement complaints are available to the public. However, no database is maintained to provide

information for contracts, value of procurement or who has been awarded contracts. Open tendering was used for less than 40 per cent of the total procurement. The procurement complaint system is compliant with good practices, except for charging fees that may prohibit access by concerned parties.

Internal audits are focused on evaluation of the adequacy and effectiveness of internal controls, but no quality assurance process has been put in place to show adherence to professional standards. Practically, internal audit remains focused on financial compliance, with an indication that most payments are compliant with regular payment procedures.

### *Accounting and reporting*

199. Access and changes to records during budget implementation is restricted and recorded, but no operational body, unit or team is in charge of verifying financial data integrity. There is monthly reporting on budget execution with production of quarterly budget implementation reports. These reports provide a comparison between actual expenditure and budgeted expenditure with partial aggregation on a cash basis. Commitment expenditures are presented in a separate report. On the expenditure side, payroll audits are periodically conducted at least once in the last three completed fiscal years.

AFSs are generally completed and available for audit, respectively three and four months after the end of the year. They contain information on revenue, expenditure, financial assets, financial liabilities, guarantees, but not on long-term obligations. Imprest accounts are reconciled annually, but the amounts are not cleared timely as shown in AFS.

### *External scrutiny and audit*

200. External audits of the county are still performed at the national level by the OAG. No independent constitutional body has been put in place at the county level. Material weaknesses are highlighted in the management letters that are issued to the county. In-depth hearings on key findings of audit reports take place with responsible officers. The Executive provides responses to the audited entity with delays, which also cause delays in audit completion. However, scrutiny of audit reports is generally completed within 12 months in most instances. For 2013/14, which was the first year of operation, the OAG report states that the County Executive and Assembly had challenges

as regards to adhering to the existing PFM Regulation and Procedures, the Public Procurement and Asset Disposal Act 2015 and Regulations 2016 and general human resources management policies and procedures and did not give a positive opinion on the accounts. For 2014/15, the OAG report states that the audit evidence obtained is sufficient and appropriate to provide a basis for adverse opinion on the accounts of the County Executive. The legislature issues recommendations on actions to be implemented by the Executive and follows up on their implementation.

## 4.2 Effectiveness of the Internal Control Framework

***Control environment***

201. 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 due to the fact that 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 (Chapter 3).

***Risk assessment***

202. The 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. The following risks, which are not provided for, exist in all stages of public finance management:

- Pillar 2: The county is not able to capture expenditure and revenue outside financial reports (PI-6), which creates the risk of having a non-comprehensive and incomplete budget, potential misuse of funds and poor service to the public.
- Pillar 3: 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

investment. There is also no reconciliation of inherited debt with creditors (PI-13).

- Pillar 4: There is a weak link between policy formulation, programmed activities and the budget estimates, which is mainly due to the inability to provide for uncertain economic events and lack of sensitivity analysis. This leads to the risk of having a non-comprehensive budget that is prone to amendments.
- Pillar 5: The revenue administration unit does not have an integrated revenue management system to detect and arrest potential revenue risks and also manage arrears (PI-19). The county does not keep proper accounting records of expenditure arrears, which presents a risk of accumulation (PI-22). Approved staff establishment is not linked to IPPD, which is also not linked to IFMIS (PI-23). This creates a potential risk of having ghost workers. Procurement practice reveals 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 regard to non-salary expenditure 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*

203. 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 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 by appropriate control activities especially in the area of transparency of public finances with regard to non-captured expenditure and revenue outside financial reports (PI-6). With regard to management of assets and liabilities, there are no controls for the selection of investment activities (PI-11) and ageing of non-financial assets (PI-12). There are controls for budget execution with clear control of payment rules for all operations captured by IFMIS except for those outside IFMIS. However, the control is not sufficient for the record of actual staff in IPPD and HR personnel records. Some staff is paid through a manual system

that is outside the IPPD. The weak internal control systems eventually lead to unreliable financial records, which result into loss of organizational integrity. This may affect budget execution and implementation of projects and county priorities, both of development and recurrent nature.

### *Information and communication*

204. 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. The channels of information and communication of the county are through all budget-related documents that are 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 made easily available, they do not all reach the public. The channels of internal information and communication are the orders and management letters issued by the respective function management units and the County Assembly. None of the basic elements of fiscal information to be made public and published is complied with, with the exception of the external audit report which is issued with significant delay (PI-9). 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*

205. Monitoring entails 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 encompass the monitoring practices of the public finance management process in general. Performance monitoring at the county is weak, with 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; (v) poor public asset management information.

206. In terms of assessment of the quality of the internal control system, the county has established an Internal Audit Department even though 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 reporting mandate, the external auditors check the processes related to the accounting function, salary and payroll, procurement practice. 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.

207. 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). The oversight activities of the County Assembly (PI-31) have been shown to be ineffective. The County Assembly's contribution to building a sound internal control system is weak due to lack of hearings of the external audit findings, no evidence of recommendations to the county executive and no transparency of the external audit scrutiny. Therefore, the legislative scrutiny cannot serve as reinforcing mechanisms to the effectiveness of the internal control system of the county.

208. Lack of properly instituted county-specific systems of internal control (internal procedures) affects the financial reporting process and may ultimately lead to production of unreliable reports, which in turn negatively impacts on the accountability role of management. Detailed findings concerning the main elements of the five internal control components are summarized in a table (Annex 2). 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's main fiscal and budgetary outcomes. With existing and adequate internal control systems in place at the county, the resources will be safeguarded and directed in an optimal manner to the priority activities and projects as planned.

## 4.3 PFM Strengths and Weaknesses

### *Aggregate fiscal discipline*

209. On fiscal discipline, the county government experienced a shortfall in own generated revenue, inadequate capacity to use e-procurement and delays in approval of county bills necessary to operationalize some budget items. Budget execution reports are produced quarterly on a cash basis, with a classification that is comparable with the original budget. There is need to adjust the voted budget because inadequate time is given to implement the development agenda in the budget. This leads to unfinished and un-implemented development projects and extensive reallocations between recurrent and development expenditure. To mitigate these risks, the government has introduced performance contracting in all departments and a specific programme for implementing development projects to increase the pace at which projects are being implemented in the county. However, the internal audit department is not fully operational given that has only one officer even though a strong internal audit is necessary. This is because the county oversees numerous transactions and development projects.

### *Strategic allocation of resources*

210. Strategic allocation of resources is defined in the CFSP in order to be compliant with the strategic activities defined in the CIDP. The weakness lies in the way the proposed programmes/projects are addressing the strategic intervention's identified in the county's vision as reflected in the CIDP.

### *Efficient use of resources for service delivery*

211. Strategic plans are not aligned to the medium-term budgets because the county is still in the process of preparing the ministerial strategic plans. Consequently, equity in distribution of resources in all areas of the county is not ensured and projects contained in the CIDP and/or that have been prioritized by the community are not fully implemented. Consequently, efficient use of resources for service delivery is not ensured.

# 5. GOVERNMENT PFM REFORM PROCESS

## 5.1 Approach to PFM Reforms

212. The medium-term expenditure framework for 2017/18 – 2019/20 ensures that resources are allocated to priority programmes as envisaged in the CIDP, ADP, County Vision 2025 and other county policy documents. The broad focus is on wealth creation for socio-economic transformation. The county has anchored its development on the basis of three pillars and sector approach as outlined in the Vision 2025, which include the economic, social and political pillars.

213. As far as the economic and social pillars are concerned, the county has proposed to set up a social transformation fund targeting to fund development and poverty reduction initiatives in all marginalized areas and to analyse how the proposed programmes are addressing the strategic interventions identified in the County's Vision 2025, the CIDP, community budget hearing proposals and ADPs. The county also intends to improve equity in distribution of resources and monitoring of sector budget performance for the previous year. The fiscal plan (2016/17) contained in the CFSP 2016 entails a deliberate effort to continue exercising prudence in public expenditure management with the principal goal of containing fiscal risks, gradually lower the fiscal deficit, and contain growth of recurrent expenditures in favour of productive capital spending. Under the 2017/18 budget, the detailed priorities to be funded are as follows:

- Enhancing county legal systems by legislating on all devolved functions and developing the relevant policy to guide full implementation of devolved functions necessary for county development. Departments and the public will also be trained on the necessary legal requirements.
- Strengthening public administration and service delivery. The county will undertake a survey to determine the location of the establishment of service delivery centres and the magnitude of operations as a basis for construction and operationalization.
- Strengthening county M&E systems. The government will strengthen the M&E systems and undertake capacity development of the M&E unit aand

county departments on result-based management and tracking of service delivery.

- Strengthening county planning, budgeting and statistics systems. The county will enhance the development of integrated county project management system which will link planning, budgeting and outcomes.
- Improving PFM systems. The county will enhance prudent financial management and sustainable utilization of public funds by strengthening sub-county treasury services, internal audit and the county audit committee.
- Strengthening of county human resources and performance management system. The county will develop a scheme of service for all cadres which will guide career progression and development through the County Public Service Commission.

