



THE COUNTY
GOVERNMENT
OF KAJIADO



KAJIADO COUNTY

Public Expenditure and Financial Accountability Assessment 2018

Final report

November 2018

Kenya - Kajiado County
Public Expenditure and Financial Accountability (PEFA) Assessment of Kajiado
County, Kenya - Based on PEFA Methodology 2016
July 2018



The quality assurance process followed in the production of this report satisfies all the requirements of the PEFA Secretariat and hence receives the **'PEFA CHECK'**.

PEFA Secretariat,
November 15, 2018

Currency and indicative exchange rates

Local currency unit = Kenyan Shilling (Ksh)

EUR 1 = Ksh 118.7000 (December 2017)

USD 1 = Ksh 100.7520 (March 2017)

Fiscal Year

July 1 to June 30

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Acronyms

| | |
|--------|---|
| ADP | Annual Development Plan |
| ADS | Authorized Data Sheet |
| AFS | Annual Financial Statement(s) |
| AIE | Authority to Incur Expenditure |
| BIRR | Budget Implementation Review Report |
| CBEF | County Budget and Economic Forum |
| CBROP | County Budget and Review Outlook Paper |
| CEC | County Executive Committee |
| CFSP | County Fiscal Strategy Paper |
| COB | Controller of Budget |
| COFOG | Classification of the Functions of Government |
| CRA | Commission on Revenue Allocation |
| CRF | County Revenue Fund |
| CIDP | County Integrated Development Plan |
| DANIDA | Danish International Development Agency |
| DMS | Debt Management Strategy |
| FY | Fiscal Year |
| GDP | Gross Domestic Product |
| GFS | Government Financial Statistics |
| ICT | Information and Communication Technology |
| IFMIS | Integrated Financial Management Information System |
| IPPD | Integrated Payroll Personnel Database |
| IDA | International Development Association |
| IDRC | International Development Research Centre |
| IPSAS | International Public Sector Accounting Standards |
| ISSAI | International Standards on Supreme Audit Institution |
| KADP | Kenya Accountable Devolution Program |
| KCB | Kenya Commercial Bank |
| KDSP | Kenya Devolution Support Programme |
| KENAO | Kenya National Audit Office |
| KIPPRA | Kenya Institute for Public Policy Research and Analysis |
| KSG | Kenya School of Government |
| LPO | Local Purchase Order |
| MTEF | Medium Term Expenditure Framework |
| MCAs | Members of the County Assembly |
| NGO | Nongovernmental Organization |
| OAG | Office of the Auditor General |
| OCOB | Office of the Controller of Budget |
| PAC | Public Accounts Committee |
| P to P | Procurement to Pay |
| PBB | Programme-Based Budget |

| | |
|-------|--|
| PEFA | Public Expenditure and Financial Accountability |
| PFM | Public Financial Management |
| PFMR | Public Financial Management Reforms |
| PPARB | Public Procurement and Administrative Review Board |
| PPRA | Public Procurement and Regulatory Authority |
| PSASB | Public Sector Accounting Standards Board |
| PwC | PricewaterhouseCoopers |
| SAGA | Semi-autonomous Government Agency |
| SAI | Supreme Audit Institution |
| SRC | Salaries and Remuneration Commission |
| SCOA | Standard Chart of Accounts |
| TSA | Treasury Single Account |

Executive Summary

Background

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

This PEFA assessment was organized and commissioned by multiple local and international institutions in time when the process of devolution in Kenya was considered completed for all 47 counties. This PEFA report has been prepared as a joint work of all organizations involved in the assessment, as outlined in the narrative below. The key contribution of the local organizations managed and monitored by the Kenya Institute for Public Policy Research and Analysis (KIPPRA) has been to collect the relevant data and to obtain evidence for the complete and appropriate assessment of all 31 indicators.

The assessment period covers the last three complete fiscal years (FYs) after the introduction of the devolved system of government. That is, FY2013/14, 2014/15, and 2015/16 depending on the indicators and dimensions of the assessment.

Main Outputs of the Assessment

Fiscal discipline

Actual revenues were short of budgeted amounts in all 3 years because local revenues and grants from international organizations were overestimated. On the expenditure side, aggregate expenditure outturn was on average below 85 percent of the approved budget expenditure and extensive administrative reallocations have been used.

Due to the adoption of a Standard Chart of Accounts (SCOA) in FY2012/13 at the national and subnational levels and the use of an Integrated Financial Management Information System (IFMIS), codes for budget formulation, execution, reports, and accounts are based on administrative and economic classification. Information on the activities performed for most budget users is published annually in the budget implementation review reports (County Budget and Review Outlook Paper [CBROP] and County Fiscal Strategy Paper [CFSP]). Annual executive budget proposal documentation, enacted budget, in-year budget execution reports, and annual budget execution report have been produced by the county government, but they are not put at the disposal of the public on time. In addition, the 'citizens' budget', translated into spoken local language, is not produced and financial reports of the extra-budgetary units are not available.

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

have been outlined qualitatively in the CBROP and the CFSP but have not been specified in the budget in a quantitative manner.

Strategic resource allocation

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

The costs of major investment projects are included in the budget documents, such as the CBROP and CFSP, but no rigorous economic analysis techniques are being employed for major investment projects beyond public participation.

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

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

Efficient service delivery

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

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

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

Procurement databases are maintained for contracts, including data on what has been procured, value of the procurement, and who has been awarded contracts, but the total value of contracts awarded through competitive methods in FY2015/16 represents less than 60 percent of the total value of contracts.

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

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

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

Hearings on key findings of audit reports were fully completed and discussed only for FY2013/14. They covered a few audited entities. No comment was provided on the performance of services delivery.

