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& Economic Planning**
The National Treasury



Public
Financial
Management
Reforms
Secretariat



PUBLIC FINANCIAL MANAGEMENT REFORMS PROGRAMME

PFMR STRATEGY 2018-2023

**ANNUAL MONITORING & EVALUATION REPORT
FINANCIAL YEAR 2021/2022**

(DECEMBER 2022)

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Acronyms

ADPs	Annual Development Plans
AFD	French Development Agency
AGPO	Access to Government Procurement Opportunities
AiA	Appropriation in Aid
ASD	Accounting Services Department
BD	Budget Department
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
COB	Controller of Budget
COG	Council of Governors
CF	Consolidated Fund
CIDPs	County Integrated Development Plans
CPSBs	County Public Service Boards
CRA	Commission on Revenue Allocation
CRF	Consolidated Revenue Fund
CSs	Cabinet Secretaries
DPs	Development Partners
DPG	Development Partners Group
DWBI	Data Warehouse and Business Intelligence
e-GP	e Government Procurement
EU	European Union
FSs	Financial Statements
FY	Financial Year
GESDeK	Governance for Enabling Service Delivery and Public Investment in Kenya
GDP	Gross Domestic Product
GHRIS	Government Human Resource Information System
GIMIS	Government Investment Management Information System
GIPE	Government Investment in Public Enterprises
GoK	Government of Kenya

GPCIS	Government Performance Contracting Information System
HCI	Hyper-Convergence Infrastructure
HR	Human Resource
HRM	Human Resource Management
IAD	Internal Audit Department
IAG	Internal Auditor General
ICT	Information Communication Technology
ICTA	Information Communication Technology Authority
IFMIS	Integrated Financial Management Information System
iHRIS	Human Resource Information System
IHRM	Institute of Human Resources Management
IPSAS	International Public Sector Accounting Standards
JTC	Joint Technical Committee
KERP	Kenya External Resources Policy
KISEB	Kenya Institute of Supplies Examination Board
KRA	Kenya Revenue Authority
KSG	Kenya School of Government
LAIFOMS	Local Authority Integrated Financial Operations Management System
MDAs	Ministries, Departments and Agencies
MDACs	Ministries Departments Agencies and Counties
M&E	Monitoring & Evaluation
MIS	Management Information System
MTP	Medium-Term Plan
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
NT	National Treasury
NTSA	National Transport and Safety Authority
OAG	Office of the Auditor-General
OCoB	Office of the Controller of Budget
PAC	Public Accountant Committee

PASEDE	Public Accountability and Service Delivery
PDMO	Public Debt Management Office
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PFMR	Public Financial Management Reform
PforR	Program for Results
PIM	Public Investment Management
PIMIS	Public Investment Management Information System
PPAD	Public Procurement and Asset Disposal Act
PPD	Public Procurement Department
PPIP	Public Procurement Information Portal
PPP	Public Private Partnership
PSASB	Public Sector Accounting Standards Board
PSC	Public Service Commission
RMF	Risk Management Framework
SCs	State Corporations
SC	Steering Committee
SCOA	Standard Chart of Accounts
SDGs	Sustainable Development Goals
SDPS	State Department of Public Service
SRC	Salaries and Remuneration Commission
SWG	Sector Working Groups
TA	Technical Assistance
TSC	Teachers Service Commission
UHR	Unified Human Resource
UPN	Unified Payroll Number
WB	World Bank
WISN	Workload Indicators of Staffing Need
QA	Quality Assurance

CHAPTER ONE

1.0 INTRODUCTION AND BACKGROUND

This chapter describes the background of reforms in Kenya, an overview of the PFMR Strategy 2018-2023 and the programmes implementing the strategy.

1.1 Back ground of Reforms

The Government of Kenya identified early in 2000s a well-functioning PFM system as a foundation of the Vision 2030 and the cornerstone to achieving national development. In the Vision 2030, the Government specifically committed to accelerate reforms in public financial management in order to improve efficiency, enhance transparency and accountability under a coordinated strategy. The Government's first reform strategy covered the period 2006-2011. Building on the institutional reforms that were taking place in Government at the time, and under the theme "*Revitalization of Public Financial Management System in Kenya*" the main reforms of the Strategy targeted transformation of political priorities into the annual budget allocations; credibility of the budget; quality, timeliness and accuracy of financial reports; procurement; rollout of the Integrated Financial Management System and integration with the payroll system; automating the pensions system; tax evasion, poor collection and accounting of non-tax revenue; institutional reform; debt management; revamping of the external audit; PFM legal framework and low capacity of PFM staff among others.

At the end of implementation period for the 2006-2011 strategy, many of the reforms had not been completed. Besides, new changes in the Constitution of 2010 also presented new challenges calling for major institutional and legal reforms in PFM systems, which had not been accommodated in the strategy. In addition to calling for higher standards of equity, transparency and accountability in the use of public funds, the creation of counties through a major devolution policy and the establishment of new institutional roles, for example the Office of the Controller of Budget, the Commission on Revenue Allocation, among others, significantly reformed the PFM architecture.

The enactment of the Public Finance Management Act 2012 and other relevant legislations subsequent to the Constitution, expanded demand for PFM institutional reforms. These were key issues in formulating the PFM Reform Strategy 2013-18. Building on the achievements of the PFMR Strategy 2013-2018, the PFMR Strategy 2018-2023 aims to increase fiscal space, enhance coherence and consistency between policy commitments and public spending, enhance service delivery and productivity of public investments projects, improved wage bill management to enhance efficiency, improve the quality of MDAs and county financial reporting and to strengthen internal and external audit. The overall objective of the Strategy is to deepen PFM reforms to promote transparency, accountability, equity, fiscal discipline and efficiency in managing and using public resources for improved service delivery and economic development.

1.2 Overview of the PFMR Strategy 2018-2023

The objective of the PFMR Strategy 2018-2023 is “A public finance management system that promotes transparency, accountability, equity, fiscal discipline and efficiency in the management and use of public resources for improved service delivery and economic development”. The Strategy focuses on the following eight (8) result areas: -

- i. Sustainable and predictable fiscal space to deliver government programs
- ii. Strategic and transparent spending on public investment and service delivery in line with national and county policy commitments
- iii. Reliable cash for service delivery and public investment
- iv. Value for money in procurement and contract management
- v. Value for money, performance & accountability in staffing for service delivery
- vi. Education institutions, health and other service facilities effectively manage public resources
- vii. Disciplined financial management and accurate reporting
- viii. Accountability delivered through audit, oversight and follow up

The PFMR Strategy outcomes, identified gaps and the expected reform results per result area are highlighted below: -

1.2.1 Results Area 1: Sustainable and Predictable Fiscal Space to Deliver Government Programs

a) Results Area Outcome

- Predictable and sustainable increase in fiscal space for efficient execution of national and county programmes.

b) Identified Gaps

- i. Tax revenue at the national level is below potential due to weaknesses in policy including a constrained tax base, tax expenditures exemptions management, primary focus on revenue targets and multiple collectors of revenue
- ii. Revenue collection is constrained by tax administration challenges including low compliance, inadequate capacity and processes
- iii. Revenue collection at the county level is below potential due to inadequate policy, legal framework and administration
- iv. High macro-fiscal projections and increasing spending levels have contributed to a high fiscal deficit and increased debt service and the unreliability of planned expenditures
- v. Increased reliance on commercial borrowing has contributed to an increased cost of financing and a more vulnerable economy
- vi. Inefficiencies and growth in the public sector wage and pension bill negatively affect the fiscal space to allocate to policy commitments

- vii. Sub-optimal utilization of private sector resources in financing government investments.

c) Expected Reform Results

- i. A fit for purpose revenue policy and legal framework and rationalized tax expenditures including exemptions
- ii. Efficient and effective customer-oriented revenue administration with high taxpayer filing and payment compliance ratios
- iii. Efficient and effective revenue policy administration at county level, with high taxpayer compliance supported politically and by updated legal framework
- iv. Credible fiscal frameworks at the national and county level include realistic revenue and expenditure projections consistent with a reduction in the national fiscal deficit over time
- v. The exposure of Kenya to shocks is reduced as a result of the reduced stock of debt due to borrowing within fiscal targets consistent with a reduced fiscal deficit and reduced cost of financing
- vi. Mandates and functions are rationalized at the national and county levels and the growth in the wage and pension bill is limited relative to other expenditure and is maintained below 35% of government revenues
- vii. Private sector and state corporation (SC) resources mobilized for delivery of appropriate investments and services and SC reliance on subsidies and transfers reduced

1.2.2 Results Area 2: Strategic and Transparent Spending on Public Investment and Service Delivery in Line with National and County Policy Commitments

a) Results Area Outcome

- Improved linkage of public spending to national and county governments' priorities and delivers efficient and effective investments and services

b) Identified Gaps

- i. Strategic priorities between the national and county governments are not harmonized and clearly linked to budget
- ii. Budget allocations change during budget preparation and implementation which adversely affect the ability of Ministries Departments and Agencies (MDAs) and Counties to implement their core functions
- iii. There is a mismatch between spending on public investments and the benefits arising from those investments, with increased resource allocations for public investments not being reflected in corresponding improvements in service delivery

- iv. Stakeholders do not have adequate capacity and access to relevant information on budgets, service delivery and public investments, which undermines effective decision making and accountability for the use of those resources
- v. Manual transmission and management of budget and reporting by state corporations and semi-autonomous agencies to line ministries and National Treasury and weak linkage between budget allocations and performance targets

c) Expected Reform Results

- i. Harmonized national and county plans, budgets and implementation reports prepared using common formats and strengthening the link between resource allocation, national and local policies and accountability
- ii. Budget allocations to major Government programmes are agreed, costed and adequately resourced during the finalization and revision of annual budgets
- iii. Public investments are effectively selected, implemented and monitored to enhance service delivery and maximize benefits to the economy
- iv. Stakeholders have access to appropriate and relevant information on service delivery at the national and county levels which is timely, reliable and trusted
- v. State corporation and semi-autonomous agencies' budgets and reports are linked to performance targets, are comprehensive and are provided to National Treasury and line Ministries

1.2.3 Results Area 3: Reliable Cash for Service Delivery and Public Investment

a) Results Area Outcome

- Improved provision of funding for major services and investment projects in full and on time which enables them to be delivered and to budget

b) Identified Gaps

- i. Budget implementation starts late in the financial year (FY) as result of the late closure of the previous FY and delays in the preparation and uploading of Procurement and Cash Plans
- ii. The forecasts of the timing of the revenue inflows are unrealistic, the consolidated cash position of government is not known, and domestic debt is issued without real time information of the actual cash position based on short term cash requirements which means that cash is not always available when MDAs require it to implement services and public investments
- iii. The quantity, quality, cost and timeliness of planned services are undermined because budgeted funding is often not provided in full when required to service delivery units and infrastructure projects and there is significant accumulation of pending bills
- iv. Disbursement of funds to service delivery facilities at the national and county level are unreliable affecting quality and sustainability of service delivery

c) Expected Reform Results

- i. MDAs and Counties prepare their procurement and cash plans consistent with approved budgets and closed the previous FY on the system within the first two weeks of the FY
- ii. Realistic in-year forecasts of revenue inflows, borrowing requirements, and consolidated cash balances
- iii. Commitments fully funded for major programmes delivering services and investments
- iv. Transfers to and withdrawals from the Consolidated Fund and county revenue funds to State Corporations and service delivery facilities and projects made in full and on time

1.2.4 Results Area 4: Value for Money in Procurement and Contract Management

a) Results Area Outcome

- Increased transparency and efficiency in procurement processes and contract management in service delivery infrastructure and inputs

b) Identified Gaps

- i. Procurement policies, systems and processes are not fully integrated, transparent and operationalized and there is inadequate technical expertise. This contributes to delays, cost overruns, malfeasance, poor value for money and weak accountability which consequently undermines the delivery of services
- ii. Complex procurement contracts are not managed effectively by MDAs and Counties resulting in poor value for money in procurements.

c) Expected Reform Results

- i. Public Procurement processes are conducted by MDAS, SCs and Counties in a timely and efficient manner using automated procurement systems without causing disruption to service delivery with integrity, transparency and in accordance with the law and when malfeasance occurs the appropriate sanctions are applied
- ii. MDAS, SCs and Counties negotiate and manage the implementation of complex contracts effectively ensuring they are delivered as planned with value for money

1.2.5 Results Area 5: Value for Money, Performance and Accountability in Staffing for Service Delivery

a) Results Area Outcome

- Increased value for money, performance and accountability in staffing for service delivery

b) Identified Gaps

- i. Human resource data in the public service is fragmented and inconsistent which limits the ability for wage bill management, human resource management and budget planning and undermines efficiency and accountability in staffing for service delivery
- ii. Public sector institutions payrolls are not fully automated and integrated with IFMIS and GHRIS resulting to weaknesses in controls of personnel emoluments expenditures
- iii. Overlaps and inconsistencies in institutional and organizational mandates, functions, structures, establishments, staffing and management systems and non-compliance with standards and norms undermine performance and productivity of public service employees

c) Expected Reform Results

- i. Public service human resource data is consolidated and consistent
- ii. Public Sector Institutions Payrolls are fully automated, have effective controls and are integrated with GHRIS and IFMIS
- iii. Uniform norms and standards in public service management are entrenched for effective performance and productivity of the public service

1.2.6 Results Area 6: Education Institutions, Health and other Service Facilities Effectively Manage Public Resources

a) Results Area Outcome

- Improved management of public resources in Education, Health and other service facilities to realize value for money

b) Identified Gaps

- i. MDAs, SCs and County entities apply and manage AIA inconsistently which undermines effective and efficient service delivery
- ii. Facilities providing key services in education, health and water do not adequately and transparently allocate, manage or report on public resources

c) Expected Reform Results

- i. MDAs, SCs and Counties implement a crosscutting framework for AIA ensuring that revenues are effectively budgeted for, raised, spent and accounted for
- ii. Facilities at both the national and county level manage and report on resources transparently and efficiently

1.2.7 Results Area 7: Disciplined Financial Management and Accurate Reporting

a) Results Area Outcome

- Increased discipline in management of MDAs, Counties and State Corporations revenues, expenditures, assets and liabilities, fiscal risks and reporting

b) Identified Gaps

- Financial statements are of mixed quality, inconsistent with the IFMIS as reconciliations are not fully carried out in the system. The quality of reporting is undermined by a lack of compliance with controls in the system
- Asset and liabilities management policies and procedures are not fully developed, integrated and operationalized. As a result, physical assets maintained by MDAs and Counties are not all captured in the asset register, posing a risk of misappropriation of assets through inappropriate use, poor value for money at acquisition and disposal thus undermining delivery of services
- Inadequate monitoring of fiscal risk including pending bills, contingent liabilities and large or multi-year commitments
- Externally funded projects typically have one-line budget allocations not using the standard chart of accounts in full, are managed outside IFMIS and financial statements are also not prepared through IFMIS

c) Expected Reform Results

- MDAs and county annual and quarterly financial statements are consistent with and submitted from IFMIS and have been submitted to the Office of the Auditor General (OAG) in compliance with the law
- MDAs and Counties maintain complete and up-to-date registers of asset and liabilities, have plans for asset management linked to the budget, with the transfers of defunct Local Authorities and devolved national assets and liabilities to counties completed
- Adequate monitoring of fiscal risks including pending bills, contingent liabilities and large or multi-year commitments
- Externally funded projects that are managed effectively using the SCOA and prepare financial statements through the IFMIS