## 5.2 Recent and On-going Reform Actions

214. To address the above-mentioned weaknesses, the county instituted a number of measures which included: timely execution of budgets, recruitment of competent staff, staff capacity building, county rapid results initiatives, acquisition of equipment for roads construction, drilling of boreholes and agricultural mechanization, automation of revenue collection and internal restructuring of service delivery. The county is also in the process of bringing all the extra-budgetary units into the budget, as demonstrated by the inclusion of sand cess in the budget under the section on other revenues this percentage will reduce further in the 2017/18. All staff in the county are subject to performance contracts through performance appraisals and monitored by the Performance Management Coordinator and the Officers' Forum. Ad-hoc committees have been established to facilitate the negotiation before signing of performance contracts and an evaluation committee is in charge of overseeing the evaluation process and ranking at the end of the financial year. The ministry is currently in the process of rolling out a Government Human Resource Information System (GHRIS) which is an online system that addresses all HR-related needs of the government. This system is expected to interface with other existing systems such as IFMIS, G-PAY and IPPD. Users of the GHRIS are government ministries, county governments, departments, agencies and employees.

215. Key officers in the implementation team have been reinstated and the county has established an implementation taskforce to address the low absorption rate accumulated over the three years. Consolidation of incomplete projects

in the performance contracts of the following financial year are followed by the Performance Contracting Secretariat.

216. Guidelines have been established and a unit has been put in place to operationalize the revenue automation system and improve the mapping of all available revenue streams. Guidelines have also been established for reducing payment delays. A County Debt Framework is being developed by the National Treasury in consultation with IBEC to improve debt management. An audit committee was established at the beginning of 2017 to support the management of risk control and governance and also provide associated assurance. An audit charter is under development. Finally, the county has developed an in-house financial reporting manual and is constantly being updated with best practice, but no business intelligence system has been put in place yet to improve budget and financial reporting.

## 5.3 Institutional Considerations

217. The Kenyan devolution process is still young and the county still needs to improve the efficiency of public expenditures, while improving domestic resource mobilization. The county heavily relies on equitable transfers and grants. However, improving expenditure efficiency would bring more gain than new aid given that the county cannot be sure of a predictable flow of aid and subsidies. In addition, budget surplus could be used to reduce the county's inherited debt. Given that strong institutions are the ones where individual agents are accountable, county leadership and ownership of devolution process are subject to reinforcement of the processes that have been implemented at the national level.

# Annex 1: Performance indicator summary

| Indicator/component | Score | Explanation |
|---|---|---|
| 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 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 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 the last three years |
| PI-2.3 Expenditure from contingency reserve | A | The actual expenditure charged to contingency was on average less than 3% of the original budget |
| PI-3. Revenue outturn (M2) | D | |
| PI-3.1. Aggregate revenue outturn | D | Actual local revenue and transfers from international organizations were far below 92% of budgeted revenue in the last three years |
| PI-3.2. Revenue composition outturn | D* | Variance in revenue composition cannot be calculated because a breakdown of local revenue is not available for estimates and actual revenue |
| PI-4. Budget classification (M1) | C | |
| PI-4.1. Budget classification | C | Budget formulation, execution, and reporting are based on administrative and economic classification using GFS standards (at least level 2 of the GFS standard) or a classification that can produce consistent documentation comparable with those standards |
| PI-5. Budget documentation (M1) | D | |
| PI-5.1. Budget documentation | D | 4 elements (2+2) fulfil the criteria, with only two satisfying the basic criteria |
| PI-6. County government operations outside financial reports (M2) | D | |
| PI-6.1. Expenditure outside financial reports | D* | Expenditure outside government financial reports is likely less than 5% of total BCG expenditure, but no evidence was provided |
| PI-6.2. Revenue outside financial reports | D* | Revenue outside the government financial report is likely less than 5% of the total BCG revenue, but no evidence was provided |
| PI-6.3. Financial reports of extra budgetary units | D | Detailed financial reports of the extra budgetary units are audited by the Auditor General within 9 months after the end of the year |
| PI-7 Transfers to sub national governments (M2) | FALSE | |

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| PI-7.1 Transparency and objectivity in the horizontal allocation of central government grants to LGUs | N/A | There were no transfers to sub-county units/entities |
| PI-7.2 Timeliness of reliable information to LGUs on their allocations | N/A | There were no transfers to sub-county units/entities |
| PI-8. Performance information for service delivery (M2) | D | |
| PI-8.1. Performance plans for service delivery | D | A framework of performance indicators relating to the outputs or outcomes of the majority of ministries is not in place and no performance plan is published |
| PI-8.2. Performance achieved for service delivery | D | No information related to performance achieved for service delivery is published annually |
| PI-8.3. Resources received by service delivery units | D | Information on actual resource disbursements service delivery units is available but it is not disaggregated by source of funds and is not disclosed in reports |
| 8.4 Performance evaluation for service delivery | D | No independent evaluation of efficiency and effectiveness of service delivery has been performed |
| PI-9. Public access to fiscal information (M1) | D | |
| PI-9.1. Public access to fiscal information | D | The government makes available to the public only one basic element in accordance with the specified time frame |
| PI-10. Fiscal risk reporting (M2) | D+ | |
| PI-10.1. Monitoring of public corporations | C | Only two public corporations operate in the county. Audited AFS are presented to the County Government within nine months of the end of the fiscal year |
| PI-10.2. Monitoring of sub county governments | N/A | Not applicable because the Ccounty operations are centralized at county level |
| PI-10.3. Contingent liabilities and other fiscal risks | D | The county does not provide any information about any contingent liabilities in its financial statement and does not mention the debt left by the defunct authorities |
| PI-11. Public investment management (M2) | C | |
| PI-11.1. Economic analysis of investment proposals | D | There is no evidence showing that economic analyses are conducted to assess major investment projects |
| PI-11.2. Investment project selection | A | All major investment projects are prioritized based on the established public participation framework on the basis of clear criteria. The county has documented its public participation framework |
| 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. However, recurrent costs are not included |

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| PI-11.4. Investment project monitoring | D | Project monitoring is done by both the technical department and other stakeholders including the public. The monitoring and evaluation reports not disclose detailed information on the follow up of major investment projects. |
| PI-12 Public asset management (M2) | D | |
| PI-12.1. Financial assets monitoring | D | The government maintains a record of its holdings in all categories of financial assets, which are cash in hands and participation in one public enterprise but no record provided to show the assets which were handed over to the county government especially those relating to the defunct local authorities |
| PI-12.2. Non Financial asset monitoring | D | The government maintains a register of its holdings of fixed assets, but information on their usage and age is not published, while it is sometimes collected. Records are updated upon acquisition of new assets |
| PI-12.3. | D | Rules for transfer or disposal of financial assets do exist but no transfer of assets has been registered yet |
| PI-13. Debt management (M2) | D | |
| PI-13.1. Recording and reporting of debt and guarantees | D | The county has not incurred any new debt, but inherited debt from the previous sub-national entities. These debt records are not updated and published annually |
| PI-13.2. Approval of debt and guarantees | N/A | Authorization to borrow, issue new debt, and issue loan guarantees on behalf of the county government to entities specifically is not included in the legislation yet |
| PI-13.3. Debt management strategy | D | A debt strategy is under development with IBEC but has not been implemented yet |
| PI-14. Macroeconomic and fiscal forecasting (M2) | D+ | |
| PI-14.1. Macroeconomic forecasts | C | The county does not prepare any macroeconomic forecasts, which are prepared at the national level |
| PI-14.2. Fiscal forecasts | C | The county prepares revenue and expenditure forecasts for the current year and the two following years in the CBROP and revenue forecasts in the CFSP, but there is no clear presentation of the assumptions. The documents are submitted to the Assembly |
| PI-14.3. Macro fiscal sensitivity analysis | D | The county does not prepare any fiscal policy scenarios |
| PI-15. Fiscal strategy (M2) | C | |
| PI-15.1. Fiscal impact of policy proposals | D | The Ccounty only assesses proposed changes in revenue policies in the finance bill but no fiscal impact analysis is carried out |
| PI-15.2. Fiscal strategy adoption | B | The government has adopted and submitted to the legislature a current fiscal strategy that includes quantitative or qualitative fiscal objectives for at least the budget year and the following two fiscal years |