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

Scoring Summary Table

| Indicator | Method | 1 | 2 | 3 | 4 | Global |
|---|--------|-----|-----|----|----|------------|
| HLG-1. Transfers from a higher level of government | M1 | A | B | D* | | D+ |
| Pillar I. Budget reliability | | | | | | |
| PI-1. Aggregate expenditure outturn | M1 | D | | | | D |
| PI-2. Expenditure composition outturn | M1 | D | D | A | | D+ |
| PI-3. Revenue outturn | M2 | D | D* | | | D |
| II. Transparency of public finances | | | | | | |
| PI-4. Budget classification | M1 | C | | | | C |
| PI-5. Budget documentation | M1 | D | | | | D |
| PI-6. Central government operations outside financial reports | M2 | D* | D* | D* | | D |
| PI-7. Transfers to subnational governments | M2 | N/A | N/A | | | N/A |
| PI-8. Performance information for service delivery | M2 | B | D | D | D | D+ |
| PI-9. Public access to fiscal information | M1 | D | | | | D |
| III. Management of assets and liabilities | | | | | | |
| PI-10. Fiscal risk reporting | M2 | N/A | N/A | D | | D |
| PI-11. Public investment management | M2 | D | D* | C | D* | D+ |
| PI-12. Public asset management | M2 | D | D | D | | D |
| PI-13. Debt management | M2 | D | N/A | D | | D |
| IV. Policy-based fiscal strategy and budgeting | | | | | | |
| PI-14. Macroeconomic and fiscal forecasting | M2 | C | C | D | | D+ |
| PI-15. Fiscal strategy | M2 | D | B | C | | C |
| PI-16. Medium-term perspective in expenditure budgeting | M2 | A | D | D | D | D+ |
| PI-17. Budget preparation process | M2 | B | D | A | | B |
| PI-18. Legislative scrutiny of budgets | M1 | A | A | A | C | C+ |
| V. Predictability and control in budget execution | | | | | | |
| PI-19. Revenue administration | M2 | D | D | D | D | D |
| PI-20. Accounting for revenue | M1 | A | B | D | | D+ |

| Indicator | Method | 1 | 2 | 3 | 4 | Global |
|--|--------|----|----|----|----|-----------|
| PI-21. Predictability of in-year resource allocation | M2 | D | C | B | A | C+ |
| PI-22. Expenditure arrears | M1 | D* | D* | | | D |
| PI-23. Payroll controls | M1 | D | B | D | D* | D+ |
| PI-24. Procurement management | M2 | D* | D | C | A | C |
| PI-25. Internal controls on non-salary expenditure | M2 | B | C | D* | | C |
| PI-26. Internal audit | M1 | B | C | B | B | C+ |
| VI. Accounting and reporting | | | | | | |
| PI-27. Financial data integrity | M2 | D* | D* | D* | C | D+ |
| PI-28. In-year budget reports | M1 | C | B | C | | C+ |
| PI-29. Annual financial reports | M1 | B | D | C | | D+ |
| VII. External scrutiny and audit | | | | | | |
| PI-30. External audit | M1 | B | A | C | A | C+ |
| PI-31. Legislative scrutiny of audit reports | M2 | D* | D* | D* | D* | D |

1. Introduction

The subnational Public Expenditure and Financial Accountability (PEFA) assessment seeks to ascertain the performance of the public financial management (PFM) system of county governments using the PEFA methodology. So far, the Government of Kenya has gained experience in the application of the PEFA methodology by undertaking four national PEFA assessments over the years, the latest of which was carried out in 2017 and the report is due for completion in 2018. However, this is the first subnational assessment to be carried out in Kenya following the adoption of a devolved system of government. It is notable that the national and subnational PEFA assessments are being almost done concurrently, and this is important because both levels of government share the same PFM system, implying that evidence-based reform agenda can be implemented simultaneously after areas of improvements are identified. The subnational assessments, which covered 6 out of 47 counties, have been jointly financed by the World Bank and International Development Research Centre (IDRC) through the Kenya Institute for Public Policy Research and Analysis (KIPPRA).

1.1 Rationale and purpose

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

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

Effective PFM institutions and systems in the county governments are important for the successful implementation of devolution. The PEFA assessments are founded on the principles of openness, accountability, and public participation in public finance, as contained in Section 201 (a) of the Constitution of Kenya 2010. Their assessment will provide a baseline of current state of PFM within the county and for the entire financial system and indicate areas of improvements.

Apart from Kajiado, the other counties that voluntarily expressed interest in undertaking the PEFA assessments were Baringo, Makueni, West Pokot, Nakuru, and Kakamega. It should be noted that the selected counties do not represent particular interests nor is there a basis for comparison of their performances.

Objectives of the PEFA Assessment

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

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

1.2 Assessment management and quality assurance

The PEFA CHECK is a mechanism for confirming the adequacy of the quality assurance processes used in planning and implementing a PEFA assessment. The PEFA CHECK verifies whether good practices in both planning and implementing an assessment have been followed. The PEFA CHECK is therefore not a judgment of the quality of an assessment's technical content but a verification of its compliance with practices commonly accepted and used in conducting PEFA assessments, as outlined in six formal criteria, as shown in Box 1.1.

Box 1.1: PEFA CHECK criteria

1. The concept note or similar document and the assessment report (draft and revised draft) follow an adequate peer review process. Documents are submitted to reviewers representing at least four PFM institutions. The peer reviewers should include the government assessed, the PEFA Secretariat, and at least two other independent institutions from within or outside the country (such as international organizations, PFM-related nongovernmental organizations [NGOs], civil society groups, or other governments).
2. The draft concept note is submitted for peer review before the in-country assessment field work starts.
3. A final version of the concept note is shared with all peer reviewers.
4. The complete draft PEFA report is submitted to all peer reviewers for review. All reviewers are invited to participate in the report's finalization process.
5. A revised draft PEFA report and a separate matrix with peer reviewers' comments and assessment team's responses are submitted to all peer reviewers. The PEFA Secretariat carries out a follow-up review that evaluates whether its comments have been addressed.
6. The assessment management and quality assurance arrangements are described in the PEFA report, including a clear reference to the follow-up review.