1.2.8 Results Area 8: Accountability Delivered through Audit, Oversight and Follow up

a) Results Area Outcome

- Improved accountability delivered through timely and high quality internal and external audit, oversight and follow up

b) Identified Gaps

- Lack of regular and timely internal audit reports by MDAs and Counties in line with the established procedures for assurance, risk management and audit follow up

- ii. Delays and quality of external audits affecting timeliness in decision making and service delivery. Insufficient public participation and collaboration between internal and external audit affects timeliness and effectiveness of decision making which impact on service delivery
- iii. There is insufficient follow up on issues raised from OAG, Office of the Controller of Budget (OCoB), internal audit, which means issues for audits and monitoring activities are not resolved

c) Expected Reform Results

- i. Internal audit reports prepared by MDAs and Counties which have undergone quality assurance by the Internal Audit Department, in line with established procedures for assurance, risk management and audit follow up
- ii. The Auditor General reports to Parliament within six months after the end of each financial year and provide high-quality audit reports that are accessible to the public and have been prepared in accordance with International Auditing Standards
- iii. Timely scrutiny follows up and resolution of issues raised in internal audit, OCoB and external audit reports

1.3 Programmes Implementing the Strategy

a. Governance for Enabling Service Delivery and Public Investment in Kenya

The Program for Results (PforR) to strengthen Governance for Enabling Service Delivery and Public Investment in Kenya (GESDeK) is a GoK/World Bank/AFD funded programme. The GESDeK program is funded by the World Bank (WB) and the French Development Agency (AFD). The Bank is financing the program through a credit of USD 150 million while the AFD co- finances through a credit facility amounting to EUR 30 million and a grant amount of EUR 1.5million. The Programme focuses on the following result areas: -

- Prioritized Public Investments
- Reliable Funding for Service Delivery and Public Investments
- Efficient and Transparent Procurement
- Consolidated Staff Data
- Timely and Quality Financial Statements and Audits
- Strengthened Fiduciary Assurance and Transparency

The objective of the programme is to improve utilization and transparency of resource management in selected service delivery Ministries, Departments and Agencies (MDAs). The objective is in line with the main strategic reforms objective of ensuring a public finance system that promotes transparency, accountability, equity, fiscal discipline and efficiency in the management and use of public resources for improved service delivery and economic development.

b. Public Accountability and Service Delivery Programme

The objective of the Programme is to improve financial transfers to counties; (ii) enhance revenue mobilization; (iii) improve business environment; and (iv) better public investment management practices. PASEDE is funded by the European Union (EU) to the tune of €26 million grant. The Programme is supporting implementation of interventions in the PFMR Strategy 2018-2023 under the Accounting Services Department (ASD), Public Procurement Department (PPD), Public Investment Management Unit (PIM) and the Kenya Revenue Authority (KRA).

c. Data Warehouse & Business Intelligence (DWBI) Project

The main objective of the project is to enable KRA's Transformation to an efficient Data and Intelligence driven Tax Administration. The DWBI solution will enable KRA to aggregating relevant data from both internal and external sources for enhanced knowledge of Taxpayers to facilitate evidence-based decision making. Useful insights from the aggregated data will also be provided using the Business Intelligence component for efficiency through enhanced Tax Administration Tactics and Strategies. The business case for the DWBI is informed by the following key anticipated benefits;

- Fact based decision making: Linking data from multiple KRA systems to enable better reporting, analysis and knowledge-based decision making;
- Enhanced tax compliance by enabling single view of the tax payer and providing access to strategic third-party data; and
- Enhanced operational efficiency by enabling fast and easy access to data and information; increase KRA's capacity to detect fraud by providing tools to detect trends and patterns.

This report highlights progress in implementation PFMR Strategy 2018-2023 as at end of the 2021/22 fiscal year.

2.0 INSTITUTIONAL FRAMEWORK, COORDINATION AND REPORTING

The chapter gives an overview of the institutional framework, coordination across results teams and implementing MDAs and counties, financing agreement and monitoring & evaluation.

2.1 Institutional Framework

2.1.1 Institutional Roles in Management of Results Teams

Each result area involves a complementary set of PFM results focused on addressing a core PFM challenge. Achievement of the results requires coordinated actions from more than one MDA. Results Teams, organized around Result Areas, comprising MDAs and counties, will be responsible for implementing and achieving specific results.

The main tasks of the results teams include developing a collective understanding of the challenges, identifying the changes required to deliver success and MDAs responsible, coordinating the collective implementation of the activities, and prepare progress reports.

Results teams include, but not be limited to, a core membership of technical officers from implementing MDAs, and a member of the PFMR Secretariat. In addition, representatives of service delivery MDAs, technical advisors, and Development Partners are included. Where necessary, county representation will be included and coordinated through the CoG Secretariat. The Results teams have a lead MDA that is responsible for the delivery of results. Results Team members are appointed by the Accounting Officer of the respective implementing MDAs. Results teams may form a working sub-committee to deliver specific results.

2.1.2 Lead Ministries, Departments, and Agencies

The achievement of specific Strategy results requires coordination by different implementing MDAs. The MDAs carry out the activities that ensure the delivery of PFM results. The MDAs are responsible for a) ensuring activities important for delivering results are reflected in departmental work plans b) resources are allocated to the activities, c) implementing the activities, and d) reporting on the achievement of activities to the results teams. Each results area involves a lead implementing MDA responsible for delivering the results, reporting on the achievement, and supporting evidence that the results have been achieved.

Beyond the achievement of the Strategy results which are focused on a limited number of challenges, implementing MDAs are custodians of the functioning of the entire PFM system. Implementing MDAs have important responsibilities in:

- Capacity building in their areas that include: a) development and updating of the core curriculum b) dissemination and support to any changes in policies and systems, and c) routine capacity building

- Implementing other policy, process, and system-strengthening activities is not directly related to the Strategy results, but important for enhancing the underlying PFM system.
- Preparing, implementing, and reporting on annual PFMR work plans, which include a) activities to deliver the Strategy results b) other PFM reform activities not directly related to Strategy results, and c) capacity building activities.

2.1.3 Reform Authorizers

They comprise of technical leadership and senior management of the institutions comprising of the implementing MDAs and Counties which provide the oversight of reforms and ensure that they are being implemented as intended. If the Reform Authorizers are to play this role effectively, it is necessary that during implementation they are involved in reviewing:

- The Key PFM results commitments under the Strategy
- The progress in achieving the results, and
- Issues in implementation which require their attention and action.

2.1.4 MDAs, Counties, Legislature and Broader Coalitions

MDAs and Counties either contribute to the achievement of PFM results through implementing strengthened PFM systems (e.g., implementing the e-procurement system) or are beneficiaries of PFM results achieved by other institutions (e.g. increased domestic revenues and more reliable cash). The Strategy results are focused on MDAs and counties that are responsible for the delivery of public investments and services, and associated expenditures related to investment and service delivery. Other stakeholders are also important in achieving some results, for example, the Parliament and County Assemblies, the private sector, and civil society groups.

2.2 Coordination Across Results Teams and Implementing MDAs and Counties

The Strategy implementation is undertaken by MDAs and counties, with reform activities agreed and progress discussed in Results Teams comprised of MDAs. The implementing MDAs are coordinated by the Secretariat and report through the JTC, SC, and the PFM Sector Working Group. This structure includes stakeholders at both national and county government levels and Development Partners with the Secretariat as the coordinating unit.

2.2.1 The PFM Joint Technical Committee (JTC)

The PFMR Joint Technical Committee provides technical guidance to strategy implementation and facilitates cooperation and collaboration among the various implementing MDAs.

- *Functions:* Coordination of results teams, and consolidation of quarterly Results Area PFM Reform Matrices, consolidation and review of annual Strategy work plans, resource allocation to achieve Strategy results before submitting for approval to the Steering Committee and consolidation of annual Strategy reports; agreement of technical actions to address implementation issues.
- *Meetings:* The JTC meets at least twice a year, aligned to the second and fourth quarters of the Results Teams reporting, and the meetings are chaired by the PFMR Secretariat Coordinator.

- *Composition:* Comprises of members of the results teams; Development Partners; and members of the PFMR Secretariat. The secretariat of the JTC is the PFMR Secretariat.

The JTC may form subcommittees to handle specific crosscutting and coordination issues with relevant technical staff rather than the full JTC. For example, a systems technical sub-committee would deal with the integration of systems, and a capacity-building technical sub-committee would deal with coordinating capacity building activities.

2.2.2 The PFM Steering Committee (SC)

The PFM Steering Committee is the key authorizing and decision-making organ for the Strategy in charge of the strategic direction and the provision of oversight and guidance on the delivery of the results.

- *Functions:* Providing the authorizing environment for achieving reform implementation and functional change; ensuring cooperation across implementing MDAs; reviewing progress on achievement of strategy results and follow up actions using the reforms matrix; reviewing and approving consolidated annual strategy work plans and progress reports.
- *Meetings:* The committee meets at least twice a year. The decision made by the Steering Committee is final and is implemented by the relevant PFM stakeholders and the PFM Secretariat.
- *Composition:* The PFM Steering Committee is chaired by the PS National Treasury and comprises of: PSs responsible for Devolution, Planning, Public Service; Heads of implementing departments, NT; CEOs of PSC, KRA SRC, CRA, CoG, ICTA, TSC; Auditor General; CoB; the PFM Development Partners Group (PFM DPG), the PFMR Secretariat and any other relevant MDAs on invitation.

2.2.3 PFM Sector Working Group

The PFM Sector Working Group is a forum for dialogue that meets at least once a year to discuss PFM reforms policy issues.

- *Functions :* Providing the engagement with the Government leadership and reform authorizers for achieving reform results; reviewing progress on achievement of strategy results and providing guidance and validation on follow up actions developed by the Steering Committee; policy dialogue, broad consultation, information sharing and coordination among key stakeholders in line with the Kenya External Resources Policy (KERP); alignment of development partners' activities with government PFM priorities including consideration of the Partners' strategies; promotion of mutual accountability in management of PFM policies; promotion of consensus-building on funding practices to ensure transparency and predictability of external assistance; facilitation of resource mobilization towards sector programmes and projects; promotion of harmonization and simplification of external assistance implementation procedures including procurement, accounting and financial reporting in line with KERP promotion and support of the use of country PFM systems in implementation of donor-funded projects and programmes.

- *Meetings:* The PFM SWG meets once a year. The decision is made by the Sector committee is final and is communicated through the Steering Committee to be implemented by the relevant PFM stakeholders and the PFM Secretariat.
- *Composition:* The PFM SWG is chaired by the CS National Treasury & Planning and comprises of the CSs from implementing MDAS and members of the Steering Committee.

2.2.4 Complementary Coordinating Forums

Individual institutions are responsible for ensuring the coordination of reforms across MDAs within their organizations through senior management meetings and other relevant forums.

2.2.5 The PFMR Secretariat

The PFMR Secretariat is responsible for:

- Coordination of implementation, including action planning, work planning, reporting and M&E across results teams. It also provides technical expertise in management. The Secretariat communicates the reforms to stakeholders in line with the PFMR Communications Strategy.
- Collecting M&E data on reforms and coordinating the reporting and verification of results. The Secretariat ensures that the capacity for the MDAs and counties is built for effective and efficient monitoring and evaluation. In its role as Chair of the Joint Technical Committee and Secretariat to the Steering Committee, the Secretariat compiles reports for authorizers on the status of results and key steps and prepares annual progress reports on PFMR results. The Secretariat consolidates MDAs annual work plans and, coordinating financial management with respect to reform activities and DP support. The Secretariat helps in ensuring adherence to Strategy timelines.

2.2.6 Development Partners

The Development Partners are involved in the following: -

- *Dialogue on PFM Reform:* This is led by the Chair PFM Development Partners Group supported by DP thematic leads. The dialogue focuses on achievements of key PFM Strategy results, formally through the PFMR Steering Committee and Joint Technical Committee and through interactions with results teams and lead MDAs.
- *Financial support to Strategy implementation and capacity building:* There are three broad categories of this support. First, budget support linked to the achievement of Strategy results is the preferred modality from the perspective of the Government of Kenya, as this gives it the most flexibility to achieve the results in line with the Strategy. Secondly, direct support to Strategy implementation is channeled via the Secretariat, supporting the implementation of MDAs work plans. This provides flexibility and transparency in the allocation of resources and expenditures. Thirdly, DPs provides direct project support to implementing MDAs and counties. The details of the support are provided to the Secretariat to ensure comprehensive reporting of reforms.
- *Complementary flexible support for reform facilitation:* The DPs aim to support behavioral change through a problem-based, collaborative and iterative approach to

reform implementation. Support is focused on results teams and the PFMR Secretariat. The support is flexible, responsive, and timely and is in the form of provision of TA.

- DP support is coordinated by the PFMR Secretariat and the PFM DPG Group, which ensures complementarities and alignment with the Strategy.

2.3 Financing Arrangement

This section provides a basic estimate of the cost of achieving strategy results by PFM themes. The main drivers underlying the thematic costs are:

- *Activities to achieve PFM reforms:* these are activities intended to directly address action and key steps in the PFM reform strategy. They involve policy legal processes and guidelines development, diagnostic studies and views, new ICT systems and system tools development and other reform development activities. Activities relating to the design, roll-out, and on-the-job support for the implementation of reforms targeting strengthened PFM systems and processes. Additionally, it also involves dissemination and implementation of policies, processes and systems including on the job support.
- *Existing systems for PFM:* These include upgrades, expansions, licenses and user support on already established PFM ICT systems.
- *Performance improvement and staff capacity building:* this involves training and support provided by MDAs to other GoK institutions to strengthen capacity of PFM Reforms. Also tailored capacity building provided to MDAs and counties based on training needs. Additionally, MDAs and counties implementing the PFM Reforms may require short term or long-term technical assistant to strengthen good practices in implementation of the reforms.

The Strategy implementation may be constrained by available resources to PFM reform. In the GoK budget, resources will be allocated to implementing MDAs by the JTC on a priority basis. Priority will be for activities related to the achievement of key steps of the Strategy result areas, followed by capacity development and existing PFM processes and systems.