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| PI-15.3. Reporting on fiscal outcomes | C | The government has submitted to the legislature along with the annual budget a report that describes progress made against its fiscal strategy but the reasons for any deviation from the objectives are not clearly exposed |
| PI-16. Medium-term perspective in expenditure budgeting (M2) | D+ | |
| PI-16.1. Medium-term expenditure estimates | A | The annual budget presents estimates of expenditure for the budget year and the two following fiscal years allocated by administrative, economic, and programme (or functional) classification |
| PI-16.2. Medium-term expenditure ceilings | D | Aggregate expenditure ceilings for the budget year and the two following fiscal years are not approved by the government before the first budget circular is issued |
| PI-16.3. Alignment of strategic plans and medium-term budgets | D | The strategic plans have not been aligned to the medium-term budgets |
| PI-16.4. Consistency of budgets with previous year's estimates | D | The budget documents provide a general explanation of changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level, but this does not permit to quantify the changes to expenditure estimates |
| 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 | C | A comprehensive budget circular is issued to the budgetary units. The circular does not contain ceilings but they are reflected in the CFSP. Ceilings for the budget year are approved by government before sending the budget to the County Assembly |
| PI-17.3 Budget submission to the legislature | B | The Executive has submitted the annual budget proposal to the legislature at least two months before the start of the fiscal year and one month before the start of the fiscal year in the third year |
| PI-18. Legislative scrutiny of budgets (M1) | C+ | |
| PI-18.1. Scope of budget scrutiny | A | The legislature's review covers fiscal policies, medium-term fiscal forecasts, and medium-term priorities as well as details of expenditure and revenue |

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| PI-18.2. Legislative procedures for budget scrutiny | A | The legislature's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to. The procedures include arrangements for public consultation. They also include internal organizational arrangements, such as specialized review committees, technical support, and negotiation procedures |
| PI-18.3. Timing of budget approval | C | The legislature has approved the annual budget before the start of the year in two of the last three fiscal years, with a delay of up to nine months in one of the three fiscal years |
| 18.4 Rules for budget adjustments by the executive | B | Clear rules exist for in-year budget adjustments by the Executive and are adhered to in most instances. Extensive administrative reallocations may be permitted as well as an increase of total amount of the budget up to 10% |
| PI-19. Revenue administration (M2) | D | |
| PI-19.1. Rights and obligations for revenue measures | D | Entities collecting most revenues do provide payers with access to major information on the main revenue obligation areas, but the county does not have a documented redress mechanism but handles revenue complaints case by case |
| PI-19.2. Revenue risk management | D | Entities collecting most revenues do not use structured and systematic approaches for assessing and prioritizing compliance risks for revenue streams |
| PI-19.3. Revenue audit and investigation | D | There is no audit of revenue from any of the sources |
| PI-19.4. Revenue arrears monitoring | D | The stock of revenue arrears at the end of the last completed fiscal year is above 40 percent of the total revenue collection for the year and the revenue arrears older than 12 months are more than 75% of total revenue arrears |
| PI-20. Accounting for revenue (M1) | C+ | |
| PI-20.1. Information on revenue collections | A | The Directorate of Revenue obtains data at least weekly from all entities collecting all revenues. This information is broken down by revenue type and is consolidated into a report |
| PI-20.2. Transfer of revenue collections | B | The entities collecting most County revenue transfers the collection to the County revenue fund on a weekly basis |
| PI-20.3. Revenue accounts reconciliation | C | Entities collecting most government revenue undertake complete reconciliation of collections and transfers to Treasury and other designated agencies at least annually within 2 months of the end of the year |
| PI-21. Predictability of in-year resource allocation (M1) | C+ | |
| PI-21.1. Consolidation of cash balances | D | Balances from the different bank accounts are not swept into a central consolidated account |

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| PI-21.2. Cash forecasting and monitoring | C | Cash flow projections are prepared annually for the fiscal year |
| 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 | B | Significant in-year adjustments to budget allocations take place no more than twice in a year and are done in a relative transparent way but reallocations may have already occurred with staff recruiting |
| PI-22. Expenditure arrears (M1) | D | |
| PI-22.1. Stock of expenditure arrears | D | The stock of expenditure arrears was no more than 10% of the total expenditure in only one fiscal year |
| PI-22.2. Expenditure arrears monitoring | D* | Data on stock, age composition of expenditure arrears is generated only at the end of the financial year when the county administration is preparing the financial statements. However, the stock of arrears are not included in notes in the AFS and data on stocks of arrears could be collected only for 2015/16 |
| 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 at least every six months (each quarter) through payroll audit. However, there is no approved staff list and the county uses existing staff (staff in-post) as a basis for the annual budget and staff hiring and promotion is not checked against the approved budget prior to authorization |
| PI-23.2. Management of payroll changes | A | Required changes to the personnel records and payroll are updated in time for the following month's payments. Few retroactive adjustments are made |
| PI-23.3. Internal control of payroll | D | Authority and basis for changes to personnel records and the payroll are clear and adequate to ensure integrity of the payroll data for about 80% of the payroll through IPPD, but integrity of the payroll data of greatest importance is not respected in manual payroll |
| PI-23.4. Payroll audit | B | A payroll audit covering all county government entities has been conducted every year |
| PI-24. Procurement (M2) | C | |
| PI-24.1. Procurement monitoring | D | No databases are maintained to provide information for contracts, value of procurement and who has been awarded contracts |
| PI-24.2. Procurement methods | D | Open tendering was used for less than 40% of the total procurement |
| PI-24.3. Public access to Procurement information | C | Three of the key procurement information elements are complete and reliable for government units representing the majority of procurement operations and are made available to the public |
| PI-24.4. Procurement complaints management | A | The procurement complaint system meets all criteria |
| PI-25. Internal controls on non-salary expenditure (M2) | B | |

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| PI-25.1. Segregation of duties | A | Appropriate segregation of duties is prescribed throughout the expenditure process. Responsibilities are clearly laid down |
| PI-25.2. Effectiveness of expenditure commitment controls | C | Comprehensive expenditure commitment controls are in place and effectively limit commitments only to approved budget allocations |
| PI-25.3. Compliance with payment rules and procedures | B | Most payments (83%) are compliant with regular payment procedures. Most exceptions are properly authorized and justified |
| PI-26. Internal audit (M1) | D+ | |
| PI-26.1. Coverage of internal audit | B | Most of departments were audited (84.61% of the budget) plus Mbooni Hospital in 2015/16 |
| PI-26.2. Nature of audits and standards applied | B | Internal audits are focused on evaluation of the adequacy and effectiveness of internal controls as evidenced by the available annual audit plan. But no evidence of a quality assurance process followed to show adherence to professional standards has been provided |
| PI-26.3. Implementation of internal audits and reporting | D | No annual audit plan has been set up for the last completed fiscal year 2015/16 |
| PI-26.4. Response to internal audits | D | The management had not responded to the audit reports for the previous fiscal year |
| PI-27. Financial data integrity (M2) | C+ | |
| PI-27.1 Bank account reconciliation | B | Bank reconciliations are prepared at least monthly for all accounts of the budgetary administration |
| PI-27.2 Suspense accounts | D | Suspense accounts are not cleared less than two months after the end of the year, but they are monitored and a listing is provided |
| PI-27.3 Advance accounts | D | Imprest accounts are reconciled annually but the amounts are not cleared less than two months after the end of the year, as shown in AFS, and imprest accounts are not used in compliance with the law |
| PI-27.4 Financial data integrity | B | Access and changes to records is restricted and recorded, and results in an audit trail. However, no operational body, unit or team is presently in charge of verifying financial data integrity |
| PI-28. In-year budget reports (M1) | B | |
| PI-28.1. Coverage and comparability of reports | B | Budget reports are prepared monthly and quarterly reports. The reports show budgeted expenditure against actual expenditures and any revision with partial aggregation |
| PI-28.2. Timing of in-year budget reports | B | Quarterly budget execution reports are prepared within one month from the end of that quarter |
| PI-28.3. Accuracy of in-year budget reports | B | Quarterly, half-year and yearly reports are prepared mainly on actual payments. Commitments are also prepared monthly on a separate report. There were no major concerns on data accuracy, and the report of the OAG for 2015/16 did not provide a qualified opinion on the accounts |