The partnering local government organizations involved in the management and the assessment of this PEFA assignment are listed in Box 1.2, with their specific roles and contribution to the delivery of the intended outputs.

Box 1.2: Assessment management and quality assurance arrangements

(i) Oversight Team - Chair and Members

| Organization name | Team member details |
|---|----------------------------------|
| KIPPRA Executive Director (Chair) | Dr Rose Ngugi |
| KIPPRA | Dr Augustus Muluvi |
| KIPPRA | Dr Christopher Onyango |
| KIPPRA | Mr. Benson Kiriga |
| KIPPRA | Dr Simon Githuku |
| KIPPRA | Dr Douglas Kivoi |
| World Bank | Ms. Christine Anyango Owuor |
| World Bank | Mr. Tim Williamson |
| Council of Governors | Mr. Joseph Kung'u |
| PFMR Secretariat | Mr. Warui Maina/Joel Bett |
| Office of the Controller of Budget (OCOB) | Mr. Joshua Musyimi/Grace Kimitei |
| Office of the Auditor General (OAG) | Mr. George Nashon Otieno |

Assessment Manager: Simon Githuku-KIPPRA

(ii) Assessment Team

| Team A | Organization | Team B | Organization |
|------------------------------------|--|------------------------------------|-------------------|
| Dr Bernadette Wanjala (Team Lead) | KIPPRA | Dr Simon Githuku (Team lead) | KIPPRA |
| Jean-Marc Philip (Lead Consultant) | World Bank | Elisaveta Teneva (Lead consultant) | World Bank |
| Samuel Kiautha (Consultant) | World Bank | Jeremiah Oliech (consultant) | World Bank |
| Duncan Mugo Ndirangu | National Treasury | Christine Owuor | World Bank |
| Meimuna Mohamed | Commission on Revenue Allocation (CRA) | Joshua Musyoka | National Treasury |
| Warui Maina | National Treasury | Juliah Muguro | KIPPRA |
| Fredrick Owino | KIPPRA | Macklin A. Ogolla | COB |
| Grace Kimitei | COB | Nickson Omondi | KRA |
| Silvanos Obondi | OAG | John Mose | CRA |
| Robert Ng'ang'a | Kenya School of Government (KSG) | Dr. Douglas Kivoi | KIPPRA |
| Kennedy Okoth | Kenya Revenue Authority | Paul Odhimabo | KIPPRA |
| Dr. David Waigwa | World Bank | Mathew Ngusya | OAG |
| Dr. Christopher Onyango | KIPPRA | Dr. Augustus Muluvi | KIPPRA |
| Manaseh Otieno | KIPPRA | | |

(iii) Review of concept note and/or terms of reference

- First round of comments was addressed in December 2016.
- Second and final rounds of comments were addressed in February 2017.
- Invited reviewers: PEFA Secretariat, World Bank, OAG, and the National Treasury.
- Reviewers who provided comments:

| Name | Organization |
|--------------------|--------------|
| Jens Kristensen | World Bank |
| Timothy Williamson | World Bank |
| Dr. Jane Kiringai | World Bank |
| Agnes C. Mita | OAG |

| | |
|----------------------------------|--------------------------|
| County Executive representatives | Kajiado County Executive |
| County Assembly representatives | Kajiado County Assembly |
| Warui Maina | National Treasury |

(iv) **Secretariat and date(s) of its review(s):** First review comments from the PEFA Secretariat on October 14, 2016, and second review comments from the PEFA Secretariat on January 10, 2017.

(v) **Date(s) of final concept note and/or terms of reference:** March 17, 2017

(vi) **Review of the assessment report:**

- **Date of the first draft report:** May 5, 2018
- **Invited reviewers:** The county governments, OCOB, OAG, IBEC, the National Treasury, CRA, the World Bank, Swedish International Development Cooperation Agency (Sida) and the PEFA Secretariat
- **Reviewers who provided comments:** The World Bank, Sida, the PEFA Secretariat
- **Date of the comments:** June 8, 2018
- **Date of the assessment team’s response:** August 28, 2018
- **Date of Secretariat’s evaluation of response:** September 13, 2018
- **Date of the assessment team’s response:** October 29, 2018
- **Date of PEFA CHECK:** November 15, 2018

1.3 Assessment methodology

Coverage of the assessment

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

Time of the assessment

The period covered in the assessment was three fiscal years (FYs) after the introduction of devolved system of government in Kenya, that is, FY2013/14, FY2014/15, and FY2015/16, depending on the indicators and dimensions of the assessment. The field work assessment took place in April 2017, which is the time of assessment for those indicators where more up-to-date assessment period is required.

Sources of information

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

2. Kajiado County Background Information

2.1 Economic context

An overview of the Kenyan economy

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

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

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

Economic growth is expected to be accelerated during 2018 due to improved political stability and a favorable macroeconomic environment. In addition, the ongoing investments in infrastructure, improved business confidence, and strong private consumption are likely to support a strong growth. Besides, the favorable climatic conditions are likely to boost agriculture production and electricity and water sectors and hence support manufacturing growth. On the other hand, rising oil prices and depressed growth of credit to the private sector, which started in 2016, are likely to undermine the growth prospects. However, the adverse effects are likely to be offset by the strong favorable factors, resulting in better growth in 2018.

Overview of Kajiado County economy

Table 2.1 presents selected economic for the county government.