2.4 Monitoring and Evaluation

The monitoring and evaluation of the PFMR Strategy is a requirement as stipulated in the Programme Operation Manual 2020. It includes the following components: -

- *Preparation of annual MDAs work plans:* The work plans are a key operational tool for the allocation of funds to specific reform activities. They are prepared by implementing MDAs, consolidated by PFMR Secretariat and approved by the Steering Committee.
- *PFM Reforms Matrix:* The PFM Reform Matrix is the key tool for results teams to report on progress towards results, agreed key steps and changes required. Results Teams collect and update the status of reforms key steps and follow up actions.
- *Reporting on Coordination, Capacity, and Cross-Cutting Issues:* The Secretariat on a quarterly basis, monitors and reports on progress and challenges in reform coordination, capacity building, and the implementation of cross-cutting issues against the framework set out in this strategy.

- *Annual PFMR Strategy Implementation Report:* The Secretariat undertakes the assessment of counties and MDAs in the implementation of PFM reforms in order to determine the status and requirements for capacity building and support on implementation of reforms.
- *PFM Strategy Results Framework:* The Results Framework defines the indicators and the institutional arrangements for data collection. The Results Framework is being updated through the ongoing mid-term review of the Strategy. The final status of the indicators will be determined at the end term review of the Strategy.

3.0 METHODOLOGY AND APPROACH

This section presents the approach adopted in preparation of the M&E report for the PFMR Strategy 2018-2023. The process of preparing the report was anchored on the annual report schedule (annex 3). The approach adopted in preparing the report is as discussed below: -

3.1 Data Collection Phases

3.1.1 Desk Review

The first Phase of the report preparation process entailed desk review of relevant PFMR programme documents. The reviewed documents were various financing agreements (i.e., GESDeK, PASEDE and DWBI), PFMR matrix, annual reports and PFM Reforms Strategy 2018-2023. The purpose of the desk review was to document progress from secondary sources on programme implementation and lay the ground for field work.

3.1.2 Ministries Departments and Agencies

The second phase comprised of holding feedback consultations with the thirty-three (33) MDAs supported by the programme. The purpose of this phase was to document progress in programme implementation, gaps and way forward. The phase sought to fill in gaps in information identified during the desk review phase.

3.1.3 Counties

Phase three entailed visiting and holding feedback consultations with eighteen (18) sampled counties which benefited from the programme. The visited counties were Laikipia, Meru, Embu, Kiambu, Murang'a, Kajiado, Machakos, Kwale, Mombasa, Kisii, Migori, Homa Bay, Busia, Kisumu, Nandi, Uasin Gishu, Nakuru and Kakamega. The Secretariat used a non-experimental sampling technique and more specifically purposive/convenience sampling to choose the counties visited. The sampling procedure adopted was informed by the need to achieve the overall objective of the annual report which was to review the project's achievements against planned activities, gaps, challenges experienced, lessons learnt, and way forward. The purpose of this phase was to establish how the support to counties through the programme was improving PFM.

3.2 Fieldwork approach

The fieldwork approach involved conducting interviews using structured interview guides (annexes 1 and 2). The interview guides were administered to collect information from key informants. Two different sets of interview guides were used i.e., national level guide and County level guide. Standard reporting formats for the two levels of fieldwork were used to prepare summary reports. Fieldwork was undertaken by two teams from the PFMR Secretariat.

4.0 PFM REFORMS STRATEGY MID-TERM PERFORMANCE

This chapter gives an overview of the status of implementation of the strategy key steps, county level findings and the financial performance.

4.1 Status of Implementation of Strategy Key steps

4.1.1 Results Area 1: Sustainable and predictable fiscal space to deliver Government programs

The Strategy outcome of Results Area 1 is as follows:

Predictable and sustainable increase in fiscal space for efficient execution of national and county programmes

The outcome will be achieved by ensuring that national and county governments achieve close to their revenue potential. These revenues are used to fund the implementation of budget programmes through adherence to sound fiscal frameworks consistent with sustainable borrowing and debt servicing costs, and reduced exposure of the economy to risk—the growth in the wage and pension bills limited to public sector establishment structures aligned to policy objectives. Further, during the plan period increased private sector resources will be mobilized towards financing policy commitments. The key steps achieved under the outcome per reform results are as follows.

- a) *A fit for purpose, revenue policy and legal framework and rationalized tax expenditures including exemptions*
 - Joint Revenue Strategy covering policy, forecasting and management of tax expenditures and administration with monitoring framework agreed between KRA and NT
 - NT tax policy unit staffed, trained and retooled in line with the recommendations of the capacity gap analysis
 - Rationalized tax expenditures and framework for the management of tax expenditures approved and in place
- b) *Efficient and effective customer-oriented revenue administration with high taxpayer filing and payment compliance ratios*
 - Joint Revenue Strategy including plans to implement a) data and intelligence driven administration; b) customer-centric service delivery model and c) streamlined tax debt management; d) revamped tax dispute resolution model; e) streamlined enforcement and border control; f) enhanced trade facilitation; g) improved employee adoption and utilization of delivered project capabilities through structured management of change
 - Upgraded procedures and capacity in place in KRA to enable tax administration transformation
- c) *Efficient and effective revenue policy administration at county level, with high taxpayer compliance supported politically and/by updated legal framework*

- Comprehensive set of guidelines and training curriculum in place for county revenue relating to a) policy and legislation b) institutional arrangements and c) administration in place
- Dissemination and Implementation of Own Source Revenue Policy
- d) *Credible fiscal frameworks at the national and county level include realistic revenue and expenditure projections consistent with a reduction in the national fiscal deficit over time*
- A framework and forecasting model in place which ensures realistic revenue and other macro fiscal projections agreed following a multi-agency review of forecasting including State Corporations.
- Legislative changes in place which ensure that finance bill is approved before or alongside the appropriation bill.
- A framework for measuring national and county fiscal responsibility
- e) *The exposure of Kenya to shocks is reduced as a result of the reduced stock of debt due to borrowing within fiscal targets consistent with a reduced fiscal deficit and reduced cost of financing*
- Functions of the PDMO defined, business process manuals and work plans developed and a PDMO departmental structure submitted to PSC for approval which set out a framework for a) sustainable borrowing b) minimizes costs and risks and c) involves the broadening and deepening of domestic markets and the diversification of borrowing instruments.
- Debt and Borrowing Policy in place which formalizes the framework for debt management.
- f) *Mandates and functions are rationalized at the national and county levels and the growth in the wage and pension bill is limited relative to other expenditure and is maintained below 35% of government revenues*
- Package of tools and work plan developed for rationalizing mandates, functions, structures, establishments and staffing and cleaning payrolls.
- Pilot rationalization of mandates, functions, structures, establishments and staffing in selected MDAs and county governments completed
- Rationalized and harmonized benefits and allowances, and contributory retirement benefits schemes developed for both levels of Government and SCs
- g) *Private sector and State Corporation resources mobilized for delivery of appropriate investments and services and SC reliance on subsidies and transfers reduced*
- Audit and evaluation procedures established /enhanced to ensure efficiency and effectiveness, quality assurance/quality control as well as ethical standards, internal controls and governance in implementation of Revenue generating activities as compared with Private Sector initiatives and new areas recommended as appropriate.

4.1.2 Strategic and Transparent Spending on Public Investment and Service Delivery in Line with National and County Policy Commitments

The Strategy outcome of Results Area 2 is as follows:

Improved linkage of public spending to national and county governments' priorities and efficient and effective delivery of investments and services.

The key steps achieved under the outcome per reform results are as follows.

- a) *Harmonized national and county plans, budgets and implementation reports prepared using common formats and strengthening the link between resource allocation, national and local policies, and accountability*
 - Update of SCOA finalized, including standard program structure and approach to classifying service delivery facilities and projects. CoB, BD, GIPE, Counties and MDAs and requirements for automation.
- b) *Budget allocations to major government programmes are agreed, costed and adequately resourced during the finalization and revision of annual budgets*
 - Budget manuals have been updated in advance of the 2020/21 budget process to include
 - a) early agreement of changes to budget priorities and major programmes
 - b) costing of service delivery programs,
 - c) identification of cost savings
 - d) timing and form of information needed from external funders.
- c) *Public investments are effectively selected, implemented and monitored to enhance service delivery and maximize benefits to the economy*
 - M&E Frameworks/Manual for projects reporting developed
- d) *Stakeholders have access to appropriate and relevant information on service delivery at the national and county levels which is timely, reliable and trusted*
 - Information available to MDAs, SCs and Counties on past expenditure data and transfers to service facilities via the Hyperion Budget module of IFMIS.
- e) *State Corporation, Semi-Autonomous budgets and reports are linked to performance targets, are comprehensive and are provided to National Treasury and Line Ministries*
 - Development of user requirements for an integrated, automated management information system enables state corporations and semi-autonomous agencies to provide budgets, quarterly and annual reports with financial and non-financial performance information (including debt levels and contingent liabilities).
 - Automated MIS for state corporations functional in line with user requirements.

4.1.3 Reliable Cash for Service Delivery and Public Investment

The Strategy outcome of Results Area 3 is as follows:

Improved provision of funding for major services and investment projects in full and on time which enables them to be delivered

The outcome will be achieved by ensuring that budget execution is timely, that in-year forecasts of revenue inflows, outflows, and borrowing requirements are realistic, and cash balances are consolidated, commitments are fully recorded and funded, with a limited accumulation of pending bills, and transfers to counties and service delivery facilities and projects are made in full and on time. The key steps achieved under the outcome per reform results are as follows.

- a) *MDAs and Counties have prepared their procurement and cash plans consistent with approved budgets and closed the previous FY on the system within the first two weeks of the FY*
 - Enforcement of deadline of 15th May with clear criteria for exceptions and approval of exceptions for new commitments for that financial year
- a) *Realistic in-year forecasts of revenue inflows, borrowing requirements, and consolidated cash balances*
 - Standards for transferring funds from KRA and revenue collection accounts to the consolidated fund and CRF respectively are developed.
 - Debt issuance calendar, in year borrowing program for 2019/20 consistent with an aggregate cash plan and in-year revenue projections and delivering cash for MDAs including SCs based on a compilation of the cash plans using the cash management system approved by the end of July 2019.
 - Implementation of process of consolidating cash balances agreed in CF and CRF respectively, with Treasury Single account options considered
- b) *Commitments fully funded for major programmes delivering services and investments*
 - Fully automated exchequer release system operational, with transfers authorized by ASD and made by CBK on the system for MDAs and Counties
 - Process and guidance adopted for 2019/20 by which NT sets aggregate MDA and County cash limits and MDAs and Counties revise their cash plans and make exchequer requests based on clear expenditure categories.
 - Adjustment of budget and cash management modules of IFMIS to allow for categorization of expenditures to facilitate 2020/21 budget implementation
- c) *Transfers to and withdrawals from the Consolidated Fund and county revenue funds to State Corporations and service delivery facilities and projects made in full and on time*
 - Streamlined guidance for MDAs which enables the processing of conditional grant exchequer releases on time in line with the approved disbursement schedule
 - Conditional grant transfers are published online and in national newspapers.

4.1.4 Value for money in procurement and contract management

The Strategy outcome from Results Area 4 is as follows:

Increased transparency and efficiency in procurement processes and contract management in service delivery infrastructure and inputs

The outcome will be achieved by ensuring that counties, MDAs, and State Corporations conduct public procurement processes transparently, in a timely and efficient manner, using automated procurement systems, and the negotiation and management of complex contracts is effective and in line with original cost estimates. The key steps achieved under the outcome per reform results are as follows.

- a) *Public Procurement processes are conducted by MDAs, SCs and Counties in a timely and efficient manner using automated procurement systems without causing disruption to service delivery with integrity, transparency and in accordance with the law and when malfeasance occurs the appropriate sanctions are applied*
 - Public Procurement Policy and Final Draft Regulations gazette
 - Operationalize KISEB, assessment of procurement professionals in public sector

4.1.5 Value for money, performance & accountability in staffing for service delivery

The Strategy outcome from Results Area 5 is as follows:

Increased value for money, performance, and accountability in staffing for service delivery.

The strategic outcome will be achieved by entrenching uniform norms and standards for effective performance and higher productivity of public servants. Public sector human resource information systems to be consolidated, consistent, and up to date, and salaries paid through integrated systems with effective payroll controls. The key steps achieved under the outcome per reform results are as follows.

- a) *Public Service Human Resource (HR) data is consolidated and consistent*
 - Develop implementation plan and user requirements for upgraded GHRIS which houses a consolidated HR data warehouse and interfaces with IFMIS, and other government systems based on the recommendations of an assessment on the GHRIS
- b) *Uniform norms and standards in public service management are entrenched, for effective performance and productivity of the Public Service*
 - Review institutional and legal frameworks for public service management and performance norms and standards in MDAs and county governments and develop joint work-plan and tools to address issues.
 - Undertake an assessment to determine availability of scarce and high priority skills in priority programs/sectors.
 - Develop and submit to Cabinet a Public Service Management Bill to provide clear institutional and legal framework for institutional reforms and enforcement of compliance with uniform norms and standards in public service management at both levels of Government.

4.1.6 Education Institutions, Health and other Service Facilities Effectively Manage Public Resources

The Strategy outcome from Results Area 6 is as follows:

Improved management of public resources in education, health, and other service facilities to realize value for money

The outcome will be achieved by ensuring that facilities providing critical services in education, health and water allocate, manage and report on human and financial resources using consistent and appropriate policies, tools, and systems that capture all revenues, including Appropriations in Aid. The key steps achieved under the outcome per reform results are as follows.

- a) *MDAs, SCs and Counties implement a crosscutting framework for AIA ensuring that revenues are effectively budgeted for, raised, spent and accounted for*
 - Methodology for strengthened expenditure tracking in place.
- b) *Facilities at both the national and county level manage and report on resources transparently and efficiently*
 - Harmonized framework and guidelines for financial management, including AinAs, and quality controls of service facilities and oversight by counties, line ministries and other institutions.
 - Simple budgeting financial management and reporting system for service facilities which links financial and non-financial information.
 - Methodology for strengthened facility audit and value for money analysis
 - Health workforce data collected and updated in iHRIS
 - Relevant health workforce data in iHRIS uploaded to the National Health Workforce Account indicators
 - Workload Indicators of Staffing Need (WISN) conducted in county facilities and national referral facilities

4.1.7 Disciplined Financial Management and Accurate Reporting

The Strategy outcome from Results Area 7 is as follows:

Increased discipline in the management of revenues, expenditures, assets and liabilities, fiscal risks, and reporting, and reporting by MDAs, State Corporations and Counties

The outcome will be achieved by ensuring that: MDAs, SCs, and counties provide accurate, high-quality in-year and annual financial reports through IFMIS, that they manage their assets and liabilities effectively, and there is strong oversight of the fiscal risks presented by MDAs, counties, and State Corporations, and that externally funded projects are managed effectively using government systems, including IFMIS or provide information to those systems. The key steps achieved under the outcome per reform results are as follows.