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| 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 and are comparable with the approved budget. They contain information on revenue, expenditure, financial assets, financial liabilities, guarantees. There is no long-term obligation yet |
| PI-29.2. Submission of reports for external audit | D | The County Executive should provide accounts for audits within 3 months after year end and a consolidated set within 4 months after year end. However, AFS for 2015/16 were considered complete for external audit only on 21st April 2017 |
| PI-29.3. Accounting standards | C | The county prepares financial statements as per the cash basis IPSAS and that is clearly disclosed in the financial statements. Variations between international and national standards are not disclosed in notes |
| PI-30: External Audit (M1) | B+ | |
| PI-30.1 Audit coverage & standards | B | Office of the Auditor General has been employing ISSAIs on all external audits of National and County Governments. Material weaknesses are highlighted in the management letters issued. Public establishments, which are not connected to IFMIS are generally not audited |
| PI-30.2 Submission of audit reports to the legislature | B | Audit reports were submitted to the legislature more than 3 months but less than 6 months from receipt of the financial reports in all of the last three completed fiscal years |
| PI-30.3 External audit follow-up | A | A formal response was made by the Executive or the audited entity on audits for which follow-up was expected during the last three completed fiscal years. The audit report for 2015/16 presents in Appendix the progress on the issues raised during the previous fiscal year |
| 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) | C | |
| PI-31.1. Timing of audit report scrutiny | D | Scrutiny of audit reports is generally completed in more than 12 months from the receipt of the report. |
| PI-31.2. Hearings on audit findings | D* | In-depth hearings on key findings of audit reports take place with responsible officers from most audited entities which received a qualified or adverse audit opinion or a disclaimer |

| | | |
|---|---|---|
| PI-31.3. Recommendations on audit by the legislature | C | The legislature issues recommendations on actions to be implemented by the executive but no evidence on the follow up on their implementation is provided in the PAC reports |
| PI-31.4. Transparency of legislative scrutiny of audit reports | D | All committee proceedings shall be open to the public unless in exceptional Circumstances. The committee reports are not published on any official website |
| | | |

## 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 derives 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 recently with only one person, 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 are, however, delays in completion of the external audits. The last received audit reports were for 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 |
| The mission was not aware of any reported ethical and integrity issues | |
| 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 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, paragraph 104 states that management must ensure proper management and control of, and accounting for the finances of the county government and its entities to promote efficient and effective use of the county's budgetary resources |
| There is leadership, such as management's philosophy and operating style in the county. The tone at the top may not be adequate 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 standardized. The staff expressed some concerns; for instance the revenue department is not effective because 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 Ccounty organization policies are managed 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 mandates 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 PFM Regulation 165 sets out the role of the Accounting Officer in risk management. It requires the Accounting officer to develop: (i) risk management strategies, which include fraud prevention mechanism; (ii) a system of risk management and internal control that builds robust business operations. However, the County does not have a risk management policy and a risk register |
| 2.1 Risk identification | Several PIs are related to the extent to which risks are identified, notably: |
| 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-19.2 Revenue risk management: This is rated D as currently not carried out | |

| | |
|---|---|
| PI-26 and PI-30: no risk analysis has been put in place 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 are approved by the entity's Audit Committees (and copied to the Accounting Officer), and are designed to progressively secure key risks in the control environment in a timely manner |
| This is yet to be effected in the county | |
| 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 used by the agencies to control operations and resources and enable the various units to meet their objectives |
| These procedures or activities are implemented to achieve the control objectives of safeguarding resources, ensuring the accuracy of data and enabling adherence to laws, policies, rules and regulations | |
| There is also a Standard Chart of Accounts used by all County departments | |
| 3.2 Segregation of duties (authorizing, processing, recording, reviewing) | PI-25.1 Appropriate segregation of duties exists, in accordance with SCOA, IFMIS and government circulars, which specifies clear responsibilities, but many operations are still done outside IFMIS |
| 3.3 Controls over access to resources and records | PI-25.3 Most payments are compliant with rules and procedures, but 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. Outside IFMIS, verification procedures are rather weak | |
| 3.5 Reconciliations | PI-27.1, bank account reconciliation: 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 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 and that audit programmes are largely completed, but with delays |
| 5.1 Ongoing monitoring | Ongoing 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 to 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: Calculation sheet for PFM performance indicators PI-1 and PI-2(i)

| Year 2013/14 (Ksh Million And %) | | | | | | |
|---|---|---|---|---|---|---|
| **Functional Head** | **Budget** | **Actual** | **Adjusted Budget** | **Deviation** | **Absolute Deviation** | **%** |
| County Attorney's Office | 23.4 | 8.3 | 15.6 | -7.3 | 7.3 | 46.9 |
| Department Of Ict | 118.9 | 46.9 | 79.4 | -32.5 | 32.5 | 41.0 |
| County Public Service Board | 27.8 | 27.8 | 18.6 | 9.3 | 9.3 | 49.9 |
| Department Of Lands, Physical Planning And Mining | 222.0 | 99.9 | 148.2 | -48.2 | 48.2 | 32.5 |
| Office Of Governor | 108.5 | 99.7 | 72.4 | 27.3 | 273 | 37.7 |
| Department Of Trade, Tourism And Cooperatives | 212.0 | 65.6 | 141.5 | -75.9 | 75,9 | 53.6 |
| Department Of Gender, Youth And Social Services | 233.1 | 64.0 | 155.6 | -91.6 | 91.6 | 58.9 |
| County Secretary | 181.9 | 79.9 | 121.4 | -41.5 | 41.5 | 34.2 |
| Department Of Finance And Socio Economic Planning | 222.8 | 214.4 | 148.7 | 65.7 | 65.7 | 44.2 |
| Department Of Education And Ict | 280.8 | 165.7 | 187.4 | -21.8 | 21.8 | 11.6 |
| Department Of Transport And Infrastructure | 370.3 | 204.6 | 247.2 | -42.5 | 42.5 | 17.2 |
| Department Of Agriculture, Livestock Andfisheries Development | 345.3 | 221.2 | 230.5 | -9.3 | 9.3 | 4.0 |
| Department Of Water, Irrigation And Environment | 366.7 | 120.5 | 244.8 | -124.3 | 124.3 | 50.8 |
| Department Of Health | 1385.3 | 1373.7 | 924.6 | 449.0 | 449.0 | 48.6 |
| County Assembly | 577.5 | 566.0 | 385.5 | 180.5 | 180.5 | 46.8 |
| Donor-Funded Projects | 354.9 | - | 236.9 | -236.9 | 236.9 | 100.0 |
| Department Of Devolution And Public Service | - | - | 0.0 | 0.0 | 0.0 | - |
| Allocated Expenditure | 5031.2 | 3358.2 | 3358.2 | 0,0 | 1463.6 | |
| Interests | | | | | | |
| Contingency | 40.0 | 21.8 | | | | |
| Total Expenditure | 5071.2 | 3379.9 | | | | |
| Overall (Pi-1) Variance | | | | | | 66.6 |
| Composition (Pi-2) Variance | | | | | | 43.6 |
| Contingency Share Of Budget | | | | | | 0.4 |

| Year 2014/15 (Ksh Million And %) | | | | | | |
|---|---|---|---|---|---|---|
| **Functional Head** | **Budget** | **Actual** | **Adjusted Budget** | **Deviation** | **Absolute Deviation** | **%** |
| County Attorney's Office | 47.9 | 30.6 | 37.7 | -7.1 | 7.1 | 19 |
| Department Of Ict | 57.4 | 81.3 | 45.2 | 36.1 | 36.1 | 80 |
| County Public Service Board | 43.0 | 42.8 | 33.9 | 8.9 | 8.9 | 26 |
| Department Of Lands, Physical Planning And Mining | 113.0 | 129.1 | 88.9 | 40.2 | 40.2 | 45 |
| Office Of Governor | 140,2 | 151.7 | 110.3 | 41.4 | 41.4 | 37 |
| Department Of Trade, Tourism And Cooperatives | 161.9 | 170.9 | 127.5 | 43.4 | 43.4 | 34 |
| Department Of Gender, Youth And Social Services | 182.9 | 116.2 | 143.9 | -27.7 | 27.7 | 19 |
| County Secretary | 264.1 | 217.2 | 207.9 | 9.3 | 9.3 | 4 |
| Department Of Finance And Socio Economic Planning | 247.0 | 287.4 | 194.4 | 93.1 | 93.1 | 48 |
| Department Of Education And Ict | 436.7 | 330.7 | 343.8 | -13.1 | 13.1 | 4 |
| Department Of Transport And Infrastructure | 351.1 | 361.1 | 276.3 | 84.8 | 84.8 | 31 |
| Department Of Agriculture, Livestock And Fisheries Development | 434.6 | 252.2 | 342.1 | -89.9 | 89.9 | 26 |
| Department Of Water, Irrigation And Environment | 502.8 | 314.3 | 395.8 | -81.5 | 81.5 | 21 |
| Department Of Health | 1664.7 | 1333.7 | 1310.3 | 23.5 | 23.5 | 2 |
| Department Of Devolution And Public Service | 11.4 | 49.7 | 8.9 | 40.8 | 40.8 | 457 |
| County Assembly | 913.8 | 517.1 | 719.2 | -202.1 | 640.5 | |
| Allocated Expenditure | 5572.5 | 4386.1 | 4386.1 | 0.0 | 1281.0 | |
| Interests | | | | | | |
| Contingency | 55.1 | 35.7 | | | | |
| Total Expenditure | 5627.5 | 4421.7 | | | | |
| Overall (Pi-1) Variance | | | | | | 78.6 |
| Composition (Pi-2) Variance | | | | | | 29.2 |
| Contingency Share Of Budget | | | | | | 0.6 |