Table 2.1: Basic economic data and indicators for Kajiado County

| Indicator | Amount/Designation |
|---|--|
| Area (km ²) | 21,900.9 |
| No. of constituencies | 5 |
| County Assembly Wards | 25 |
| Population | 807,069 (males - 405,285; females - 401,784) |
| % Population living below poverty line | 47 |
| Population density per KM ² | 31 |
| Main economic activities | Pastoralism, agriculture, livestock trading, tourism, and mining |
| Wage employment by sector: | 4,110 |
| National government | 2,798 |
| County government | 1,312 |
| Teachers Service Commission | — |
| Early Childhood Development and Education Centers: | 811 |

| Indicator | Amount/Designation |
|----------------------------------|--------------------|
| Public | 423 |
| Private | 388 |
| No. of primary schools: | 568 |
| Public | 372 |
| Private | 196 |
| No. of secondary schools: | 124 |
| Public | 71 |
| Private | 53 |
| No. of health facilities | 234 |
| Doctor-to-population ratio | 26,094 |

Source: CRA, County Integrated Development Plan (CIDP), and Kajiado County Statistical Abstract 2015.

Kajiado County is located in the Rift Valley in the southern part of Kenya, covering an area of 21,900.9 km². According to the Kenya National Bureau of Statistics (2013), the county had an estimated population of 807,069 in 2012, with a population growth rate of 5 per cent (Table 2.1). The main economic activities undertaken in the county are pastoralism, agriculture, livestock trading, tourism, and mining. The health sector requires hiring of more medical staff, as reflected by the high doctor-to-population ratio.

2.2 Fiscal and budgetary trends

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

The 2015/16 fiscal performance in the County Budget and Review Outlook Paper (CBROP) states that local revenue collection amounted only 52 per cent of the FY2015/16 target, reflecting an under collection of Ksh 0.61 billion. This was also a drop in performance by 16.2 percent compared to the actual revenue collected in FY2014/15.

On the revenue side, overall actual expenditure indicates a level of 75 percent absorption, of which recurrent expenditure represents 88 percent absorption rate and development expenditure accounted for 57 percent absorption.

Table 2.2 presents the breakdown of resource and expenditure for the county government in percentage of the GDP calculated for Kajiado. Only budget data is included as resources and expenditure outside the budget are not reported (see PI-6).

Table 2.2: Aggregate fiscal performance data for the last three FYs (in percentage of total revenues)

| | 2013–2014 | 2014–2015 | 2015–2016 |
|--|-----------|-----------|-----------|
| RECEIPTS | | | |
| Transfers from National Treasury 4 | 98.1 | 83.3 | 84.4 |
| Transfers from Other Government Entities | 1.9 | | 3.2 |
| Other Revenues | | 16.7 | 12.4 |
| TOTAL REVENUES | 100.0 | 100.0 | 100.0 |
| PAYMENTS | | | |
| Compensation of Employees | 30.6 | 32.2 | 29.2 |
| Use of goods and services | 34.3 | 31.4 | 20.3 |

| | 2013–2014 | 2014–2015 | 2015–2016 |
|--|-----------|-----------|-----------|
| Subsidies | | | |
| Transfers to Other Government Units | | 4.1 | 12.4 |
| Other grants and transfers | 5.4 | 3.2 | 2.3 |
| Social Security Benefits | | | |
| Acquisition of Assets | 30.2 | 32.6 | 31.2 |
| Finance Costs, including Loan Interest | 3.5 | 0.4 | 0.7 |
| Repayment of principal on Domestic and Foreign borrowing | | | |
| Other Expenses | 0.3 | | |
| TOTAL PAYMENTS | 104.2 | 103.9 | 96.2 |
| SURPLUS/DEFICIT | -4.2 | 3.9 | 3.8 |

Source: Annual Financial Statements (AFSs).

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

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

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

Source: AFSs.

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

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

Source: AFSs.

2.3 Legal and regulatory arrangements for PFM

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

The main features of the legislation

- (a) **Chapter 11 and 12 of the Constitution on devolved governments and principles of public finance, respectively.** Institutional arrangements for PFM include the Commission on Revenue Allocation (Article 216), the National Treasury (Article 225(1)), Controller of Budget (Article 228), Auditor General (Article 229), Salaries and Remuneration Commission (SRC) (Article 230), Central Bank of Kenya (Article 231), Parliament (Article 93), and County Assemblies (Article 176 (1)). Article 227 (2) provides for the creation of a framework for procurement and asset disposal by all public entities through an Act of Parliament.
- (b) **The PFM Act, 2012.** Part IV of this act details responsibilities with respect to PFM of public funds in the counties. This act covers all PFM aspects including, but not limited to, budget making process and public participation; Treasury Single Account (TSA); financial accounting and reporting; and internal auditing, among others. Section 103 creates the County Treasury whose general responsibilities and powers in relation to public finance are spelled out in Sections 104 and 105. According to Section 106, upon request, the National Treasury can second public officers to the County Treasury to enhance its capacity. Section 107 places the role of enforcing fiscal responsibility principles, as contained in Chapter 12 of the Constitution on the County Treasury. The County Treasury is responsible for some of the key documents related to public finance such as the budget, County Fiscal Strategy Paper (CFSP), and CBROP and thereafter present them to the County Assembly.
- (c) **The PFM Regulations (2015) for county governments.** Some highlights include strengthening intergovernmental fiscal relations and restricting wages to 35 percent of realized revenue, and development budget should be 30 percent of the total budget.
- (d) **The Public Procurement and Disposal Act (2015).** The Act provides for procedures for efficient public procurement and procedures for asset disposal by public entities. Regulations are under development.
- (e) **The Public Audit Act (2015)** provides for the organization, functions, and powers of the OAG, which are spelled out in accordance with the Constitution. The Auditor General is required to present audit reports to Parliament and relevant County Assemblies six months after the end of an FY. Under Section 4, the OAG was established, replacing the Kenya National Audit Office (KENAO). Section 10 provides explicitly for the independence of the Auditor General. Section 11 significantly reinforces the process for selecting competent persons to the position of the Auditor General in case of any vacancy.