- a) *MDAs and county annual and quarterly financial statements are consistent with and submitted from IFMIS and have been submitted to the OAG in compliance with the law*

- IFMIS has finalized automated agreed IPSAS compliant MDAs and County financial reporting templates to enable timely financial reporting.
- Minimum compliance standards for quality and standards for MDAs and Counties for the provision of quarterly and annual financial statements.
- b) *MDAs and Counties maintain complete and up-to-date registers of asset and liabilities, have plans for asset management linked to the budget, with the transfers of defunct Local Authorities and devolved National assets and liabilities to counties completed*
 - Policy, framework and guidelines for asset and liability management adopted.

4.1.8 Accountability Delivered through Audit, Oversight and Follow up

The Strategy outcome from Results Area 8 is as follows:

Improved accountability delivered through timely and high quality internal and external audit, oversight and follow up.

The Strategy aims to deliver a consistently strong external and internal audit process where audit findings are presented, scrutinized by independent stakeholders, and consistently followed upon. Combined, this will strengthen fiduciary assurance and contribute towards value for money in service delivery and public investments. The key steps achieved under the outcome per reform results are as follows.

- a) *Internal Audit reports prepared by MDAs and Counties, and those reports have undergone quality assurance by IAD, in line with established procedures for assurance, risk management and audit follow up*
 - Audit management software, which includes new QA framework, has been deployed and is operational in all counties, SCs and MDAs and internal audit capacity built
- b) *The Auditor-General shall report to parliament within six months after the end of each financial year and provide high-quality audit reports that are accessible to the public and have been prepared in accordance with International Auditing Standards*
 - Enhanced external audit methodology and quality assurance framework and associated tools (Risk Assessment policies and procedures, Compliance and Financial Audit Manuals, Quality Assurance and Quality Controls Manuals.) and plan for their implementation approved.
 - Agreed framework for collaboration between internal auditors and OAG to make use of IAG reports and focus resources on areas of risk, including outsourcing.
 - Development of tools to monitor the implementation of the SDGs across the sectors.
- c) *Timely scrutiny follow-up and resolution of issues raised in internal audit, CoB and external audit reports*
 - Tools developed for the PAC and county assemblies to enable them to review audit reports and recommend follow up.
 - Strengthened mechanism for engaging stakeholders and public and identifying and tracking national and county audit follow up actions from internal and external audit developed and requirements for automating the framework developed.
 - Automated system for tracking audit follow-up actions operational.

4.2 County Level Findings

4.2.1 County Planning and Budgeting

- i. **Budget making process:** In preparation of budgets, Counties follow the budget making process as stipulated in the PFM Act. However, not all key stakeholder especially HR, audit and revenue are involved in the process. There are also capacity gaps in the budget making framework. There is need to involve all key departments in the budget making process i.e., HRM, audit and revenue and refresher training on the budget making process including county assemblies. County budgets are prepared based on the CIDP priorities and thus the need to review the PFM Act to factor in transition periods.
- ii. **Use of Hyperion system:** The Hyperion module is in use in Counties where they capture budget figures on excel then transfer them to Hyperion. However, the Hyperion module on IFMIS doesn't have a costing tool and there exists capacity challenges in use of the module. There is need to enhance the Hyperion module to include costing and also build capacity of counties on the module.
- iii. **Budget Credibility:** In implementation of budgets, Counties have minimal variations in approved budgets versus actual budgets. Notable challenges are late disbursement of the exchequer and shortfalls in revenue collection. To address the challenges, there is need for Counties to be realistic when projecting their revenue targets and also establish and strengthen budget implementation Committee. There is also need to streamline the role of OCoB in the budget implementation especially in revisions of budgets.
- iv. **Public participation in the budget making process:** Counties carry out public participation during the budget preparation process. However, there are inadequate resources to cover vast areas and low turnout. There is also lack of awareness amongst citizens outline their priorities in the budgets. There is need to prioritize funds for public participation and sensitize the public to understand their role in the budget process.
- v. **County Planning:** Counties prepare County Integrated Development Plans (CIDPs) and Annual Development Plans (ADPs). However, sectoral and spatial plans are not yet developed. Notable challenges are in appropriate timelines for preparation of CIDPs and ADPs during transitional period and inadequate capacity to develop sectoral and spatial plans. There is need to capacity build counties on preparation of sectoral and spatial plans for counties to develop all plans required by law. There is need for guidance on timelines for preparation of ADPs and CIDPs during the transition period.

4.2.2 Auditing

- i. **Audit Committees at the Counties:** Counties have operational audit committees which meet on quarterly basis. Notable challenges are inadequate facilitation and lack of financial independence, minimal allowances not able to attract people to join the committees,

reconstitution of the audit committees during transition challenges, Inadequate capacity in execution of their duties and lack of implementation of audit committee recommendations. There is need for adequate facilitation to help audit committees carry their duties effectively through ring-fencing their budget line, review the Internal Audit Act to provide guidance on the reconstitution of the audit committees during transition, capacity building audit committees on their functions and implementation of audit committees recommendations.

- ii. ***Auditing software and reporting:*** On acquisition and use of auditing software, counties have been trained on team mate but have not acquired the teammate. Notable challenges include inadequate budgets to acquire and renew the software and inadequate capacity on teammate. There is need for counties to factor teammate costs in their budgets and refresher training on teammate.
- iii. ***Audit module in IFMIS for auditing:*** Counties have minimal access to the audit module in IFMIS due to limited user rights. Many of the auditors do not understand the audit module in IFMIS and also unable to comprehend especially when new changes are made. There is need to enhance user rights on the audit module and capacity building to ensure the auditors know the extent of assess on the module in IFMIS.
- iv. ***Risk based audit, audit plans and risk registers:*** Counties are implementing risk-based audit, prepare audit plans but lack risk registers. There is need to have the risk registers to ensure the risk-based audit is effective.

4.2.3 Financial Accounting and Reporting

- i. ***Standard format for preparing financial statements:*** Counties have a standard format for preparing financial reports which are submitted on time. Notable challenges are lack of training on the changes made on the reporting templates by PSASB, preparation of more than one financial statement which increases the work load and differences in the reporting formats as per OCoB and PSASB requirements. There is need for PSASB to notify and train counties on any updates on the formats and harmonization of the formats where possible.
- ii. ***Technical Support on IFMIS:*** Counties receive technical support on IFMIS though sometimes the response from IFMIS is delayed. There is need to for a centralized support on IFMIS with a vibrant central help desk to assist in directing queries to the right department.
- iii. ***IFMIS system:*** IFMIS system is in use in counties though sometimes times inaccessible due to system downtimes. There is need for system configuration (integration of i-tax and IFMIS) to address the challenge of tax demands on suppliers before actuals payments have been made through internet banking. There is also need to enhance network capabilities at the counties.

- iv. ***IPSAS Cash and accrual accounting:*** Counties are on are still on IPSAS cash. The county established funds and health services operate on accrual accounting while counties operate on IPSAS cash making consolidation of financial statements a challenge. Notable challenges are inadequate capacity on accrual accounting and no guidelines on transition to accrual accounting. There is need for guidelines on accrual accounting and capacity building on accrual accounting.
- v. ***Pending bills:*** Counties have pending bills. This is attributed to failure to meet their revenue targets due to unrealistic projections and delayed disbursement from exchequer. There is need for counties to have realistic revenue projections based on the previous revenue actuals and also realization of new revenue streams to expand the revenue base. Cash planning and management is also key in addressing the pending bills problem.

4.2.4 Revenue

- i. ***Revenue projections:*** Counties use different methods in their revenue projections with some adopting the trend analysis method. There are variations between the projected revenue and the actual amount collected. In some cases, the projections are unrealistic because they are often derived from the expenditure side in the budget as a balancing figure. Other challenges are inadequate capacity in revenue projections and political interference in the implementation of revenue raising measures and inadequate capacity within the county assemblies in understanding and approving the finance bill. There is need for capacity building in revenue projecting, mapping and enforcement, setting realistic revenue targets, political class be realistic when giving waivers to citizens and capacity building of MCAs on the finance bill.
- ii. ***Automating revenue collection:*** Counties have both automated and manual revenue collection methods. Counties with automated systems have their collection banked in the revenue account. Notable challenges are leakages due to non-automation of revenue collection and lack of harmonized revenue collection system. There is need for automation of revenue collection and development of a uniform collection system for counties (i.e., reengineer LAIFOMS).
- iii. ***Revenue module in IFMIS:*** Counties are not using the revenue module in IFMIS prompting reconciliation to be done manually and not in the system. Some revenue streams are not updated in the IFMIS systems. There is need to fully operationalize the revenue module in IFMIS and also define all revenue streams for counties in revenue module in IFMIS.
- iv. ***Property valuation rolls and major revenue streams:*** Counties are using old valuation rolls. Some of the major revenue streams identified in counties were single business permits, cess, land rates and hospital payments. Notable challenges are lack of adequate public participation in updating the property valuation rolls leading to litigations and non-

comprehensive mapping of potential revenue streams. There is need to conduct public participation when updating the rolls and also conduct comprehensive mapping of potential revenue streams

4.2.5 Procurement

- i. *Legislation and policies on procurement (PPADA regulations 2020):*** Counties are conversant with the legislation and policies on procurement. New staff lack enough knowledge of the procurement legislation and policies. There is need for continuous capacity building on procurement legislation and policies.
- ii. *e-Procurement:*** Counties are on e- procurement though e- procurement is not end-to-end system. Some of the procurement processes are manual. Suppliers lack capacity on the supplier portal. Also, the e procurement system does not separate the technical and financial committees approving in the system as required by law. There is need to carry out capacity building for the suppliers and also to come up with up with an end-to-end e-Procurement system. There is also need to finalize and operationalize the e GP system in line with the PPADA Act and regulations.
- iii. *Procurement plans and tender documents:*** Counties prepare consolidated procurement plans and submit them to National Treasury. They also keep bidding documents in updated files and also publish tender results on PPIP. Notable challenges are that requirements of bidders in the act differ from those stated in the regulations. Bidding documents are also amended without sensitization of suppliers. There is need for hharmonization of the bidder requirements in the act and regulations and sensitization of suppliers and procurement officers on changes in the bidding documents.
- iv. *Access to Government Procurement Opportunities (AGPO):*** Counties adhere to the thirty percent (30%) requirement of AGPO. Some of the marginalized groups are not aware of the opportunities. There is need for ccontinuous sensitization of the marginalized groups on the AGPO.

4.2.6 Human Resource Management

- i. *Staffing structure and staffing establishment:*** Counties have approved staffing structures and establishments. Notable challenges are ddelayed approvals from County Public Service Boards (CPSBs) and political interference of the CPSBs. There is need for independence of the CPSBs to fast-track processes and also Centralize CPSBs.
- ii. *Qualification, staff capacity and career progression:*** Human Resource staff have professional qualification, receive trainings and support from PSC, SDPS and IHRM. Some staff have stagnated in their careers. Notable challenges include inadequate

capacity for HR staff. There is need for harmonization of the schemes of service and continuous capacity building on HR.

- iii. **IPPD and GHRIS:** Counties pay their staff with UPN through the IPPD. Casuals and new staff are paid off the system. Some of the job cadres are not captured in the system. Notable challenge is most modules in GHRIS are not operational. There is need to update and implement authorized structure, fast-tracking of UPN and enhancement of the GHRIS modules.
- iv. **Wage bill:** Counties have surpassed the 35% threshold of the wage bill. This is attributed to inherited huge wage bill inherited by the defunct Local government by counties and the devolved health functions especially the levels 5 hospitals. There is need to explore new revenue streams to reduce overreliance on the equitable share and have authorized and functional staffing structures.

4.3 Key Achievements and Successes on Reform Implementation

4.3.1 Result Area One Outcome: *Predictable and sustainable increase in fiscal space for efficient execution of national and county programmes*

Table 4. 1: Status of Result Area One Outcome

Status in the Implementation of Issues to Address the Outcome		
Issues identified to achieve the outcome	Key achievements	Outstanding reforms
Tax revenue at the national level is below potential due to policy weaknesses, including a constrained tax base, tax expenditures including exemptions management, primary focus on revenue targets, and multiple collectors of revenue.	<p>A Joint Revenue Strategy covering policy, forecasting and management of tax expenditures and administration with monitoring framework between KRA and NT developed</p> <p>Rationalized tax expenditures and framework for the management of tax expenditures approved and in place</p>	<ul style="list-style-type: none"> • KRA systems have not been fully upgraded to deliver upgraded procedures including complete integrations with NTSA, CBK, IFMIS, and e-Citizen, NSSF, NHIF, GIMIS and Counties • Lack of a comprehensive automated system for county revenue collection and administration that can be integrated to IFMIS and iTax. • The tax analysis and revenue forecasting tools for County Governments has not been developed • Cleansing of the teachers' payroll is still outstanding • Finalization of the PPP guidelines and toolkits for MDAs and Counties and
Tax administration challenges, including low compliance, inadequate capacity, and processes undermine and constrain revenue collection.	<p>NT tax policy unit staffed, trained and retooled in line with the recommendations of the capacity gap analysis</p> <p>Upgraded procedures and capacity in place in KRA which has enabled tax administration transformation</p>	
Revenue collection at the county level is below potential because of inadequate	Comprehensive set of guidelines and training curriculum developed for county revenue relating to; policy and	

Status in the Implementation of Issues to Address the Outcome		
Issues identified to achieve the outcome	Key achievements	Outstanding reforms
policy, legal framework, and administration.	legislation, institutional arrangements and administration Own Source Revenue Policy developed and disseminated	building of the institutional capacity to handle PPP projects to cater for is still outstanding
High macro-fiscal projections and increasing spending levels have contributed to a high fiscal deficit and increased debt service.	There is a framework and forecasting model in place which ensures realistic revenue and other macro fiscal projections developed following a multi-agency review of forecasting including State Corporations.	
Increased reliance on commercial borrowing has contributed to an increased cost of financing and a more vulnerable economy.	Functions of the PDMO defined, business process manuals and work plans developed and a PDMO departmental structure submitted to PSC for approval which set out a framework for a) sustainable borrowing b) minimizes costs and risks and c) involves the broadening and deepening of domestic markets and the diversification of borrowing instruments. Debt and Borrowing Policy in place which formalizes the framework for debt management.	
Inefficiencies and high public sector wage and pension bills negatively affect the fiscal space, thus reducing the resources available to allocate to policy commitments.	Package of tools and work plan developed for rationalizing mandates, functions, structures, establishments and staffing and cleaning payrolls. Pilot rationalization of mandates, functions, structures, establishments and staffing in selected MDAs and county governments completed Rationalized and harmonized benefits and allowances, and contributory retirement benefits schemes developed for both levels of Government and SCs	
Sub-optimal utilization of private sector resources in financing government investments.	The PPP Act 2021 was amended and disseminated MDAs were sensitized on PPP Tool kits, templates and the institutional framework.	