| Year 2015/16 (Ksh Million And %) | | | | | | |
|---|---|---|---|---|---|---|
| **Functional Head** | **Budget** | **Actual** | **Adjusted Budget** | **Deviation** | **Absolute Deviation** | **%** |
| County Attorney's Office | 43.6 | 76.4 | 34.3 | 42.1 | 42.1 | 123 |
| Department Of Ict | - | 5.0 | 0.0 | 5.0 | 5.0 | - |
| County Public Service Board | 51.0 | 52.7 | 40.1 | 12.6 | 12.6 | 31 |
| Department Of Lands, Physical Planning And Mining | 105.6 | 82.0 | 83.1 | -1.0 | 1.0 | 1 |
| Office Of Governor | 174.6 | 201.1 | 137.4 | 63.7 | 63.7 | 46 |
| Department Of Trade, Tourism And Cooperatives | 215.7 | 118.5 | 169.7 | -51.1 | 51.1 | 30 |
| Department Of Gender, Youth And Social Services | 219.4 | 135.1 | 172.6 | -37.5 | 37.5 | 22 |
| County Secretary | 109.6 | 194.0 | 86.2 | 107.8 | 107.8 | 125 |
| Department Of Finance And Socio-Economic Planning | 635.6 | 503.3 | 500.0 | 3.3 | 3.3 | 1 |
| Department Of Education And Ict | 498.5 | 300.1 | 392.1 | -92.0 | 92.0 | 23 |
| Department Of Transport And Infrastructure | 610.9 | 287.2 | 480,5 | -193.3 | 193,3 | 40 |
| Department Of Agriculture, Livestock And Fisheries Development | 423.3 | 321.8 | 333.0 | -11.2 | 11.2 | 3 |
| Department Of Water, Irrigation And Environment | 820.0 | 525,6 | 645.1 | -119.4 | 119.4 | 19 |
| Department Of Health | 2 128.8 | 1 780.3 | 1674.5 | 105.8 | 105.8 | 6 |
| County Assembly | 664.7 | 237.2 | 522.8 | -285.6 | 285.6 | 55 |
| Donor-Funded Projects | - | 670.8 | 0.0 | 670.8 | 670.8 | - |
| Department Of Devolution And Public Service | 279.7 | - | 220.0 | -220.0 | 220.0 | 100 |
| Allocated Expenditure | 6981.0 | 5491.4 | 5491.4 | 0.0 | 2022.5 | |
| Interests | | | | | | |
| Contingency | 45.9 | 28.9 | | | | |
| Total Expenditure | 7026.9 | 5520.4 | | | | |
| Overall (Pi-1) Variance | | | | | | 78.6 |
| Composition (Pi-2) Variance | | | | | | 36.8 |
| Contingency Share Of Budget | | | | | | 0.4 |

| Year 2013/14 (Ksh Million and %) | | | | | | |
|---|---|---|---|---|---|---|
| **Economic Head** | **Budget** | **Actual** | **Adjusted Budget** | **Deviation** | **Absolute Deviation** | **%** |
| Compensation of Employees | 1426.4 | 1477.0 | 950.7 | 526.3 | 526.3 | 55.4 |
| Use of Goods and Services | 1678.7 | 1069.1 | 1118.8 | -49.7 | 49.7 | 4.4 |
| Consumption of Fixed Capital | 1966.1 | 833.8 | 1310.4 | -476.6 | 476.6 | 36.4 |
| 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 | 0.0 | 0.0 | 0.0 | 0.0 | - |
| 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 | 5071.2 | 3379.9 | 3379.9 | 0.0 | 1052.6 | |
| Overall Variance | | | | | | 150.0 |
| Composition Variance | | | | | | 31.1% |
| Year 2014/15 (Ksh Million and %) | | | | | | |
| **Economic Head** | **Budget** | **Actual** | **Adjusted Budget** | **Deviation** | **Absolute Deviation** | **%** |
| Compensation Of Employees | 0.0 | 2023.7 | 0.0 | 2023.7 | 2023.7 | - |
| Use of Goods and Services | 0.0 | 1070.8 | 0.0 | 1070.8 | 1070.8 | - |
| Consumption of Fixed Capital | 1871.2 | 1327.2 | 4421.7 | -3094.5 | 3094.5 | 6.4 |
| 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 | 0.0 | 0.0 | 0.0 | 0.0 | - |
| 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 | 1871.2 | 4421.7 | 4421.7 | 0 | 6189.0 | |
| Overall Variance | | | | | | 42.3 |
| Composition Variance | | | | | | 140.0% |
| Year 2015/16 (Ksh Million and %) | | | | | | |
| **Economic Head** | **Budget** | **Actual** | **Adjusted Budget** | **Deviation** | **Absolute Deviation** | **%** |
| Compensation of Employees | 2286.5 | 2265.7 | 1796.3 | 469.5 | 469.4 | 48.7 |
| Use of Goods and Services | 1854.9 | 1744.2 | 1457.2 | 287.0 | 287.0 | 41.1 |
| Consumption of Fixed Capital | 2885.5 | 1510.4 | 2266.8 | -756.4 | 756.4 | 21.5 |
| 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 | 0.0 | 0.0 | 0.0 | 0.0 | - |
| 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 | 7026.9 | 5520.4 | 5520.4 | 0.0 | 1512.8 | |
| Overall Variance | | | | | | 127.3 |
| Composition Variance | | | | | | 27.4% |

# Annex 3B: Lists of functionalities interviewed and provided information for the PFM performance report

| Designation |
|---|
| Assistant Director Budget and Expenditure |
| Treasury |
| Payroll Manager |
| Director of Procurement |
| Accountant |
| Internal auditor |
| Asset Management Department |
| Economist |
| Fiscal Analyst-County Assembly |
| Principal Revenue Officer |
| Payroll officer |

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

PI-1 Aggregate expenditure outturn
218. En-pi-1 pi-2 expenditure calculation

PI-2 Expenditure composition outturn
219. En-pi-1 pi-2 expenditure calculation

PI-3 Revenue outturn
220. En-pi-3 2 rev outturn calculation

PI-4 Budget classification
221. Filtered SCOAS &programme codes
222. GFS list
223. Budget documents

PI-5 Budget documentation
224. Annual Development Plan 2013-14, 2015-15, 2015 -2016 , 2016-17
225. Final Makueni County 2015-16 budget 30th April forwarded to assembly
226. Final FY 2016-17 programme based budget as passed by assembly
227.

PI-6 County government operations outside financial reports

PI-7 Transfers to sub National Governments
228. County resource allocation criterion
229. County resource allocation original proposals
230. Makueni CRA draft updated 19.12.2016
231.

PI-8 Performance information for service delivery
232. 2015-16 performance con report
233. Pc revised report 22-8-2016
234. Annual progress 2014
235. Annual progress report 05.05.2015
236. Participatory rural appraisal Kwa Mbila
237. Kwa mbila pra edited report 13.02.2016 final
238. Participatory planning guide kwa-mbila dam 21.01.2016
239. Quick wins appraisal 2015-2016
240. Quick wins appraisal report 2016-17
241. PCc revised report 22-8-2016
242. Sectoral performance and achievements
243. Trade department public expenditure review
244.

PI-9 Public access to fiscal information

PI-10 Fiscal risk reporting
245. Consolidated 14-15.1
246. Final consolidated fs 15.5.15
247. Financialedited1314
248. Fs2015-160 draft 1 executive 23.12.16 11am
249. Fs2015-160 draft 2 executive

PI-11 Public investment management
250. 2014-15 M&E exercise July
251. Kaiti sub County final report ka
252. Kibwezi east sub County m & e report v4
253. Kibwezi west
254. Kilome M&E report final copy
255. M & e report Mbooni east
256. Makueni sub County projects - monitoring July 2014
257. Mbooni west M&E final report edited DSEP 28th
258. 2015 2nd quarter M&E report
259. Final ward projects location - status - allocation
260. Emergency projects evaluation report
261. Makueni emergency report final 26.10.2016
262. Participatory rural appraisal Kwa Mbila