The President may nominate a candidate and submit the nomination to Parliament for its approval. Section 24 provides for outsourcing. Section 25 provides for an Audit Advisory Board in place of the National Audit Commission (established under the 2003 Act to consider and approve the annual budget for KENAO and to determine the remuneration and other terms of

appointment of staff). It affirmed that only a person registered and practising as an accountant under the Accountants Act, 2008, should be qualified for provision of a financial audit opinion. Sections 47–48 provide for the auditing of financial statements required by the PFM Act, 2012, and the time deadlines to be adhered to.

Framework for the devolved system of government

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

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

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

2.4 Institutional arrangements for PFM

Structure of county governments

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

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

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

The structure of the public sector (number of entities and financial turn-over) is presented in Tables 2.5 and 2.6.

Table 2.5: Structure of the public sector (Ksh, millions) - FY2015/16

| | Government subsector | | Social security funds | Public corporation subsector | |
|-------------------|----------------------|-----------------------|-----------------------|----------------------------------|-------------------------------|
| | Budgetary Unit | Extra budgetary Units | | Nonfinancial public corporations | Financial public corporations |
| County government | 6,528.8 | N/A | N/A | N/A | N/A |

Source: AFS 2015/16.

Table 2.6: Financial structure of the county government - budget estimates (Ksh, millions) - FY2015/16

| | Budgetary unit | Extra budgetary units | Social security funds | Total aggregated |
|------------------------------|----------------|-----------------------|-----------------------|------------------|
| Revenue | 5049.2 | N/A | N/A | N/A |
| Expenditure | 5,030.5 | N/A | N/A | N/A |
| Transfers to County Assembly | 649.4 | N/A | N/A | N/A |
| Liabilities | 51.7 | N/A | N/A | N/A |
| Financial Assets | 522.0 | N/A | N/A | N/A |
| Nonfinancial assets | 1,630.0 | N/A | N/A | N/A |

Source: AFS 2015/16.

Key features of internal control

Internal control is performed through the IFMIS, and reengineering of the IFMIS was a major improvement for reinforcing internal control. Access to the IFMIS is now complete at the county levels, but the IFMIS Office is still configuring aspects of the IFMIS to meet specific needs of ministries, departments, and agencies (MDAs) and counties.

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

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

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

- **Procurement:** The county has its own system for procurement monitoring. The module 'Procurement to Pay' (P to P), which is available at the national level, is not used by the county (see PI-24).
- **Revenue:** Most of the county's revenues come from the central administration. The county has its own IT-based tax administration system known as LAIFOMS to collect some of the revenues. This system is not integrated with the IFMIS (see PI-20).
- **Payroll:** The county government uses the Integrated Personnel Payment Database (IPPD) management system for human resource management and the county pays wages through the IFMIS. However, the IPPD system is not yet integrated with the IFMIS, as the payroll is prepared in the IPPD and then manually extracted.

Other important features of PFM

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

3. Assessment of PFM Performance

3.1 Subnational Government profile

Description

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

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

Summary of scores and performance table

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

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

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

The formula reported in Table 3.1 has been used to share revenue for FY2013/14, FY2014/15, and FY2015/16. It must be noted that the CRA recommends introducing a development factor of 1 percent and to reduce basis equal share by the same level.

Table 3.1:

| Parameter | Current formula (%) |
|-------------------|---------------------|
| Population | 45 |
| Basis equal share | 25 |

| Parameter | Current formula (%) |
|-----------------------|---------------------|
| Poverty | 20 |
| Land area | 8 |
| Fiscal responsibility | 2 |
| Total | 100 |

Source: CRA.

According to AFS, the main sources of revenue for the county governments in Kenya are equitable share, conditional grants, and own-source revenues (see indicator PI-3). Globally, transfers have represented at least 95 percent of the original budget estimate in two of the last three years. Table 3.2 presents the breakdown of transfers to the county from the national government based on the Table 3.1. This table indicates that actual equitable shares represented 91.5 percent of budget estimate in FY2013/14, 101 percent in FY2014/15, and over 100 percent in FY2015/16. However, the national government does not always comply with the deadlines, as reported in the CBROPs and the reports of the Auditor General (see HLG-1.3).

Table 3.2: Estimate and actual revenue for the last three FYs (Ksh, millions and percentage)

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

Source: AFSs.

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

Dimension rating = A

HLG-1.2. Earmarked grants outturn

In addition to the transfers from the national government, there are conditional allocations from national government revenue to each county government to be used for specific purposes, including development expenditure, which are outlined in the County Allocation of Revenue Act. Conditional allocations are tied to the implementation of specific national policies with specific objectives by the national government. In addition, conditional grants from international organizations have been budgeted, as reported in Table 3.2.

Table 3.3: Breakdown of estimate and actual revenue by economic classification (Ksh, millions)

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

Source: AFSs.

The Results Matrix in Table 3.4 shows that the composition variance was very small for the two first years because equitable share was realized according to the estimates. The deviation for the last year is explained by the strong discrepancy between forecasting and actual disbursement of conditional grants.

Table 3.4: Results Matrix of outturn of transfers (%)

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

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

Dimension rating = B

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

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

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

Dimension rating = D*

3.2 Pillar I. Budget reliability

A budget is reliable if it is implemented in accordance with the approved estimates before the beginning of the financial year. To determine the extent to which this is the case, three indicators—aggregate expenditure outturn, expenditure composition outturn, and revenue outturn—were examined for FY2013/14, FY2014/15, and 2015/16.