Impact of the PFM reforms

Table 4.1 outlines the issues that have been identified in the formulation of the strategy as contributing factors to the achievement of the reform outcome. It also gives the status of the achieved and outstanding reform initiatives; the key reform steps have so far led to the realization of the positive impact as stated below;

- The tax expenditure report 2020/21 indicates a reduction in total tax expenditure as percentage of GDP from 5.15 in 2017 to 2.96 in 2020
- Data from KRA indicates that tax revenue as a percentage of GDP has increased from 6.2 in 2020 to 7.2 in 2021. This therefore means KRA has been able to meet its revenue target due to successful implementation of reforms.
- There has been a notable reduction in the time taken to clear cargo from Mombasa port entry from 84 hours in 2017/18 to 54.6 hours in 2021/22. This has led to facilitation of ease of doing business and attraction of foreign investment.
- As a results of the reforms around PPPs there has been an increase in participation of the private sector in the financing, construction, development, operation and maintenance of infrastructure and development projects. Notably four PPP projects approximately USD 750M reached financial closure within the implementation period.

4.3.2 Result Area Two Outcome: *Improved linkage of public spending to national and county governments’ priorities and efficient and effective delivery of investments and services*

Table 4. 2: Status of Result Area Two Outcome

Status in the Implementation of Issues to Address the Outcome		
Issues identified to achieve the outcome	Key achievements	Outstanding reforms
Strategic priorities between the national and county governments are not harmonized and clearly linked to budget	<p>County Planning Handbook developed</p> <p>Development of MTP IV and CIDPs 2023-2027</p> <p>Enhancement of the Hyperion module to report on both financial and non-financial ongoing</p>	<ul style="list-style-type: none"> • Standard budget planning and reporting formats between CoB, BD, Counties, GIPE, State Corporations and MDAs outstanding • Automation of budget planning and reporting formats not completed
Budget allocations change during budget preparation and implementation, which adversely affect the ability of MDAs and counties to implement their core functions	Budget manuals have been updated to include; early agreement of changes to budget priorities and major programmes, costing of service delivery programs, identification of cost savings and timing and form of information needed from external funders	<ul style="list-style-type: none"> • Expenditure categorization with MDAs and guidance for their application outstanding • Inadequate training on the budget making process for both MDAs and Counties • Finalization of PIM Manuals, and training

Status in the Implementation of Issues to Address the Outcome		
Issues identified to achieve the outcome	Key achievements	Outstanding reforms
There is a mismatch between spending on public investments and the benefits arising from those investments, with increased resource allocations for public investments not being reflected in corresponding improvements in service delivery	M&E Frameworks/Manual for projects reporting developed	<p>guidelines and user requirements for the PIM Information System pending</p> <ul style="list-style-type: none"> • PIMIS not fully developed • PIM Stakeholder Engagement and Disclosure Frameworks not in place • Plan to establish stakeholder mechanisms and capacities for information sharing with the public and capturing feedback and follow up on local service delivery and projects not in place
Stakeholders do not have adequate capacity and access to relevant information on budgets, service delivery, and public investments, which undermines effective decision making and accountability for the use of those resources	Information is available to MDAs, SCs and Counties on past expenditure data and transfers to service facilities via the Hyperion Budget module of IFMIS	<ul style="list-style-type: none"> • Relevant budgetary financial and non-financial information is not available on programs, projects and transfers to service units and State Corporations to stakeholders
Manual transmission and management of budget and reporting by state corporations and semi-autonomous agencies to line ministries and National Treasury and weak linkage between budget allocations and performance targets	<p>Development of user requirements for an integrated, automated management information system done to enable state corporations and semi-autonomous agencies to provide budgets, quarterly and annual reports with financial and non-financial performance information (including debt levels and contingent liabilities).</p> <p>Automated MIS for state corporations functional in line with user requirements</p>	<ul style="list-style-type: none"> • Assessment of continued government investment in State Corporations as per Section 89(3) of the PFM Act has not been undertaken.

Impact of the PFM reforms

Table 4.2 outlines the issues that has been identified in the formulation of the strategy as contributing factors to the achievement of the reform outcome. It also gives the status of the

achieved and outstanding reform initiatives; the key reform steps have so far led to the realization of the positive impact as stated below;

- Provisional results from the PEFA assessment 2022, indicates that there is smooth budget preparation process with a comprehensive and clear budget circular which is fully adhered to by MDAs and Counties, covering total budget expenditure for the full fiscal year, and reflecting ministry ceilings approved by the cabinet prior to the circular’s distribution to budgetary units, contributes to the strategic allocation of resources.
- According to the provisional results of PEFA assessment 2022, Kenya’s national budget is comprehensive and transparent in terms of required documentation for public use. Budget classification is also sound, as it meets international standards. These contribute to strengthening the strategic allocation of resources.
- The Government Investment Management Information System (GIMIS) was finalized and rolled out to SCs this is an end-to-end platform for preparation, submission, analysis and approval of state corporation budgets currently, 250 State Corporations are able to submit their budgets through the system
- Improved capacity for GOK, through high quality Data, to select, prioritize public projects with high economic and social returns.

4.3.3 Result Area Three Outcome: *Improved provision of funding for major services and investment projects in full and on time which enables them to be delivered*

Table 4. 3 Status of Result Area Three Outcome

Status in the Implementation of Issues to Address the Outcome		
Issues identified to achieve the outcome	Key achievements	Outstanding Reforms
Delays in budget implementation at the start of the FY due to the late closure of the previous FY and delays in the preparation and uploading of procurement and cash plans.	There is enforcement of the 15th May deadline with clear criteria for exceptions and approval of exceptions for new commitments for that financial year.	<ul style="list-style-type: none"> • The system functionality in IFMIS linking Annual Work-Plans, Procurement Plans and Cash Plans to the budget not fully developed • Enhancement and automation of debt management systems which automates PDMO business processes, including; debt register, data analytics, electronic auctions in place, which are linked to the cash management module in IFMIS,
The forecasts of the timing of the revenue inflows are unrealistic, the consolidated cash position of the government is not known, and domestic debt is issued without real-time information of the actual cash position based on short term cash requirements, which means that cash is not always available when MDAs require it to implement	<p>The standards for transferring funds from KRA to the consolidated fund and revenue collected by counties from revenue accounts to CRF have been developed</p> <p>Debt issuance calendar, in year borrowing program for each financial year consistent with an aggregate cash plan and in-year revenue projections and delivering cash for MDAs including SCs based on a compilation of the cash plans using the cash management system approved</p>	

Status in the Implementation of Issues to Address the Outcome		
Issues identified to achieve the outcome	Key achievements	Outstanding Reforms
services and public investments.		CBK and other relevant systems is ongoing
The quantity, quality, cost, and timeliness of planned services are undermined because budgeted funding to service delivery units, infrastructure projects, and equitable share to counties is often not provided in full when required, and there is a significant accumulation of pending bills.	<p>Process and guidelines adopted by which NT sets aggregate MDA and County cash limits. This means MDAs and Counties prepare their cash plans and make exchequer requests based on clear expenditure categories.</p> <p>Automated exchequer release system with transfers authorized by ASD and made by CBK on the system for MDAs and Counties is operational</p> <p>The budget and cash management modules of IFMIS have been adjusted to allow for categorization of expenditures which facilitates smooth budget implementation</p>	<ul style="list-style-type: none"> • There is still need for a system and guidelines for; budgeting for and carrying forward of commitments and pending bills to the new FY, uploading the budget quarterly based on existing commitments, for capturing, uploading and submitting mandates to CBK • There is need for mechanisms to control & track withdrawals from the CF and CRF in place based on the source of funds to ensure that conditional grants are being applied for their intended purpose
Disbursement of funds to service delivery facilities at the national and county level are unreliable affecting the quality and sustainability of service delivery	<p>Guidelines for MDAs which enables the processing of conditional grant exchequer releases on time in line with the approved disbursement schedule have been streamlined</p> <p>Transfer of conditional grants are published online and in national newspapers</p>	

Impact of the PFM reforms

Table 4.3 outlines the issues that has been identified in the formulation of the strategy as contributing factors to the achievement of the reform outcome. It also gives the status of the achieved and outstanding reform initiatives; the key reform steps have so far led to the realization of the positive impact as stated below;

- The value of pending bills as a % of the development and operating estimates at the close of the FY has reduced from 24% in FY 2017/18 to 19% in 2021/22
- Percentage of disbursement of the equitable share and conditional grants in line with the disbursement schedule has increased from 57% in FY 2017/18 to 92% in 2021/22.

4.3.4 Result Area Two Outcome: *Increased transparency and efficiency in procurement processes and contract management in service delivery infrastructure and inputs*

Table 4. 4 Status of Result Area Two Outcome

Status in the Implementation of Issues to Address the Outcome		
Issues identified to achieve the outcome	Key achievements	Outstanding Reforms
Procurement policies, systems, and processes are not fully integrated, transparent, and operationalized, and there is inadequate technical expertise. These contribute to delays, cost overruns, malfeasance, poor value for money, and weak accountability and consequently undermines the delivery of services	Public Procurement Policy and Final Draft Regulations gazetted	<ul style="list-style-type: none"> • Acquisition of end to end e-GP system ongoing • Finalization of the development guidelines and framework for management of complex procurement contracts ongoing
Complex procurement contracts are not managed effectively by MDAs, SCs, and counties resulting in poor value for money in procurements	Framework in place for monitoring general procurement compliance	

Impact of the PFM reforms

Table 4.4 outlines the issues that have been identified in the formulation of the strategy as contributing factors to the achievement of the reform outcome. It also gives the status of the achieved and outstanding reform initiatives; the key reform steps have so far led to the realization of the positive impact as stated below;

- The percentage of large and complex contracts where information has been fully documented and reported fully in the e- Procurement System has increased to 44.18% (SC 56.15%,106 MDA 25.3%,19 Counties 51.06%, 24) in FY 2021/22 from 0% in FY 2017/18
- The percentage of large and complex contracts completed which have been delivered to specification and within 20% of original costs and within 6 months of original planned completion date has increased to 28.5%, 209 (out of 734 Large & Complex contracts published in PPIP) in FY 2021/22 from 0% in 2017/18
- Under the preference and reservation scheme has been accepted and embraced. More women, youths and people with disability are now able to access government procurement opportunities. A total of 157,000 firms have been registered; comprising of 64,000 youth with award of contracts worth Kshs.158 billion.
- The PPIP portal since inception has advertised over 60,000 procurement opportunities and published contract information for over 20,000 contracts this is in line with the requirement of disclosure of public procurement information to the public.

- Operationalization of the Kenya Institute of Supplies Examinations Board has led to certification and registration of more procurement professionals in the public sector.

4.3.5 Result Area Five Outcome: *Increased value for money, performance, and accountability in staffing for service delivery.*

Table 4. 5 Status of Result Area Five Outcome

Status in the Implementation of Issues to Address the Outcome		
Issues identified to achieve the outcome	Key achievements	Outstanding Reforms
Human Resource (HR) Data in the Public Service is fragmented and inconsistent, limiting effective wage bill management, human resource management, and budget planning thus undermines efficiency and accountability in staffing for service delivery.	<p>The development of the UHR software has been achieved through a number of phases each of which is dedicated to automate a manageable set of HR processes;</p> <p>i. The first phase entailed development of three (3) HR functions namely, Payroll Administration, Leave Management and Pensions Claim.</p> <p>ii. The three (3) priority UHR software modules successfully went through the pilot testing stage in eleven (11) selected Ministries, Departments, Agencies and Counties (MDACs), The Payroll Management module has been finalized and rollout in MDACs is underway.</p> <p>iii. The second phase comprised development of additional five (5) HR functions namely: Training Management, Staff Establishment Control, Emeriti Identification, Selection and Recruitment and</p>	<ul style="list-style-type: none"> • There is lack of regulatory framework for reporting and sharing of HR data by public service institutions holding payroll data in GHRIS • Additional module in GIMIS for consolidation of SCs HR data and integration with UHR system is still pending • Digitization of the pension registry and teachers’ and secretariat records is still pending • Public service institutions’ payroll systems linked to GHRIS and IFMIS still pending • An HR Master Plan which comprehensively identifies skills, gaps and scarcities in the medium to long term, and human capital development and succession plans across the public sector is pending finalization

Status in the Implementation of Issues to Address the Outcome		
Issues identified to achieve the outcome	Key achievements	Outstanding Reforms
	<p>Third-Party Payroll Deductions Control</p> <p>The GHRIS infrastructure upgrade project involved delivery, installation, testing, and commissioning of a hyper convergence infrastructure (HCI) in a robust and scalable hardware that will ensure highly available HRM-related applications for business continuity.</p>	
Public sector institutions' payrolls are not fully automated and integrated with IFMIS and GHRIS resulting in weaknesses in controls of PE expenditures.	No substantial progress awaiting finalization of the UHR modules	
Overlaps and inconsistencies in institutional and organizational mandates, functions, structures, establishments, staffing and management systems, and non-compliance with standards and norms undermine public service employees' performance and productivity.	<p>Institutional and legal frameworks for public service management and performance norms and standards in MDAs and county governments has been reviewed and joint work-plan and tools developed to address issues</p> <p>An assessment to determine availability of scarce and high priority skills in priority programs/sectors was undertaken</p> <p>The Public Service Management Bill aimed at providing the institutional and legal framework for reforms and enforcement of compliance with uniform norms and standards in public service was developed and submitted to the relevant committee of parliament</p>	

Impact of the PFM reforms

Table 4.5 outlines the issues that have been identified in the formulation of the strategy as contributing factors to the achievement of the reform outcome. It also gives the status of the achieved and outstanding reform initiatives; the key reform steps have so far led to the realization of the positive impact as stated below;

- Percentage of MDAs and counties that have achieved 75% level of compliance with Norms and Standards for Public Service Management has increased from 0% in FY 2017/18 to 70% in FY 2021/22.
- Successful deployment of Automated Government Performance Contracting Information System (GPCIS) to facilitate performance evaluation has saved the tax payer approximately Kshs. 500 million that would have been incurred in the physical evaluation.