263. Kwa Mbila pra edited report 13.02.2016 final
264. Participatory planning guide kwa-Mbila dam 21.01.2016
265. Project implementation status
266. Project implementation status 2013-2016
267. Projects appraisal 2016
268. Draft 1718 budget appraisals 12-01-2017
269. Emali-mulala ward
270. Aforestation of kwa kamba and maatha hills
271. Construction and equipping of rescue centre 2
272. Construction of 19 villages sand dams
273. Extension of water pipeline from mbilika to matiku
274. Heavy grading and murraming of mwanyani-maatha-kingai-kalima-kikumini road
275. Heavy grading of kitandi-mwasangombe-mulala-matiku-kiuani
276. Heavy grading of kwakivoko-nduundune-kwakotoe road
277. Heavy grading of mulala-goatyard-kwakamba-kwakakulu-kwakitwest tutini road
278. Muooni mega dam
279. Reforestation and soil consrervation on muuni hill
280. Soil testing and sampling
281. Upgrading of mulala-kwamoki-mwanyani tutini road
282. Ilima ward appraisal
283. Construction of an agricultural training centre in kyamuoso
284. Kalii gulleys in kikaloni market
285. Kiusyi water project
286. Kwa mwilu borehole
287. Kyambeke borehole water
288. Miketa water project
289. Musalala water project
290. Muthanga mutune borehole
291. Mutomboa gulleys
292. Nzukini ctti
293. Nzukini-musalala-kyenzeni-kyambeke road
294. Rehabilitation of kasyukoni-kyelia water project.
295. Wautu borehole
296. Wautu-kyangunzu-mbaloni-kithangathini-nunguni road
297. Ivingoni.nzambani
298. Appraissaltemplate-2[1]
299. Construction of feeder ecde malelani
300. Construction of iia itune ecde
301. Construction of kwa matiku earthdam
302. Crusher
303. Crusher
304. Heavy grading 1
305. Heavy grading edited
306. Heavy grading edited
307. Katheka kai borehole
308. Kimawasco
309. Kyuasini borehole
310. Maiia atatu borehole
311. Provision of certified seeds
312. Tree planting in schools and hospitals
313. Tree planting in schools and hospitals
314. Kako waia ward appraisal
315. Bible school road
316. Kitandi road
317. Kwa marietta earth dam
318. Kwa mutombi water project
319. Kwa ndungi road
320. Kwa nzwili sand dam
321. Malatani road
322. Nzou nthei gully
323. Savani drift
324. Sofia road
325. Uviluni road
326. Waia earth dam
327. Kalawa ward appraisal
328. Kathulumbi dispensary
329. Katukulu earth dam
330. Kinyau road
331. Kwa muia gulley
332. Kwa philiph road
333. Maana eli earth dam
334. Musingini road
335. Muusini eartdam
336. Syotuvali dispensary
337. Syotuvali water project
338. Kasikeu
339. Enguli river sand dams-climate change
340. Kawese ecde classroom
341. Kiembeni borehole
342. Kima river sand dams
343. Kisuki road-fuel levy
344. Kithina borehole
345. Kwa loki earth dam-flagship
346. Kwa susu borehole
347. Landu sand dam-climate change
348. Lumu borehole
349. Mbiini dispensary
350. Ndiling road-fuel levy
351. Sultan hamud open air market
352. Tractor for kasikeu subward-flagship
353. Kathonzweni appraisal
354. Grading of road- mbuvo
355. Grading of road-kathonzweni
356. Kikuu water project- mbuvo
357. Kikuu water project
358. Kwa katoo gulley
359. Kwa kavisi water project
360. Kwa kilai earth dam
361. Kwa mathembo kithuka earth dam
362. Kwa mbila water project
363. Londokwe earth dam
364. Modern abattoir
365. Soil and water conservation kathos
366. Soil and water conservation
367. Woolile earth dam
368. Yoani ecde centre
369. Kee ward appraisal
370. Construction of kyamuthyoi earth dam
371. Construction of nthonzweni ecde class
372. Drilling of kitandi borehole
373. Kavandini-mutulani-nguluni-kasunguni-salama road.
374. Kee ctti docx
375. Kiianzou mega dam
376. Kwa kithyoma earth dam
377. Kwa kivinda gulley
378. Kwa ntheketha-kituuti earth dam
379. Kweluu-earth dam
380. Kyambai gulleys-
381. Kyambai- ngiitini-kee road
382. Kyandumbi borehole water project
383. Support to farmers with subsidized farm inputs.
384. Kiima kiu
385. Itumbule dispensary-flagship
386. Ivununi borehole
387. Kaluku earth dam
388. Kasalama borehole
389. Kima open air market
390. Kwa ivia earth dam
391. Kwa kimonde borehole
392. Kwa kingee roads-fuel levy
393. Kwa mulela earth dam-climate change
394. Kwa tuva-yaitha road
395. Makulani earth dam-climate change
396. Malili open air market-flagship
397. Malili -uiini road-fuel levy
398. Silanga mbuu earth dam
399. Kikumbulyu north ward appraisal
400. Construction of mukononi earth dam
401. Construction of kitulani ecde
402. Construction of kwa matha sand dam
403. Construction of kwa mutua earth dam
404. Construction of kwa ngano sand dam
405. Construction of mikauni ecde
406. Equipping of ndetani ctti
407. Planting of trees in institutions and markets
408. Rehabilitation and fencing of malebwa earth dam
409. Kikumbulyu south ward appraisal
410. Construction of a ecde class room at kibwezi township primary
411. Construction of a social hall at mukamba cultural centre
412. Construction of kalungu ecde
413. Construction of kawala drift
414. Construction of matinga ecde
415. Piping of kimwasco water project from mikameni to

nthunguni
416. Planting of trees in mbunzau hill,and kilui water catchment
417. Provision of drought resistant seeds in kikumbulyu
418. Kikumini-muvau ward appraisal
419. Kikumini
420. Kilungu ward appraisal
421. Ikuma road
422. Inyonywe water project
423. Itambani rd
424. Ithemboni road
425. Kikuyuni road
426. Kisyani road
427. Kithangathini seedbeds
428. Kyanzinzi water project
429. Kyetuli earthdam
430. Kyumani water project
431. Makutano road
432. Mwitikio river
433. Ndiani road
434. Nthunguni gulley
435. Kisau kiteta
436. Construction of a dumping site at mbumbuni market
437. Construction of gabions at kyome primary school
438. Grading of mwana – kwa masaku – kavutini road
439. Grading of ndiang'u – kanyenyoni – mbulutoni – syunguni road
440. Kavuvoni ecde
441. Kyome ecde
442. Maintenance and grading of mbumbuni – mbiani road
443. Mukundi water project
444. Ndituni water project
445. Rehabilitation of kinze dam
446. Supply of subsidized farm inputs - kisau
447. Supply of subsidized farm inputs - kiteta
448. Tawa market floodlights installation
449. Uvaa water project
450. Kithungo appraisals
451. Appraissaltemplate-2[1]
452. Kalala kavatini road
453. Kaliani dispensary
454. Kaliavati gabions
455. Kaseki itulandoo rd
456. Kilyungi playfield
457. Kilyungi-utangwa road
458. Kinyongo spring
459. Kithungo cold storage
460. Mwenyeani water project
461. Utangwa ctti dorm
462. Utangwa sand dams
463. Kithungo ward appraisals
464. vide
465. Kitise kithuki
466. Kitise
467. Makindu ward appraisal
468. Construction of kiu ecde
469. Gabbions
470. Gnca ecde
471. -kiboko-twaandu
472. Kisingo borehole
473. Kiu catchment
474. Kwa kasimu bh
475. Ngaaka dispensary
476. Ngomano earth dam
477. Ngomano water project
478. Nthia-mbiuni road
479. Poultry & goat keeping
480. Masongaleni ward appraisal
481. Athi river water pumping scheme 2
482. Athi river water pumping
483. Elengole dam expansion
484. Ititi rock catchment
485. Kimawasco pipeline from kalulu to nzembete a. B
486. Kimawasco
487. Kwa majee e.dam
488. Kwa mbandi e. Dam
489. Masaku ndogo bh
490. Ngovani e.dam
491. Rehab machinery-kavatini-kativani
492. Rehabilitation of major gulleys
493. Syathi e.dam
494. Wandei mwaani thange river drift
495. Mavindini ward
496. Athi water project (kamuithi water project)
497. Community water tanks to all public institutions- water tracking points
498. Construction of kwa ndungulu drift (landi – nzeveni road)
499. Construction of kwa david mutunga and mutisya mainga . Earth dam
500. Construction of nguthunu earth dam
501. Equiping a maternity and construction of staff quarters at iiani dispensary
502. Expansion and fencing of enzio earth dam
503. Ngolovoi drift (kanthuni - kyase road)
504. Rehabilitation of athi - ivinganzia (kasayani water project)
505. Mbitini ward appraissal
506. Kiisini springs
507. Kivani-kwa ngiti-kavuthu road
508. Mutyambua bh
509. Ngesu river sanddams
510. Nolturesh water project
511. Reafforestation of kyemundu, kalumbi and mwambwani forests
512. Supply of certified seeds and fertilizers
513. Supply of fertilizers and certified seeds
514. Upgrading masokani ctti
515. Upgrading of manooni play ground
516. Upgrading of mungyani-kithumani-kwa mutula-ngoto-kitulani road
517. Mbooni appraisals
518. Appraissaltemplate-2[1]
519. Gabions at nzeveni
520. Ikokani water project
521. Ililu dam
522. Katilini dispensary
523. Kivandini nzaini road
524. Makuu ecde
525. Mbooni agric flagship
526. Mukaatini ctti
527. Mulima water project
528. Mutulanguu ecde
529. Muumoni dispensary
530. Sensitizaton on climate change
531. Wathi water project
532. Mtito andei ward appraisal
533. Agricultural activities
534. Appraissaltemplate-2[1]
535. Athi kamuyu drift
536. Athi river w.p
537. Construction of gabions
538. Construction of ilikoni ecde
539. Construction of kwa musenya kwa kavyu earthdam
540. Construction of nguumo ecde
541. Heavy grading edited
542. Heavy grading k
543. Improved agricultural practices
544. Kwa mulandi gabions
545. Kwa mwelu drift
546. Masai earthdam
547. Nzalani ecde
548. Slaughter road drift
549. Title deeds
550. Tree planting
551. Yindundu ecde
552. Mukaa ward appraisal
553. Drilling of kwa kasila borehole
554. Ianduini borehole
555. Kateseimbya -kivani road
556. Kima -kitaingo road
557. Kitonguni borehole
558. Kwa kala earth dam
559. Kwa musaa borehole
560. Kwa musuu borehole
561. Kyandue borehole
562. Mutiluni borehole
563. Mwanyani borehole