PI-1. Aggregate expenditure outturn

Summary of scores and performance table

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

Table 3.5 shows a deviation of 75 percent on average between initial budget and real expenditure, due to the low execution rate of the development budget. In the implementation period, budgeted data should be available for utilization in the first half of the financial year but there are usually delays in disbursement of funds by the National Treasury. This creates a mismatch between the procurement plan and the

implementation. The procurement process begins in the second half of the year after the disbursement of funds, which shortens implementation of development expenditures.

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

Table 3.5: Aggregate expenditure outturn (%)

| FY | Total expenditure deviation (%) |
|---------|---------------------------------|
| 2013/14 | 73 |
| 2014/15 | 78 |
| 2015/16 | 77 |

Source: CBROPs.

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

Dimension rating = D

PI-2. Expenditure composition outturn

Summary of scores and performance table

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

PI-2.1. Expenditure composition outturn by function

Data obtained from the CBROP shows that the execution rate was above 75 percent for all three years but also below 90 percent (Table 3.6). The functions having the lowest budget execution rate are Public Works, Roads, Transport, Housing Industrialisation, and Enterprise Development, which are likely related to a low rate of capital consumption (see in PI-2.2).

Table 3.6: Expenditure composition outturn by function (Ksh, millions)

| Functional head | Budget | Actual | Budget | Actual | Budget | Actual |
|-----------------------------------|---------|--------|---------|--------|---------|--------|
| | 2013/14 | | 2014/15 | | 2015/16 | |
| County Assembly | 670 | 519 | 763 | 653 | 638 | 363 |
| County Executive | 193 | 187 | 1,660 | 1,516 | 740 | 642 |
| Finance and Economic Planning | 845 | 842 | 711 | 300 | 444 | 466 |
| Agriculture | 61 | 56 | 163 | 180 | 278 | 226 |
| Environment and Natural Resources | 37 | 36 | 110 | 116 | 271 | 136 |

| Functional head | Budget | | Actual | | Budget | | Actual | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------|--|
| | 2013/14 | | 2014/15 | | 2015/16 | | | |
| Education, Youth Affairs, and Social Development | 79 | 54 | 529 | 345 | 924 | 643 | | |
| County Health Services | 306 | 257 | 588 | 497 | 1521 | 1,321 | | |
| Water and Irrigation | 537 | 309 | 241 | 178 | 452 | 261 | | |
| ICT and Gender | | | 113 | 89 | 137 | 132 | | |
| Public Works, Roads, Transport, and Housing | 662 | 404 | 563 | 398 | 768 | 572 | | |
| Industrial and Enterprise Development | 369 | 181 | 156 | 90 | 355 | 224 | | |
| Total | 3,758 | 2,844 | 7,259 | 5,877 | 7,269 | 5,628 | | |
| Composition variance (%) | 22.5 | | 19.5 | | 16.2 | | | |

Source: CBROPs.

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

Dimension rating = D

PI-2.2. Expenditure composition outturn by economic type

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

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

However, the county reports on eight economic items in its financial statements: compensation of employees, use of goods and services, consumption of fixed capital, interest, subsidies, grants, social benefits, and other expenses. Table 3.7 gives information on expenditure composition outturn by economic type.

Table 3.7: Expenditure composition outturn by economic type (Ksh, millions)

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

Source: AFSs.

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

Table 3.7 shows that absorption rate of expenditure by economic classification was below 70 percent in 2013/14, with a striking execution rate of 128 percent in compensation of employees. Table 3.7 also shows that variance in expenditure composition by economic classification was 52.6 percent, 85.5 percent, and 91.9 percent for FY2013/14, FY2014/15, and FY2015/16, respectively. The first reason explaining the variance in expenditure composition by economic classification is the absence of consumption of fixed capital in each of the last three completed years. In addition, an increase of wages of nearly 30 percent in FY2013/14 above the initial budget must be pointed out, as well as an increase of use of goods and services of more than 20 percent in FY2014/15 and FY2015/16.

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

Dimension rating = D

PI-2.3. Expenditure from contingency reserves

In Kajiado County, contingency fund was captured as grants for management of natural disaster in the budget in FY2013/14. The emergency fund was established and budgeted for in FY2014/15 and FY2015/16. Expenditure charge to a contingency vote was 0.7 percent, which is below 3 percent of the original budget.

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

Dimension rating = A

PI-3. Revenue outturn

Summary of scores and performance table

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

PI-3.1. Aggregate revenue outturn

Table 3.8 shows that deviation of local revenue and transfers from international organizations was 85.7 percent, 42.1 percent, and 30.8 percent, respectively, in the last three fiscal years. The strong deviation is to be found in overestimate of local revenues and grants from international organizations (see PI3.2).

Table 3.8: Aggregate revenue outturn (Ksh, millions and percentage)

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

Source: CBROP.

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

Dimension rating = D

PI-3.2. Revenue composition outturn

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

Table 3.9 shows an overestimate of local revenues and grants from international organizations in all three years. The revenue collection rate of the county was far below the annual target. The reasons for under-performance of revenue in the county include pilferage of revenue and fraud; laxity in compliance among the taxpayers; inadequate capacity in terms of personnel, equipment, and funds; and structural inefficiencies in revenue administration. As far as grants from international organizations are concerned, the estimates were also too optimistic. The county budgeted Ksh 15.5 million Ksh Danish International Development Agency (DANIDA) in FY2015/16, but the funds were not transferred. The revenue foregone, due to insufficient fiscal efforts by the counties, represents a fiscal pressure on the national government to increase transfers going forward.