4.3.6 Result Area Six Outcome: *Improved management of public resources in education, health, and other service facilities to realize value for money*

Table 4. 6 Status of Result Area Six Outcome

Status in the Implementation of Issues to Address the Outcome		
Issues identified to achieve the outcome	Key achievements	Outstanding reforms
Weak management of AIA by MDAs and county entities undermines effective and efficient service delivery.	Methodology for strengthened expenditure tracking is in place	<ul style="list-style-type: none"> • There is need for development and automation of AIA policy framework for MDAs, Counties and SCs including relevant guidelines developed • There is need to develop and recommend a framework for 5 revenue streams that will guide budgeting, collection and spending.
Facilities providing key services in education, health, and water do not adequately and transparently allocate, manage, or report on public resources.	<p>There is harmonized framework and guidelines for financial management, including AinAs, and quality controls of service facilities and oversight by counties, line ministries and other institutions</p> <p>Simple budgeting financial management and reporting system for service facilities which links financial and non-financial information was developed</p> <p>There is methodology for strengthened facility audit and value for money analysis</p> <p>Health workforce data was collected and updated in iHRIS and uploaded to the National Health Workforce Account indicators</p>	

Impact of the PFM reforms

Table 4.6 outlines the issues that have been identified in the formulation of the strategy as contributing factors to the achievement of the reform outcome. It also gives the status of the achieved and outstanding reform initiatives; the key reform steps have so far led to the realization of the positive impact as stated below;

- A significant number of MDAs and counties are now using automated systems to manage, report and account for AIAs in line with strengthened policy framework and guidelines.
- Education institutions, health and water facilities are able to provide up to date reports on revenue, expenditure and performance using automated system.
- All counties and national level facilities have updated health workforce data in iHRIS this has made it possible to determine the availability of human resources which helps in improving service delivery in the health facilities.

4.3.7 Result Area Seven Outcome: *Increased discipline in the management of revenues, expenditures, assets and liabilities, fiscal risks, and reporting, and reporting by MDAs, State Corporations and Counties*

Table 4. 7 Status of Result Area Seven Outcome

Status in the Implementation of Issues to Address the Outcome		
Issues identified to achieve the outcome	Key achievements	Outstanding reforms
Financial statements are of mixed quality, inconsistent with the IFMIS data as reconciliations are not fully carried out in the system.	IFMIS has finalized automated agreed IPSAS compliant MDAs and County financial reporting templates to enable timely financial reporting	<ul style="list-style-type: none"> • Government Financial Statistics Management Framework and Electronic Working Papers in Financial Reporting not in place • Asset management module of IFMIS and complementary systems based on assessment of asset management processes with capabilities to cover MDAs, Counties and SCs not upgraded
Lack of compliance with controls in the system undermines the quality of reporting.	Minimum compliance standards for quality and standards for MDAs and Counties for the provision of quarterly and annual financial statements developed and implemented	<ul style="list-style-type: none"> • Transfer of assets and liabilities to counties not completed • Legal framework for asset and liabilities management and regulations not finalized • Framework for monitoring of the stock of debt, fiscal commitments and contingent liabilities and user requirements for systems for reporting and monitoring of large/multi- year commitments, debt, pending bills and contingent liabilities not in place
Asset and liabilities management policies and procedures are not fully developed, integrated, and operationalized. As a result, physical assets maintained by MDAs and Counties are not fully captured in the asset	Policy, framework and guidelines for asset and liability management adopted	<ul style="list-style-type: none"> • Systems for reporting and monitoring of large/multi- year commitments, debt, pending bills and contingent liabilities

Status in the Implementation of Issues to Address the Outcome		
Issues identified to achieve the outcome	Key achievements	Outstanding reforms
register, posing a risk of misappropriation of assets through inappropriate use, poor value for money at acquisition and disposal, thus undermining the delivery of services		for MDAs, Counties and State Corporations not in place <ul style="list-style-type: none"> Upgraded provisions and functionality for managing projects on IFMIS, which includes; revised SCOA provides for breakdown of project budgets by economic item by source of funds, functionality for directly managing externally funded projects on IFMIS, templates for project budgeting and financial reporting prepared for uploading project data into IFMIS where projects do not use the system and relevant guidance not in place
Inadequate monitoring of fiscal risk, including pending bills, contingent liabilities, and large or multi-year commitments	Pending bills templates and draft framework for contingent liabilities developed	
Externally funded projects typically have one-line budget allocations not using the SCOA in full, are managed outside IFMIS, and FSs are also not prepared through IFMIS	No substantial progress	

Impact of the PFM reforms

Table 4.7 outlines the issues that have been identified in the formulation of the strategy as contributing factors to the achievement of the reform outcome. It also gives the status of the achieved and outstanding reform initiatives; the key reform steps have so far led to the realization of the positive impact as stated below;

- The percentage of MDAs which NT has reviewed the quality of their Annual Financial Statements submitted to the OAG within 4 months has significantly improved.
- About 95% of MDAs and 21% of counties are maintaining an updated asset and liability registers. This is a significant improvement since the start of the implementation of the strategy
- State Corporation financial reports are now more comprehensive and includes all revenues, expenditures and contingent liabilities.

4.3.8 Result Area Eight Outcome: *Improved accountability delivered through timely and high quality internal and external audit, oversight and follow up.*

Table 4. 8 Status of Result Area Eight Outcome

Status in the Implementation of Issues to Address the Outcome		
Issues identified to achieve the outcome	Key achievements	Outstanding issues
Lack of regular and timely internal audit reports by MDAs and counties in line with the established procedures for assurance, risk management, and audit follow up.	Audit management software, which includes new QA framework, has been deployed and is operational in all counties, SCs and MDAs and internal audit capacity built	<ul style="list-style-type: none"> • There is need for roll out and implementation of risk register, risk management framework and internal control framework • Need to align PFM Standing Committees establishment to the relevant laws and policies and also strengthen audit committee
Delays and quality of external audits affecting timeliness in decision making and service delivery. Insufficient public participation and collaboration between internal and external audit affect the timeliness and effectiveness of decision making.	Enhanced external audit methodology and quality assurance framework and associated tools (Risk Assessment policies and procedures, Compliance and Financial Audit Manuals, Quality Assurance and Quality Controls Manuals.) and plan for their implementation approved The framework for collaboration between internal auditors and OAG has been developed and implemented Tools to monitor the implementation of the SDGs across the sectors developed and implemented	
There is an insufficient follow-up on issues raised from OAG, OCoB, and Internal Audit Department, which means issues for audits and monitoring activities are not resolved.	Tools developed for the PAC and county assemblies to enable them to review audit reports and recommend follow up Strengthened mechanism for engaging stakeholders and public and identifying and tracking national and county audit follow up actions from internal and external audit and requirements for automating the framework developed Automated system for tracking audit follow-up actions operational	

Impact of the PFM reforms

Table 4.8 outlines the issues that have been identified in the formulation of the strategy as contributing factors to the achievement of the reform outcome. It also gives the status of the achieved and outstanding reform initiatives; the key reform steps have so far led to the realization of the positive impact as stated below;

- A significant number of MDAs have had their financial statement audits completed within 3 months after OAG received their final financial statements. This is done using the improved methodology after undergoing quality assurance.
- It takes 8 Months between receipt of consolidated and quality assured financial statements by OAG for the audited financial statements to be submitted to Parliament
- There is notable increase in implementation of audit recommendations for MDAs and Counties.

4.4 Financial Performance

Table 4. 9 Financial Position for FY 2021/22

Actual allocation FY 2021/22 vs actual budget per agency as at 30/06/2022					
<i>Implementing MDAs</i>	<i>Budget 22/23 (Kshs)</i>	<i>Actual Expenditure FY 2022/23 (Kshs)</i>	<i>Commitments (Kshs)</i>	<i>Balance to Date (Kshs)</i>	<i>Utilization %</i>
Reform Coordination (PFMR Secretariat)	57,011,367	55,941,618	-	1,069,748	98
Macro & Fiscal Affairs Department	2,805,770	2,805,770	-	-	100
PIM	91,926,698	91,926,698	-	-	100
Budget Department	14,690,510	14,690,510	-	-	100
PPRA	3,682,000	3,682,000	-	-	100
KISM	4,036,574	4,036,574	-	-	100
PPD	22,470,270	22,470,270	-	-	100
Accounting Services Department	11,706,215	11,706,215	-	-	100
IAD	10,027,398	10,027,398	-	-	100
IFMIS	15,339,067	15,339,067	-	-	100
OAG	70,910,320	70,910,320	-	-	100
TSC	8,537,600	8,537,600	-	-	100
State Department for Public Service	6,268,870	6,268,870	-	-	100

Actual allocation FY 2021/22 vs actual budget per agency as at 30/06/2022					
Implementing MDAs	Budget 22/23 (Kshs)	Actual Expenditure FY 2022/23 (Kshs)	Commitments (Kshs)	Balance to Date (Kshs)	Utilization %
SRC	5,351,800	5,351,800	-	-	100
PSPMMU	9,506,750	9,506,750	-	-	100
GIPE	16,591,500	16,591,500	-	-	100
Pensions Department	3,868,200	3,868,200	-	-	100
GDP	6,938,090	6,938,090	-	-	100
PSASB	10,970,682	10,970,682	-	-	100
PPP	4,545,850	4,545,850	-	-	100
PSC	12,216,000	12,216,000	-	-	100
CRA	7,946,437.	7,946,437	-	-	100
NALM	1,641,300	1,641,300	-	-	100
Debt Policy, Strategy & Risk Management	4,835,768	4,835,768	-	-	100
Resource Mobilization Department	4,887,300	4,887,300	-	-	100
DRSD	3,377,924	3,377,924	-	-	100
OCOB	4,168,710	4,168,710	-	-	100
Inspectorate of State Corporations	12,057,300	12,057,300	-	-	100
IGFR Department	10,199,440	10,199,440	-	-	100
KRA	1,735,425	1,735,425	-	-	100
Ministry of Health-KHHRAC	4,329,100	4,329,100	-	-	100
MoE (Directorate of Schools Audit)	11,139,260	11,139,260	-	-	100

Actual allocation FY 2021/22 vs actual budget per agency as at 30/06/2022					
<i>Implementing MDAs</i>	<i>Budget 22/23 (Kshs)</i>	<i>Actual Expenditure FY 2022/23 (Kshs)</i>	<i>Commitments (Kshs)</i>	<i>Balance to Date (Kshs)</i>	<i>Utilization %</i>
ICT	14,446,938	14,446,938	-	-	100
SDP	7,776,400	7,776,400	-	-	100
TOTAL	477,942,837	476,873,088	-	1,069,748	

Table 4. 10 Financial Position for FY 2022/23

Actual allocation FY 2022/23 vs actual budget per agency as at 13/12/2022					
<i>Implementing MDAs</i>	<i>Budget 22/23 (Kshs)</i>	<i>Actual Expenditure FY 2022/23 (Kshs)</i>	<i>Commitments (Kshs)</i>	<i>Balance to Date (Kshs)</i>	<i>Utilization %</i>
Reform Coordination	163,669,838	18,127,662	10,136,000	135,406,175	17.27
Macro & Fiscal Affairs	12,020,200	1,360,800	400,000	10,259,400	14.65
PIM	179,489,762	171,616,609	2,224,400	5,648,752	96.85
Budget Department	20,136,000	-	-	20,136,000	0.00
PPRA	12,020,200	-	2,200,000	9,820,200	18.30
KISM	12,020,200	1,192,800	5,006,550	5,820,850.	51.57
PPD	23,500,000	2,901,000	1,880,000	18,719,000	20.34
Accounting Services	20,120,000	1,205,400	5,600,000	13,314,600	33.82
IAD	22,020,200	4,809,000	1,096,000	16,115,200	26.82
IFMIS	13,060,000	-	-	13,060,000	0.00
OAG	30,000,000		17,730,300	12,269,700	59.10

Actual allocation FY 2022/23 vs actual budget per agency as at 13/12/2022					
<i>Implementing MDAs</i>	<i>Budget 22/23 (Kshs)</i>	<i>Actual Expenditure FY 2022/23 (Kshs)</i>	<i>Commitments (Kshs)</i>	<i>Balance to Date (Kshs)</i>	<i>Utilization %</i>
TSC	15,020,200	3,457,460	489,500	11,073,239	26.28
State Department for Public Service	192,000,000	190,999,060	-	1,000,939	99.48
SRC	15,020,200	5,584,100	489,000.00	8,947,100	40.43
PSPMMU	10,020,200	9,513,000		507,200	94.94
GIPE	15,020,200		9,738,900	5,281,300	64.84
Pensions Department	15,020,200	-	-	15,020,200	0.00
GDP	57,000,000	-	-	57,000,000	0.00
PSASB	12,020,200	4,435,900	1,942,500	5,641,800	53.06
PPP	12,020,200	8,720,600	2,850,000	449,600	96.26
PSC	15,020,200	10,440,600	3,492,000	1,087,600	92.76
CRA	10,215,000	2,385,800	1,384,500	6,444,700	36.91
NALM	20,020,200	3,217,200	760,000	16,043,000	19.87
Debt Policy, Strategy & Risk Management	10,200,000	-	-	10,200,000	0.00
Resource Mobilization Department	10,020,200	-	-	10,020,200	0.00
DRSD	10,250,000		5,102,600	5,147,400	49.78
OCOB	12,020,200		4,654,800	7,365,400	38.72
Inspectorate of State Corporations	12,060,600	1,871,100	4,267,600	5,921,900	50.90
IGFR	15,020,200	1,328,600	484,000	13,207,600	12.07
KRA	15,355,000	-	-	15,355,000	0.00

Actual allocation FY 2022/23 vs actual budget per agency as at 13/12/2022					
<i>Implementing MDAs</i>	<i>Budget 22/23 (Kshs)</i>	<i>Actual Expenditure FY 2022/23 (Kshs)</i>	<i>Commitments (Kshs)</i>	<i>Balance to Date (Kshs)</i>	<i>Utilization %</i>
Ministry of Health-KHHRAC	12,020,200	5,898,200	4,362,400	1,759,600	85.36
MoE (Directorate of Schools Audit)	13,020,200	3,800,050	4,657,500	4,562,650	64.96
ICT	10,540,000	2,002,000	1,110,000	7,428,000	29.53
SDP	10,040,200	1,148,000	1,618,500	7,273,700	27.55
TOTAL	1,027,000,000	456,014,943	93,677,050	477,308,006	53.52
Total Expenditure & Commitments	549,691,993				

Table 4. 11 Resource Requirement Vs. Funding

<i>Financial Year</i>	<i>2018/2019 (Kshs Million)</i>	<i>2019/2020 (Kshs Million)</i>	<i>2020/2021 (Kshs Million)</i>	<i>2021/2022 (Kshs Million)</i>	<i>2022/2023* (Kshs Million)</i>
Resource Requirements	1,793.0	1,232.0	2,637.0	3,159.0	3,500.0
Approved Budget	455.1	892.0	760.0	477.9	727.0
Actual Exchequer Releases	455.1	892.0	320.0	257.9	513.0

5.0 CONCLUSION AND WAY FORWARD

This chapter outlines the summary of key findings, challenges, recommendations and the way forward.