564. Tree nurseries in all clusters
565. Tree planting in schools and churches
566. Nguu-masumba ward
567. Itiani ecde
568. Kikumini playground
569. Kikuu sand dams construction.
570. Kwa matilu earthdam
571. Livestock improvement
572. Matutu dispensary
573. Mbukani primary borehole
574. Mithumoni dispensary
575. Tree nurseries 2
576. Utini ecde
577. Yikivumbu market shed
578. Nguumo ward appraisal
579. Borehole soto
580. Farm ponds
581. Goats and poutry
582. Ilaatu stadium
583. Ilatu dispensary
584. Kalakalya borehole
585. Kaunguni dispensary
586. Kaunguni forest
587. Kwa kala borehole
588. Makusu syumile
589. Market shed at kibarani
590. Mbui nzau hill
591. Nguumo playground
592. Sanddam at mukononi river
593. Tuaga & kwa singi bridge
594. Uvileni ctti
595. Wakiamba ecde
596. Nzaui ward appraisal
597. Construction of katulani ed
598. Iangini ed
599. Katulye maternity wing
600. Kikuu river catchment protection
601. Kithatu-mathanguni-kalaani road
602. Kwa masaa-kalumoni road
603. Kwa mbiti-kithumba-makutano-kalamba
604. Kwa moto samp tank
605. Kyuasini ecde
606. Manyenyoni drift
607. Muuani-kalivia road
608. Ngyau earth dam
609. Soil conservation
610. Yanthooko sanddam
611. Thange ward appraisal
612. Exp kikunduku e.dam
613. Kilungu bh
614. Kilungu pri.nzavoni.masonga road
615. Kinyambu s.h
616. Kituneni kwa munguti bh
617. Kiumoni ctti
618. Kwa nzomba e.dam
619. Kyaani e.dam
620. Machinery.masonga.nzavoni.kinyambu disp road
621. Machinery.moki.ngomano.mutusye w.pipeline
622. Masonga ctti
623. Musikiti- nzavoni pri road
624. Muthungue disp bh
625. Utithi.kasasule road
626. Tulimani ward appraisal
627. Dam at ngwani river
628. Iiani dispensary
629. Ikokani water project
630. Itetani dispensary
631. Kalawani market public toilet
632. Kalii earthdam
633. Katunda- kyamithenge – ngunini – uvaani – kooi road
634. Kiatineni borehole
635. Kwa ndifatha borehole
636. Kyamithenge ecde
637. Kyanguma ecde
638. Maintainance of kalawani – kwa mutisya road
639. Mavindu dispensary
640. Muketani ecde
641. Nthangathini ecde
642. Rehabilitation of gullies
643. Tree planting at kakima hill
644. Tulimani dispensary (tututha)
645. Wanzauni ecde
646. Yandue dispensary
647. Ukia ward appraisal
648. Grading and maintanance of road
649. Improvement of dairy farming
650. Itithini dispensary
651. Kaumoni earth dam
652. Kilala model health centre
653. Kyambalasi mega earth dam
654. Mbaani water project
655. Ndiuni water project
656. Planting of trees
657. Tree planting
658. Ukia dispensary
659. Water weir at ikangaani spring
660. Hq projects appraisal
661. Project prioritization worksheet 29.11.2016
662. Public participation
663. 1617 participation
664. Budgeting at sub ward level guide FY 2016-17
665. Makueni County public participation
666. Public participation framework final
667. Public participation hand book 13th Feb 2017 master copy
668. Makueni County projects monitoring system
669. Quick wins appraisal report 2016-17
670. PI-12 public asset management
671. Final asset register-Makueni County
672. Agriculture assets updated 24.3.2017
673. Asset reg water
674. Asset register devolution
675. Asset register-education
676. Asset tracking register - health department - march 2017
677. Cs asset register
678. Finance & planning
679. Lands dept asset register 24032017
680. Trade
681. Transport& infrastructure assets final
682. Consolidated 14-15.1
683. Final consolidated fs 15.5.15
684. Financial edited 2013-14
685. Fs2015-160 draft 1 executive 23.12.16 11am
686. Fs2015-160 draft 2 executive
687. Gfs list

PI-13 Debt management

PI-14 Macroeconomic and fiscal forecasting

688. CBROP 13-14
689. Makueni BROP 2013
690. CBROP 14-15
691. Final Makueni BROP 2014
692. CBROP 15-16
693. Makueni CBROP 2015 19th October final version
694. CFSP 14-15
695. Final printed Makueni fiscal strategy paper 2014
696. CFSP 15-16
697. Final Makueni CountyCFSP2015 3rd march 2015
698. CFSP 16-17
699. Final Makueni CountyCFSP2016 25th February 2016 (submitted to c.a)
700. CFSP 2017-18
701. Makueni County 2017 CFSP12.01.2017 submitted to County assembly
702. 2016 CBROP

PI-15 Fiscal strategy

703. CBROP 13-14
704. Makueni BROP 2013
705. CBROP 14-15
706. Final Makueni BROP 2014
707. CBROP 15-16
708. Makueni CBROP 2015 19th October final version
709. CFSP 2017-18
710. Makueni County 2017 CFSP12.01.2017 submitted to County assembly
711. CFSP submission 2015

712. CFSP submission 2016
713. Final Makueni CountyCFSP2015 3rd march 2015
714. Final Makueni CountyCFSP2016 25th February 2016 (submitted to c.a)
715. Final printed Makueni fiscal strategy paper 2014

PI-16 Medium-term perspective in expenditure budgeting

716. Annual development plan 2013-14
717. Annual development plan 2014-15
718. Annual development plan 2015-16
719. Annual development plan 2016-17
720. County integrated development plan (CIDP) 2013-17
721. Edited Makueni CIDP November 2013 Makau
722. CFSP 15-16
723. Final Makueni CountyCFSP2015 3rd march 2015
724. CFSP 16-17
725. Final Makueni CountyCFSP2016 25th February 2016 (submitted to C.A.)
726. CFSP 2017-18
727. Makueni County 2017 CFSP submitted to County assembly
728. CIDP 2013-17
729. Edited Makueni CIDP November 2013
730. Final Makueni CountyCFSP2015 3rd march 2015
731. Final Makueni CountyCFSP2016 25th February 2016 (submitted to C.A.)
732. County fiscal strategic Paper 2014-15
733. Final printed Makueni fiscal strategy paper 2014
734. County strategic plan - vision 2025
735. Makueni County vision 2025 final document
736. Departmental strategic plans
737. Agri strategic plan zero draft
738. Finance & socio-economic planning strategic plan draft edited 21.11.14
739. Gender & youth strategic plan
740. Health sectoral strategic plan
741. ICT strategic plan
742. Office of the governor strategic plan
743. Strategic plan education
744. Strategic plan roads transport infrastructure& energy 001 new
745. Water strategic plan draft
746. Analysis of dates
747. Final printed Makueni fiscal strategy paper 2014

PI-17 Budget preparation process

748. 1415 advert public hearings - Makueni County
749. 2013 budget circular
750. 2014 budget circular
751. 2016 CBROP
752. 2015-16 budget hearings
753. Budget calendar & actual dates
754. Budget circular 26th august
755. Budget circular 2014
756. Budget circular 2015
757. Budget circular 2016
758. Budget submission 2014
759. Final Makueni BROP 2014
760. Finalization circular
761. Makueni BROP 2013
762. Makueni County 1st half FY 2014-15 budget implementation report - 1st draft
763. Makueni CountyBROP 2015 19th October final version
764. Makueni County development projects all financial years
765. Makueni County public participation
766. Public participation framework final
767. Sub ward participation tool- final 29.11.2016

PI-18 Legislative scrutiny of budgets

768. County Assembly budget estimates2016
769. County Assembly resolution 2015
770. Interim County assembly standing orders final
771. Appropriation bill 2014-15 26th February
772. Final Makueni County CFSP2016 25th February 2016 (submitted to c.a)
773. Final Makueni County supplementary budget FY 2015.16
774. Makueni County final appropriation bill 2015-16 30th June
775. Makueni County appropriation bill 2013

PI-19 Revenue administration

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776. County finance bill 2014 final version

P1-19.2

777. Revenue administration bill

P1-19.3

778. Fraud investigation report

P1-19.4

779. Revenue arrears as at 30 June 2014
780. Revenue arrears as at 30 June 2015
781. Revenue arrears as at 30 June 2016
782. Revenue arrears less than 12 months old
783. Revenue arrears older than 12 years
784. Revenue arrears older than 12 months old
785. Stock of revenue arrears 2015-2016
786. Total revenue collection for 3 fys

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787. Information on daily revenue collection
788. Monthly summary for revenue collection for 2015-2016
789. Weekly summary for revenue collection returns June 2016
790. Weekly summary for revenue collection returns 14-5-16 to 20-5-2016

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791. Sweeping of own revenues at commercial banks to CRF (weekly).