Table 3.9: Sources of revenue for the last three FYs (Ksh, millions)

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

Source: AFS.

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

Dimension rating = D*

3.3 Pillar II. Transparency of public finances

PI-4. Budget classification

Summary of scores and performance table

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

PI-4.1. Budget classification

The budget is formulated on administrative, economic, and functional classification using comparable GFS/ Classification of the Functions of Government (COFOG) standard. The GFS standards are anchored on the PFM Act, 2012. Budget classification can be analyzed in the budget expenditure estimates that have been provided with GFS codes. The county government has not been using GFS standards for revenue for the last three FYs since revenues were collected off the IFMIS (using LAIFOMS). However, in FY2016/17, the county used the GFS codes while budgeting for revenue. The budget is executed and reported according to the economic and administrative classification.

The breakdown of the County Executive administration can be considered as satisfying COFOG classification:

- Agriculture, livestock, and fisheries
- County Treasury
- Health services
- ICT, special programs, and Governor’s Delivery Unit
- Education and vocation training
- Lands and physical planning
- Public works, roads, housing, and energy
- Trade, tourism, and industrialization
- Water, irrigation, environment, and natural resources
- Public service, administration, and citizen participation

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

PI-5. Budget documentation

Summary of scores and performance table

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

As far as the basic elements of the PEFA criteria are concerned, forecast of the fiscal deficit or surplus or accrual operating result are available in the CSFP. Aggregated budget data for both revenue and expenditure are available in the budget estimates.

Table 3.10: Summary of budget documentation basic elements

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

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

Table 3.11: Summary of budget documentation additional elements

| No. | Additional elements | Criteria |
|-----|---|----------|
| 1 | Deficit financing, describing its anticipated composition | N/A |
| 2 | Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate | N/A |
| 3 | Debt stock, including details at least for the beginning of the current FY presented in accordance with GFS or other comparable standard | N/A |
| 4 | Financial assets, including details at least for the beginning of the current FY presented in accordance with GFS or other comparable standard | No |
| 5 | Summary information of fiscal risks, including contingent liabilities such as guarantees, and contingent obligations embedded in structure financing instruments such as public-private partnership contracts and so on | No |
| 6 | Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs | No |
| 7 | Documentation on the medium-term fiscal forecasts | Yes |
| 8 | Quantification of tax expenditures | N/A |

Forecast of fiscal deficit or surplus or accrual operating results and macroeconomic assumptions are captured in the CSFP. The county adopts macro-framework of the national government. The CSFP also presents the medium-term framework covering two outer years. The county operates on a balanced budget principle and therefore anticipates no deficit or surplus. The summary of fiscal risks has not been undertaken; therefore, contingent liabilities such as guarantees and contingent obligations have not been

identified. The county does not have a summary of the debt stock nor a debt management strategy (DMS) because it did not borrow.

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

Dimension rating = D

PI-6. County government operations outside financial reports

Summary of scores and performance table

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

PI-6.1. Expenditure outside financial reports

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

Dimension rating = D*

PI-6.2. Revenue outside financial reports

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

Dimension rating = D*

PI-6.3. Financial reports of extra budgetary units

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

Dimension rating = D*

PI-7. Transfers to subnational governments

Summary of scores and performance table

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

PI-7.1. System for allocating transfers

Not applicable at the level of subnational government.

Dimension rating = N/A

PI-7.2. Timeliness of information on transfers

Not applicable at the level of subnational government.

Dimension rating = N/A

PI-8. Performance information for service delivery

Summary of scores and performance table

| PI-8. Performance information for service delivery (M2) | D+ | Brief justification for score |
|--|-----------|--|
| 8.1 Performance plans for service delivery | B | Performance plans are published in Annual Development Plans (ADPs), detailed for all ministries by program objectives, key performance indicators, and outputs. |
| 8.2 Performance achieved for service delivery | D | The county government has not established a unit to conduct performance evaluation. |
| 8.3 Resources received by service delivery units | D | Information on resources received by frontline service delivery units is collected and recorded in the budget implementation review reports, but the source of funds is not included, and no survey has been carried out in one of the last three years. |
| 8.4 Performance evaluation for service delivery | D | Evaluation of the efficiency or effectiveness of the service delivery units has not been carried out for the last three fiscal years. |

PI-8.1. Performance plans for service delivery

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

The county government prepares the budget, involving members of the public through participatory forums. The ADP 2016/17 lists the program, the subprogram, the objective, the project name, performance indicators, target (output/outcome), implementing agency, source of funds, and cost (in Ksh, millions) for **all** ministries in the county government. However, target output and outcome are mixed in one column and most ministries present only output.

In summary, performance plans for service delivery are published in ADPs, detailed for **all** ministries by program objectives, key performance indicators, and outputs.

Dimension rating = B

PI-8.2. Performance achieved for service delivery

The County Treasury prepares annual budget implementation reports which outline the status of implementation of projects and highlight key outputs. A section in these reports discusses key outputs and achievements on the implementation of the budget. However, these reports are not published. The reports are submitted to the COB according to the PFMA Act, 2012, Section 39 (8). The COB publishes the

quarterly budget implementation review reports on its website.¹ These reports do not present the quantity of outputs produced or outcomes achieved, referring to indicators and objectives defined in the performance plans, but present at least the budget execution by major categories of expenditure, a list of development projects with the highest expenditure, the budget expenditure by departments, and so on.

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

Dimension rating = D

PI-8.3. Resources received by service delivery units

Budget allocation of resources received by ministries is reported in the Budget Implementation Review Reports (BIRRs) produced quarterly by the COB, but the only performance indicator presented in the report is the expenditure to budget allocation absorption rate. No report presents the amount of resources received by frontline service delivery units, performing activities on the behalf of the ministries.