5.1 Summary of Key Findings

The midterm monitoring and evaluation exercise have highlighted the following findings as contributing towards achieving of the reform outcomes and impact on PFM processes and systems at national level.

- a) The development of a joint revenue strategy and rationalization of tax expenditures has led to a more predictable and sustainable increase in fiscal space. Available data indicates a reduction in tax expenditure and increase in tax revenues. However, some key reforms are still outstanding in this area including integration of KRA systems with other key PFM systems and lack of harmonized and automated revenue collection system for Counties.
- b) The time required to clear cargo from Mombasa port entry has been reduced significantly. This has facilitated the ease of doing business and attracted foreign investment.
- c) As result of reforms on budget and planning both national and county budgets are now comprehensive and more credible this is due to smooth budgeting process guided by clear budget calendar and increased capacity building, automation of budget process. This has contributed to strengthening strategic allocation of resources.
- d) The automation of exchequer release system has ensured adherence to the disbursement schedule to MDAs and Counties which translates to availability of funds for major services and investment projects. However, there is still a challenge of linkage of IFMIS with key planning documents like annual work plans, cash plans and procurement plans.
- e) Some reforms around procurement notably the legal framework i.e., the gazettelement and dissemination of the procurement policy and regulations. This has improved transparency and efficiency in procurement processes and contract management.
- f) The GoK is moving towards consolidation of HR information to ensure prudent management of wage bill and in ensuring accountability in staffing for service delivery. Towards this end, upgrading of GHRIS and acquisition of key infrastructure is underway.
- g) The management of key service facilities was introduced aa a key reform in the current strategy. This was due to the realization that a lot of resources are channeled towards management of service facilities mainly public hospitals and schools despite the fact that they are operating without adherence to financial reporting requirements. Therefore, a harmonized framework and guidelines for financial management and quality controls of service facilities and oversight by counties, line ministries and other institutions have been developed. Additionally, these facilities are required to adopt simple budgeting financial management and reporting systems.

- h) Due to compliance with reporting standards in both levels of government the quality of financial statements has greatly improved. This has translated to increased discipline in management of revenues and expenditures.
- i) It takes 8 Months between receipt of consolidated and quality assured financial statements by OAG for the audited financial statements to be submitted to Parliament. This is a notable improvement noting that there is used to be up to a 3-year lag in production of final audited reports. The up-to-date reports are useful for timely and informed decision making.

Summary of key findings from the Counties are as follows;

- The budget making process is adhered to as stipulated in the PFM Act.
- The Hyperion module is in use where budget figures are captured in excel then transferred to Hyperion.
- There are minimal variations in approved budget versus actual budgets during budget implementation
- Public participation is carried out during budget making process
- County Integrated Development Plans (CIDPs) and Annual Development Plans (ADPs) are prepared.
- Audit committees are operational which meet on quarterly basis.
- Teammate training has been undertaken but teammate software has not been acquired.
- Minimal access to the audit module in IFMIS due to limited user rights.
- Audits are risk-based; audit plans are prepared but there is lack of risk registers.
- There is standard format for preparing financial reports which are submitted on time.
- Technical support on IFMIS is provided, though sometimes the response is delayed.
- IFMIS system is in use though sometimes times inaccessible due to system downtimes.
- Financial accounting is on IPSAS cash. The established funds and health services facilities operate on accrual accounting making consolidation of financial statements a challenge.
- There exist pending bills due to the failure to meet revenue targets due to unrealistic projections and delayed disbursement from exchequer.
- Different methods are used in revenue projections with some adopting the trend analysis method. There are variations between the projected revenue and the actual amount collected. In some cases, the projections are unrealistic because they are often derived from the expenditure side in the budget as a balancing figure.
- There exists both automated and manual revenue collection methods. In automated systems the collection is banked in the revenue account.
- The revenue module in IFMIS is not functional prompting reconciliation to be done manually.
- The valuation rolls in use are not updated. Some of the major revenue streams identified were single business permits, cess, land rates and hospital payments.
- There is general knowledge on policies and legislation on procurement.

- Implementation of e- procurement has been done though not end-to-end. Some of the procurement processes are manual.
- Consolidated procurement plans are prepared and submitted to the National Treasury. Bidding documents are kept in updated files. and tender result are published on PPIP.
- The thirty percent (30%) requirement under preference and reservation scheme is adhered to.
- There exists approved staffing structures and establishments.
- Human Resource staff have professional qualification, receive trainings and support from PSC, SDPS and IHRM.
- Staff are paid through the IPPD. Casuals and new staff are paid off the system awaiting processing of UPN.
- The 35% threshold of the wage bill has been surpassed. This is attributed to inherited huge wage bill from the defunct Local government and the devolved health functions especially the levels 5 hospitals.

5.2 Challenges and Recommendations

- Inadequate funding for the reforms. There is need to mobilize more resources from the development partners and other PFM reform stakeholders.
- Capacity building is inadequate in Counties for PFM implementing staff and thus there is need for training i.e., targeted group training, on job training and technical assistance.
- High staff turnover in the Counties. There is need for Counties to have approved staff structure, to attract and retain staff and promote career progression.
- Involvement of all PFM stakeholders in formulation, implementation and monitoring and evaluation of the reforms.
- Delays in disbursement of exchequer to Counties. Counties should explore more sources of revenue and timely release of exchequer.

5.3 Conclusion and Way Forward

In conclusion the mid-term evaluation shows that over 60% of the planned reform key steps in the PFMR Strategy 2018-2023 have been achieved or on the course of being achieved. This to some extent has led to achievement of some of strategic outcomes as highlighted in the report. Despite the fact that implementation of the outstanding key reform steps is still ongoing the impact on PFM processes, capacity and systems have already been felt in key areas. Implementation of the reform activities was slowed down by the challenges highlighted above and mainly the capping of expenditure at the end of the second quarter of FY 2021/22 and the Covid-19 pandemic.

As a way forward the pending reforms should be rolled over to the new strategy including gaps identified by the various PFM stakeholders. In order to ensure sustainability of the reform programme more support is needed in form of technical capacity, systems development and funding to PFM implementing MDAs and Counties.

MONITORING & EVALUATION REPORT APPROVAL

A. PREPARED BY:

Programme Coordinator, PFMR Secretariat

Name JULIUS MWITA

Signature  Date 04/05/2023

B. APPROVED BY:

Principal Secretary, National Treasury

Name Dr Amos K. Kiptoo

Signature  Date 24/05/2023

ANNEXES

Annex 1: Data Collection Instruments

a) National level instrument

INTRODUCTION

The National Treasury through the PFMR Secretariat has been mandated to coordinate the implementation of the Public Financial Management Reforms at both the National and County levels of Government. The reforms are articulated through successive PFM Reforms strategies, the current one being the PFM Reform strategy 2018-2023.

In order to ensure successful implementation of the reform interventions the secretariat is required to carry out periodic Monitoring and Evaluation of the programme as stipulated in the Programme Operational Manual 2020. The M&E activity is aimed at providing status update on the performance of the programme with a view to providing corrective interventions and the next courses of action. Consequently, the secretariat has organized the M&E exercise for FY 2021/2022 to cover all the implementing MDAs to be undertaken from October 31- November 4, 2022.

The assessment will contribute towards preparation of the PFMR Strategy Annual M&E Report for FY 2021/2022:

AREAS OF FOCUS

- 1. Status in the implementation of the key steps/follow up actions as per the PFM Reforms Matrix of the PFMR Strategy 2018-2023*
- 2. Existing gaps/outstanding issues and follow up actions in the achievement of the key steps of the PFMR Strategy*
- 3. Challenges/ Emerging issues and lessons learnt from the implementation of the key steps of the PFMR Strategy*
- 4. Recommendations and way forward*

c) County Level instrument

INTRODUCTION

Public Finance Management Reforms Annual Monitoring and Evaluation

The National Treasury through the PFMR Secretariat has been mandated to coordinate the implementation of the Public Financial Management Reforms at both the National and County levels of Government. The reforms are articulated through successive PFM Reforms strategies, the current one being the PFM Reform strategy 2018-2023.

In order to ensure successful implementation of the reform interventions the secretariat is required to carry out periodic Monitoring and Evaluation of the programme as stipulated in the Programme Operational Manual 2020. The M&E activity is aimed at providing status update on

the performance of the programme with a view to providing corrective interventions and the next courses of action. Consequently, the secretariat has organized the M&E exercise for FY 2021/2022 to cover selected number of Counties to be undertaken from **7th - November 25th, 2022**.

The assessment will contribute towards preparation of the PFMR Strategy Annual M&E Report for FY 2021/2022:

Areas of Focus

1.0 County Planning and Budgeting:

- a) Have relevant staff received sufficient training on planning and budgeting?
Yes / No
If not, what are the major gaps?
- b) What kind of capacity building do you need more of:
 - classroom training,
 - on-the-job training or
 - technical assistance
- c) Who has provided the county with some training?
 - Which Government Department?
 - KSG?
 - Donors?

1.1. Budget format

- a) Who is responsible for coordinating the budget formulation process (office and job title)?
- b) Do you capture budget figures directly in Hyperion system or in Excel?
- c) What challenges do you encounter in the use of IFMIS Hyperion?
- d) If you do not use IFMIS Hyperion, do you use an alternative system, excel or a manual system?

1.2 Budget Credibility.

- a) Provide a comparison of approved budget for financial year 2021/22 Vs. actual Budget?
- b) What were the major challenges in improving budget credibility?

1.3 Budget Calendar

- a) Did you have a budget calendar in place for formulating the 2021/22 budget?
Yes / No
- b) Was this budget calendar circulated to all County Departments?
Yes / No
- c) If yes, when was it circulated?
- d) Have the main budget calendar milestones been met this year?
Yes / No
- e) If no, what were the major challenges you faced in budget formulation?

1.4 Public participation in budget making process

- a) Degree of public participation. (When, who, how)

Documents checkbox

No	Document	(Yes / No)
1	CIDP	
2	Sectoral plans	
3	Spatial plans	
4	Minutes from meetings on planning/other	
5	Annual budget	
6	Budget calendar	
7	Country Fiscal Strategy Paper	

2.0 Financial Management, Accounting and Reporting

- a) Have relevant staff members received sufficient training on budget execution, accounting and reporting? Yes / No
- b) If not, what are the major gaps?
- c) What kind of capacity building do you need more of:
 - classroom training,
 - on-the-job training or
 - Technical assistance
- d) Who has provided some form of training?
 - Which Government Department?
 - KSG?
 - Donors?
- e) Does the County Treasury have adequate qualified personnel? Yes / No

- f) Do you submit county quarterly budget implementation reports?
- g) Was the last quarterly budget implementation report published online?
 - If so, what website?
 - If not, why not?
- h) What system do you use for expenditure control?
- i) Which reports does the system produce that are produced regularly and used?
- j) How many bank accounts does the county operate?
- k) Are financial statements submitted to Accountant General on time?

If no, Reasons/ Challenges
- l) Does the county have an overview of county debt? Yes / no

If not, why not?

How often is the debt register updated?

Documents checkbox:

No	Document	(Yes / No)
1	Annual financial statements	
2	Quarterly budget implementation reports	
3	Country Annual Progress Reports	
4	Country Public Expenditure Reviews	
5	Bank reconciliation reports	
6	Books of accounts / ledger reports	
7	Debt register	
8	Asset register	

3.0 Procurement:

- a) Have relevant staff members received sufficient training on legislation and policies?

Yes / No
- b) If not, what are the major gaps?
- c) What kind of capacity building do you need more of:
 - Group training,
 - on-the-job training or
 - Technical assistance?
- d) Who has provided the training?
 - Which Government Department?
 - Others (Specify)
- e) What IFMIS or other e-Procurement systems or modules are being used in your county?

- f) Is there a consolidated procurement plan in place?
- g) Are bidding documents kept in up-dated files: Yes / No.
- h) Are tender results published: Yes / No?
- i) What affirmative action policies or procedures are in place to benefit marginalized target Groups?

Documents Checkbox

No	Document	(Yes / No)
1	Procurement documents and announcements	
2	Procurement plans	
3	Minutes of meetings in procurement committees	

4.0 Internal control and internal audit

- a) Have relevant staff members received sufficient training on internal audit/control and policies? Yes / No
- b) If not, what are the major gaps?
- c) What kind of capacity building do you need more of?
 - Group training,
 - on-the-job training or
 - Technical assistance?
- d) Who has provided the training?
 - Which Government Department?
 - Others (Specify)
- e) Does the County Treasury have internal audit systems in place? Specify
- f) Who does the Internal Audit unit submit their reports to?
- g) To who does the Internal Audit report to administratively?
- h) Is there an Internal Audit Committee in place and functioning?
- i) How frequently do they meet?
- j) What is the composition of the Committee?
- k) What are the key roles of the Committee?
- l) Is there an Internal Audit Plan in place?
- m) Is the plan based on risk assessment methodology?
- n) Are internal audit reports available:

- o) How many internal audit reports are produced each year:
- p) How is the internal audit and external audit coordinated?
- q) Is there evidence of follow-up on internal audit reports:
- r) Do you view the Internal Audit function as effective?
- s) What are the main challenges affecting the Internal Audit Function?

Documents checkbox:

No	Document	(Yes/No)
1	Internal audit reports	

5.0 Own Source Revenue:

- a) What system is in place for revenue collection?
- b) Which reports does the system produce that are regularly produced and used?
- c) What are the main challenges faced by the county in revenue and expenditure management?
- d) Have relevant staff members received sufficient training on legislation and policies?
Yes / No
- e) If not, what are the major gaps?
- f) What kind of capacity building do you need more of:
 - Group training,
 - on-the-job training or
 - Technical assistance?
- g) Who has provided the training?
 - Which Government Department?
 - Others (Specify)
- h) What are the four largest revenue sources?
- i) How do you develop your revenue projections?
- j) Did you meet your budget revenue targets for 2021/22? **Yes / No**
- k) What are the major constraints on meeting revenue targets?
- l) Is there public participation in revenue collection decisions?
- m) Do you have the following legal framework in place?
 - County finance bill
 - Property tax law
 - Trade licenses law
 - Revenue administration law
 - Other licenses law?

- n) What further support is required from National Treasury to improve county revenue mobilization?

5.1 Property Tax

- a) When the property/valuation roll was last updated?

5.2 Business licenses

- a) When was the trade/business register last updated?

Document checkbox

No	Document	Yes/No
1	Revenue enhancement report	
2	Monthly revenue report	
3	County Finance Act	
4	County [revenue laws (property tax, trade licenses	

6.0 Integrated Financial Management Information System

- a) Have relevant staff members received sufficient training on IFMIS?
- b) If not, what are the major gaps?
- c) What kind of capacity building do you need?
- d) Classroom training
- e) On the job training
- f) Technical assistance?
- g) Who has provided the training?
- h) Which government department?
 - Others (Specify)
- i) What challenges do encounter in use of the system?
- j) Are there instances where you use manual system instead of IFMIS?
- k) If yes, why do you prefer the manual system?