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792. 2015-16 cash flow
793. Bank reconciliation February 2017
794. Bank reconciliation January 2017
795. Bank reconciliation-retention
796. CBK revenue
797. Development account 2016-2017
798. KCB development final 2016 17
799. List of County bank accounts
800. Transfer of cash balances to County exchequer account

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801. 2015-16 cash flow

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802. 2016-17 requisitions
803. Form a-car loan sep 2016 assembly
804. Form a-dev 9th sep ca 2016
805. Form a-dev 22nd aug ca 2016
806. Form a-dev aug ca 2016
807. Form a- requisition 4th august 2016 assembly 5th august
808. Form a- requisition 9th sep 2016 assembly
809. Form a- requisition 22nd august 2016 assembly
810. 2016-17 requisition dev ce not subb
811. 2016-17 requisition emergency ce not subb
812. Copy of FY 1617 recurrent requisition
813. Form a-dev aug 15th executive not subb
814. Form a-dev aug 29th reallocation
815. Form a-dev aug 31st executive
816. Form a-dev oct 24th
817. Form a-rec 24th oct 2016
818. Form a-rec july executive 5th august 2016
819. Fy 1617 recurrent requisition 3 amended
820. Fy 1617 recurrent requisition 3
821. Fy 1617 recurrent requisition 4
822. Fy 1617 recurrent requisition
823. Reallocation requisitions-dev
824. Reallocation, main bgt requisitions-dev 2nd req
825. Reallocation, main bgt requisitions-dev
826. Copy of august requisition- ca
827. Form a-ce aug 22nd emergency
828. Form a-dev 9th sep ca 2016
829. Form a-dev aug 15th executive
830. Form a-rec9th sep 2016 assembly
831. Form a-recc 5th jan 2017
832. Form a-recc 9th sept executive car loan
833. Form a-recc 9th sept executive
834. Makueni County government FY 2016-17 budget analysis assembly 29th
835. Requirements for release of funds 2016-17
836. Appropriation bill 2014-15 26th February
837. Final Makueni CountyCFSP2016 25th February 2016 (submitted to c.a)
838. Final Makueni County government FY 2015-16 budget
839. Makueni County2014-15 budget as passed by assembly

840. Makueni County final appropriation bill 2015-16 30th June
841. MakueniCountyappropriationbill2013

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842. Final FY 2015-16 reallocation budget 12th July
843. Final FY 2015-16 reallocation budget 13th July 2016 as forwarded to the County assembly explanations
844. Final FY 2015-16 reallocation budget as passed by assembly final version 5th august
845. FY 20151-6 revised budget.

PI-22 Expenditure arrears

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846. Pending bills 20152016-kenao.zip
847. Stock of expenditure

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848. Pending bills 20152016-kenao
849. Stock of expenditure

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850. Authorised data sheet -ads for payroll changes
851. Carps- capacity assessment and rationalization
852. IPPD payroll management guidelines -
853. Kiprra payroll Makueni County executive
854. Payroll audit report 1
855. Payroll audit report 2
856. Payroll audit report 3
857. Proposed bench marking on HR matters
858. Retroactive adjustments

PI-24 Procurement

859. Departmental procurement plans
860. Agriculture
861. Consolidated annual proc. Plan
862. Copy of final 2014-15 budget by departments and directorates
863. Education-procurement plan
864. Gender
865. Health
866. Ict-procurement plan
867. Lands-procurement plan
868. Trade
869. Transport-procurement plan
870. Water-procurement plan
871. Details of contracts awarded per department
872. Agriculture
873. County public service board
874. Department of youth doc
875. Education world bank 2013-2015
876. Education world bank report 2015-2016
877. Finance report
878. Lands
879. Roads, transport& infrastructure world bank report
880. Trade world bank report
881. Water world bank doc
882. Fees for review
883. Hearing notice
884. Notification for review
885. Public procurement and administrative review board
886. Public procurement and asset disposal act 2015)
887. Public procurement and disposal manual
888. Publicprocurementanddisposalact2005
889. Request for review
890. Requirements for review

PI-25 Internal controls on non-salary expenditure

891. IFMIS modules and segregation of duties
892. General ledger and reporting
893. Management of accounts receivables
894. Management of fixed assets
895. Procure to pay process
896. Revenue and cash management process
897. Assessing compliance of payment procedures
898. External audit report for the year ended 30 June 2015
899. Makueni County financial regulations & procedure manual
900. Monthly cash flow projections for 2015-2016
901. Public finance management act 2012

PI-26 Internal audit

902. Annual audit plan 2016-2017
903. Appointment as chairman audit committee
904. Audit committee induction program
905. Audits conducted in the last 3 financial years
906. Inauguration of internal audit committee
907. Planned audits for the next three years
908. Publicfinancemanagementact2012
909. Reminder to management for action of audit reports

PI-27 Financial data integrity

910. Development account 2016-2017; February 2017, January 2017
911. KCB development reconciliation final 2016-20 17
912. Bank reconciliation-retention; Development account 2016-2017; February 2017, January 2017
913. KCB development reconciliation final 2016-2017
914. Retention account suspense

PI-28 in-year budget reports

915. 2016-17 quarterly report
916. Consolidated quarterly report-16.1.2017
917. Emergency report: Emergency 2015-16 FY, Emergency 2013-14 FY, Emergency 2014-15 FY
918. Quarterly expenditure reports: 3rd quarter report April 2016 final, 2014-15 report
919. Executive fs 2015
920. First quarter report 2015
921. First quarter report
922. Fourth quarter report 2015
923. Half year report
924. Monthly expenditure reports feb fy2016-17
925. Second quarter report Jan. 2105
926. Third quarter report Inc. & exp. April 16
927. Third quarter report 2015
928. 2015-2016 q1 budget implementation report
929. M&E report 2nd quarter report final.
930. Makueni CBROP 13-14
931. CBROP 14-15
932. Final Makueni BROP 2014
933. CBROP 15-16

PI-29 Annual financial reports

934. Makueni CBROP 2015 19th October final version
935. Financial statements16 months fs for 2013-14-audited
936. 2013-14 financial statement-audited
937. 2014-15 financial statement-audited
938. 2015-16 financial statement-audited
939. Management letter responses 2016
940. Management letter responses June 2015

PI-30 External audit

941. External audit report Makueni County assembly-2014-15
942. External audit report Makueni County assembly 2013- 14
943. External audit report Makueni County executive 2014-15
944. External audit report Makueni County executive-2013-14
945. PAC report recommendations summary
946. Progress report -on audit

PI-31 Legislative scrutiny of audit reports

947. Adopted PAC2013-2014 audit report
948. Interim County assembly standing orders final
949. Letter no 1 to County secretary Makueni-7th April 2016
950. Pac report recommendations summary
951. Pac's report on fs for 16 months ended 30th June 2014
952. Response from County secretary Makueni 25th April 2016
953. Special audit report jan-june 2013
954. Submission and approval of audit reports.

## Annex 3D: County government entities audited for the last 3 fiscal years

| Entity | 2013/14 | 2014/15 | 2015/16 |
|---|---|---|---|
| Mbooni Hospital | - | √ | - |
| Makueni Hospital | - | - | √ |
| Department of Water and Irrigation | - | - | √ |
| Department of Finance and Socio-Economic Planning | - | - | √ |
| Department of Education and ICT | - | - | √ |
| Department of Trade, Tourism and Cooperatives | - | - | √ |
| Department of Lands and Physical Planning | - | - | √ |
| Department of Health | - | - | √ |
| Department of Agriculture | - | - | √ |
| Department of Transport and Infrastructure | - | - | √ |
| Department of Youth Gender and Sports | - | - | √ |
| County Public Service Board | - | - | √ |
| Department of Devolution | - | - | √ |
| Office of Governor | - | - | √ |
| Office of County Secretary | - | - | √ |

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