7.0. Human Resource, Staffing and Structure

- a) Is there comprehensive staffing structure in place?
- b) Are there instances where staff are paid off the system? **Yes/No**
If yes, Why?

8.0 Challenges, Emerging Issues and Recommendations

Annex 2: Monitoring & Evaluation Schedules

a) MDAs Schedule

Day One: Monday- 31 st October 2022	
Time	Implementing MDA
09:00-9:45 am	Public Investment Management Unit
9:45-10:30 am	Government Investment & Public Enterprise
10:30-11:15 am	Commission on Revenue Allocation
11:15-11:45 am	TEA BREAK
11:45am -12:30pm	Accounting Services Department
12:30 -1:30 pm	LUNCH BREAK
1:30-2:15 pm	IFMIS Department
2:15-3:00 pm	Internal Audit Department
3:00-3:45 pm	State Department for Public Service-MoPSYG
Day Two: Tuesday-1 st November 2022	
Time	Implementing MDA
09:00-9:45 am	Budget Department
9:45-10:30 am	Office of the Auditor General
10:30-11:15 am	State Dep't for Early Learning (DSA)_ Ministry of Education-
11:15-11:45 am	TEA BREAK
11:45am -12:30pm	Teachers Service Commission
12:30 -1:30 pm	LUNCH BREAK
1:30-2:15 pm	Public Procurement Regulatory Authority
2:15-3:00 pm	Government Digital Payments
3:00-3:45 pm	Kenya Institute of Supply Management
Day Three: Wednesday – 2 nd November, 2022	
Time	Implementing MDA
09:00-9:45 am	KHHRAC _Ministry of Health
9:45-10:30 am	Public Service Commission
10:30-11:15 am	National Assets & Liabilities Management
11:15-11:45 am	TEA BREAK
11:45am -12:30pm	Macro & Fiscal Affairs Department
12:30 -1:30 pm	LUNCH BREAK
1:30-2:15 pm	Debt Policy, Strategy & Risk Management
2:15-3:00 pm	Debt Recording & Settlement Department
3:00-3:45 pm	Inter-governmental Fiscal Relations Department
Day Four: Thursday – 3rd November 2022	

Time	Implementing MDA
09:00-9:45 am	Pensions Department
9:45-10:30 am	State Department for Planning
10:30-11:15 am	Office of the Controller of Budget
11:15-11:45 am	TEA BREAK
11:45am -12:30pm	Salaries & Remuneration Commission
12:30 -1:30 pm	LUNCH BREAK
1:30-2:15 pm	Public Procurement Department
2:15-3:00 pm	Public Sector Performance Management & Monitoring Unit
3:00-3:45 pm	Kenya Revenue Authority
Day Five: Friday – 4 th November 2022	
09:00-9:45 am	Resource Mobilization Department
9:45-10:30 am	Public Private Partnerships
10:30-11:15 am	Information Communication Technology
11:15-11:45 am	TEA BREAK
11:45am -12:30pm	Inspectorate of State Corporations
12:30 -1:30 pm	LUNCH BREAK
1:30-2:15 pm	Public Sector Accounting Standards Board

b) County level Schedule

DATE	COUNTIES TO BE VISITED	TIME	TEAM
7 th November, 2022	Kisii County	10:00 AM	TEAM 1
9 th November, 2022	Homa Bay County	10:00 AM	
11 th November, 2022	Migori County	10:00 AM	
14 th November, 2022	Kisumu County	10:00 AM	
16 th November, 2022	Busia County	10:00 AM	
18 th November, 2022	Kakamega County	10:00 AM	
21 st November, 2022	Nandi County	10:00 AM	
23 rd November, 2022	Uasin Gishu	10:00 AM	
25 th November, 2022	Nakuru County	10:00 AM	
7 th November, 2022	Laikipia County	10:00 AM	TEAM 2
9 th November, 2022	Meru County	10:00 AM	
11 th November, 2022	Embu County	10:00 AM	
14 th November, 2022	Murang'a County	10:00 AM	
16 th November, 2022	Kiambu County	10:00 AM	
18 th November, 2022	Kajiado County	10:00 AM	

21 st November, 2022	Machakos County	10:00 AM	
23 rd November, 2022	Kwale County	10:00 AM	
25 th November, 2022	Mombasa County	10:00 AM	

Annex 3: List of participants met during consultation meetings

PFMR SECRETARIAT TEAM		
S/no.	Name	Designation/Department
1.	Stephen Maluku	Programme Manager
2.	Joel Bett	M&E Specialist
3.	Catherine Mulumba	Assistant M&E Specialist II
4.	Masud M. Maalim	Programme Assistant M&E
5.	Sandra Muyoka	Programme Assistant M&E
6.	Philip Mwangangi	Intern M&E
7.	Rebecca Magaju	Attachee M&E
NATIONAL TREASURY & ECONOMIC PLANNING		
S/no	Departments	Name of participating Officer
1.	Accounting Services Department	
2.	IFMIS Department	Robert Momanyi
3.	Internal Audit Department	Stephen Makau
4.	Inter-governmental Fiscal Relations Department	Peter Wachira
5.	Macro & Fiscal Affairs Department	Mary Maina
6.	Public Investment Management unit	David Kiprop
7.	Resource Mobilization Department	Timothy Odipo
8.	Debt policy, Strategy & Risk Management Department	Livingston Bumbe
9.	Government Investment & Public Enterprises	Rodric Koome
10.	Debt Recording & Settlement Department	George Akama Beverly Anyona
11.	Public Private Partnerships Directorate	Charles Ndambuki
12.	Pensions Department	Paul Ngigi
13.	Information Communication Technology Unit	Anthony Mukira
14.	Budget Department	Alexander N. Riithi
15.	National Assets & Liabilities Management	Jane Wambugu
16.	Public Procurement Department	Mary Owino
17.	Government Digital Payments	Joseph Mutai
INDEPENDENT OFFICES		
1.	Office of the Auditor General	Maurice Odhiambo
2.	Office of the Controller of Budget	Denis Okungu
3.	Kenya Revenue Authority	Jacinta Mulwa

STATE CORPORATIONS AND AGENCIES		
1.	Inspectorate of state corporations & SCAC	Mathew Tuitoek
2.	Kenya Institute of Supplies Management	Nicholas Wafula Dr. Fred Ongisa
3.	Public Procurement Regulatory Authority	Polycarp Oduol
4.	Public Sector Accounting Standards Board	Isaac Nyangweso
MINISTRIES		
1.	State Department For Public Service-MoPSYG	Anne W Njagi Francis Ouma
2.	State DEP' for Early Learning (DSA) Ministry of education	Justus Musyoka
3.	Ministry of Health-KHHRAC	Dr. Wanyee
4.	Public Sector Performance Management & Monitoring Unit	Peter Kariuki
5.	State Department for Economic Planning	Joseph Malonza
6.	Public Service Commission	Joshua Mwiranga Phoebe Gor
7.	Salaries and Remuneration Commission	Mary Konuche
8.	Commission on Revenue Allocation	Meimuna Mohamed
9. T	Teachers Service Commission	George Oketch Geoffrey Wanjohi
KISII COUNTY		
	Name of participating officer	Designation/Department
1.	Moses Onderi	CFCM/Finance
2.	Janet Nyangena	Ag. Director supply chain management
3.	Nicodemus Karori	Director Audit
4.	Alfayo Ogamba	Ass. Director supply chain management
5.	Linet Onyambu	Director Human resource management
6.	Evans Kiage	DDAS
7.	Benard Omosa	Revenue
8.	Emily Mogere	Ass. Director Human resource management
HOMA BAY COUNTY		
1.	Solomon Obiero	CECM Finance
2.	Seth Giriago	C-O Finance
3.	Steve Odhiambo Owino	Economist/Statistician
4.	Harriet Atieno	Statistician
5.	Hillary Ochieng Nyabute	Auditor
6.	Collins Owuonda	Accountant
7.	Stephen Oluoch	Accountant
8.	Odeck Byrone Joash	Internal Auditor

9.	Edward Aseda	Accountant
10.	John Awallah	Finance officer
11.	Elly Owuor	Accountant
12.	Samwel Mainda	Deputy Head Accountant
13.	Julia Anne Muga	Budget Officer
14.	Eunice Omito	Accountant
15.	Charles Asiyu	Senior Human Resource
16.	Benard Ouma	SCMO
17.	Naoh Isiche	Accountant
18.	Laban Ayoo	Head of Accountant
KISUMU COUNTY		
1.	Wilson Abiero	CO-Finance & Economic Planning
2.	CPA Godfrey O. Dienya	Director Audit
3.	Elvis Otieno	Director Budget/Finance
4.	Collins O. Owino	Director Planning
5.	Joan Kanjejo	Director Supply Chain
6.	Baridi Manyasi	Director M& E / Finance and Economic Planning
7.	Kungu J. Otieno	Director Revenue
8.	Solomon Okinyi	Ass. DHRM
9.	Keziah Okoth	Director Accounting Services
MIGORI COUNTY		
1.	Maurice Otunga N.	CECM Finance
2.	David Onyancha	Accountant
3.	Shem O. Okumu	Accountant
4.	Datsun Yago	Accountant
5.	Dr. Achuora	Economic Advisor
6.	Dr. Joshua Ongwara	Director M&E
7.	Evon Sarah Atieno	Budget& Economic Planning
8.	Oure Erick	DRSCM
9.	Samuel Wakine	Accountant Revenue
10.	V. Gor Aoro	D/Director
KAKAMEGA COUNTY		
1.	Geoffrey Omulayi	CECM Finance
2.	CPA, Herman Lusuli	Head of Financial Reporting Unit
3.	CPA, Diminah Chikamai	Audit
4.	Victor O. Oduk	HRMO
5.	Margaret Onyando	Ag. HSCM

BUSIA COUNTY		
1.	Gypson Wafula	CECM Finance
NANDI COUNTY		
1.	Hellen Kemboi	Director Finance
2.	Juliana Jerop	Director Admin/HR
3.	Prisca Jepchichir	Director Budget and Economic Planning
4.	Isidore Koech	SCMO/Procurement
UASIN GISHU COUNTY		
1.	CPA, Silas K. Ronoh	Director Finance
2.	Josephat Rotich	Director HRM
3.	Mary Kiarie	Internal Auditor
4.	Nelly Birgen	Accountant
5.	Naum Kosgei	Accountant
NAKURU COUNTY		
1.	Wilson Mungai	Ag. Chief Officer Finance
2.	Dan O. Odundo	Ass. Director Finance
EMBU COUNTY		
1.	Emily Karimi Munyi	Deputy Director Budget/ECRA
2.	Cecily Munyi	Finance
3.	Peter Nyandweny	Accountant
4.	Carol Kinyanjui	HRA
5.	Francis Mugo	Procurement
6.	Florence M. Ngari	Procurement
7.	Joshua Mwangi	Senior Statistician
8.	Katana Ndune	Economist
9.	Karani Mwaniki	ICT/Procurement
10.	Ruth Kamande	HRO
MERU COUNTY		
1.	Doris Gakii	Statistical Economist
2.	Isaack Omollo	Payroll Admin Human Resource
3.	Crispus Mutoni	Ag. Director Audit
4.	Lenny Mbae	Performance Management/Office of the Governor
5.	Mary Majau	Deputy Director supply chain
6.	Wycliffe Maranya	Ag. Director Finance MCRB
7.	Dinah Gaceri	Ag. Director Budget
8.	Charles Mwenda	Ag.C.O Finance
9.	Caroline Karimi	Accountant Health

LAIKIPIA COUNTY		
1.	Daniel Ngumi	C.O Finance
2.	Mishek M.Gacheru	Ag. Ass Director Revenue
3.	Emily M.Mwangi	Accountant
4.	Lilian N. Githinji	Budget Officer
5.	Zachary G.Maina	Budget Officer
6.	Julius Kingori	H.I. A
7.	Joshepine Kamau	HSCM
8.	Shadrack Mwithalii	Payroll Manager
9.	Margaret Nderitu	HR
10.	Ben Wangai	Accountant
11.	John K Ngicii	Ag. Director Laikipia county Revenue Board
MURANGA COUNTY		
1.	Edwin Kimuyu	Co RFOS
2.	James Kamakio	D/ Budget Director
3.	Lisper M. Njoroge	DHRM
4.	Mugare M	D/Internal Audit
5.	Stanley Nderitu	Ag Director
6.	Jackson Kinuthia	HSCM
7.	Ann W. Kamau	Economist
8.	Samuel N. Mathenge	Sen. Accountant
9.	George M.Mburu	I.A
10.	Robert Mwangi	Accountant
11.	Felistus M. Mutinda	Economist
KIAMBU COUNTY		
1.	William Kimani	Chief Officer finance
2.	Solomon Waweru	Director Accounting Services
3.	Nduta Kahiu	Ag, Director Budget
4.	Joel R. Ngeru	Director Internal Audit
5.	Charles M.Marara	Revenue Accountant
6.	Eunice N.Kagwa	ADHRM
7.	Felix Muriuki	DD.ICT
8.	Minnie Kinyanjui	IFMIS
9.	Njuguna Karanja	DD ICT
10.	Ernest Karanja	Finance officer II
11.	Eliud Muchiri	Head Finance
12.	Clare Wanjiku	SCMO
13.	Muchai Anne	M&E

KAJIADO COUNTY		
1.	Isaiah Saruni	Accountant
2.	Ngatet Mosika	Project Manager
3.	Solomon Oloitiptip	Principal SCMO
4.	Sheilah Chebii	Economist
5.	Phyllis Wairimu Mburu	Accountant
6.	Lampard Lemayian Olchurie	Principal HRM&D
7.	Lynet Tapatayia	Senior Economist
KWALE COUNTY		
1.	Abdallah Maingi	Director SCM
2.	Holliness Agano Kahaso	Ass. Director Accounting Services
3.	Hamisi Kadingo Mwakadingo	Sub County Revenue Officer
4.	Athuman Mwatunza	Director Budget
5.	Biasha Gassare	Principal Internal Auditor
6.	Aisha Mwachibibo	Director HRM
MOMBASA COUNTY		
1.	Robert Makhokha	Chief Accountant
2.	Sophie Ismail	Director Admin/HR
3.	Ayub Buhiri	Ag. Chief Officer finance
4.	Richard Abiero	Director Internal Audit
5.	Omar Abdalla	Ag Director Procurement
6.	Omar M.Ali	Ag. Director M&E
MACHAKOS COUNTY		
1.	Michael Musyoki	Director Accounting Services