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

Dimension rating = D

PI-8.4. Performance evaluation for service delivery

The county does not have a Monitoring and Evaluation Department to evaluate service delivery in all aspects. The CBROP has a revenue analysis section showing the estimated and actual revenue performance for each stream and type and the challenges of underperformance and mitigation addressing the shortfall to boost collection. The expenditure section gives the ceiling, the variances, and reasons for underutilization.

In summary, information on resources received by frontline service delivery units is collected and recorded in BIRRs, but the source of funds is not included. Evaluation of the efficiency or effectiveness of the service delivery units has not been carried out for the last three FYs.

Dimension rating = D

PI-9. Public access to fiscal information

Summary of scores and performance table

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

¹ See <http://www.cob.go.ke>.

PI-9.1 Public access to fiscal information

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

In-year and annual budget execution reports are not published on the county website either. The information is available only in English, but a translator is engaged during the public participation forum session. Local radio discussions are also made in the local dialect, where the public can call in and contribute on the fiscal documents before and after they are tabled in the County Assembly. The county government has partnered with an NGO to prepare the ‘citizen’s budget’ in Kiswahili and Maasai for the local community. This will be done in the FY2017/18 budget though there was no evidence to support this claim.

Quarterly and annual county BIRRs, presenting information detailed by county, are published by the OCOB but only three months after the end of the period, which does not respect the PEFA criteria.

The audited financial statements are available on the OAG website and can be accessed by any person once the statements are posted after the audit although not within 12 months after the end of the year, which does not respect the PEFA criteria.² Thus, the county government fulfils no basic element and only one additional element under this indicator. Other nonconfidential reports on county government consolidated operations are made available on the OAG website within six months of submission, which satisfies one criteria of additional elements.

Table 3.12: Summary of basic elements on public access to fiscal information

| Elements | Compliance |
|--|------------|
| Basic elements | |
| 1. Annual executive budget proposal documentation. A complete set of executive budget proposal documents (as presented by the country in PI-5) is available to the public within one week of the executive’s submission of them to the legislature. | No |
| 2. Enacted budget. The annual budget law approved by the legislature is publicized within two weeks of passage of the law. | No |
| 3. In-year budget execution reports. The reports are routinely made available to the public within one month of their issuance, as assessed in PI-27. | No |
| 4. Annual budget execution report. The report is made available to the public within six months of the FY end. | No |
| 5. Audited annual financial report, incorporating or accompanied by the external auditor’s report. The reports are made available to the public within 12 months of the FY end. | No |
| Additional elements | |
| 6. Pre-budget statement. The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt are made available to the public at least four months before the start of the FY. | No |
| 7. Other external audit reports. All confidential reports on county government consolidated operations are made available to the public within six months of submission. | Yes |

² See: http://www.oagkenya.go.ke/index.php/reports/cat_view/2-reports/11-county-governments/203-county-government-reports-2015-2016.

| Elements | Compliance |
|---|------------|
| 8. Summary of the budget proposal. A clear, simple summary of the executive budget proposal or the enacted budget accessible to the non-budget experts, often referred to as a 'citizens' budget', and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the executive budget proposal's submission to the legislature and within one month of the budget's approval. | No |
| 9. Macroeconomic forecasts. The forecasts, as assessed in PI-14.1, are available within one week of their endorsement. | No |

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

Dimension rating = D

3.4 Pillar III. Management of assets and liabilities

PI-10. Fiscal risk reporting

Summary of scores and performance table

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

PI-10.1. Monitoring of public corporations

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

Dimension rating = N/A

PI-10.2. Monitoring of subnational governments

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

Dimension rating = N/A

PI-10.3. Contingent liabilities and other fiscal risks

Contingent liabilities have not been isolated as an item within the budget. Other fiscal risks have been mentioned in the CFSP and the CBROP but have not been quantified in the budget. Risks to the outlook in the CBROP 2016 mention that the county should establish the level of pending bills before it becomes a hidden budget deficit.

Dimension rating = D

PI-11. Public investment management

Summary of scores and performance table

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

PI-11.1. Economic analysis of investment proposals

Public forums at the ward level are used to populate a list of desired projects, which are then collated by the County Treasury. Prioritization is then done considering the money allocated to each ward by the county. There is no evidence of the use of economic analyses methods to establish feasibility of investment projects.

Dimension rating = D

PI-11.2. Investment project selection

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

In summary, evidence that the major investment projects selected by the cabinet before their inclusion in the budget, representing at least 25 percent in value of all the major investment projects, was not available.

Dimension rating = D*

PI-11.3. Investment project costing

Costing is done by the relevant department with the aid of the Department of Public Works which prepares the bill of quantities. Evidence of medium-term projections was not provided. The budget

process for recurrent and capital expenditure is not fully integrated. Projections for recurrent expenditure on capital investments are normally done once the project is complete.

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

Dimension rating = C

PI-11.4. Investment project monitoring

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

Dimension rating = D*

PI-12. Public asset management

Summary of scores and performance table

| PI-12. Public asset management (M2) | D | Brief justification for score |
|-------------------------------------|---|---|
| 12.1 Financial asset monitoring | D | The government maintains a record of its holdings in major categories of financial assets, which are included into the report of the OAG published online. However, information on assets and liabilities contained in the bank reconciliation statement is not complete, especially those relating to the defunct local authorities. |
| 12.2 Nonfinancial asset monitoring | D | The government maintains a register of its holdings of fixed assets, which is not complete and information on their usage and age is generally not available. |
| 12.3 Transparency of asset disposal | D | Procedures and rules for the transfer or disposal of nonfinancial assets are not established yet. The county has not disposed of any assets except cash and cash equivalent. The county has not set up any rule related to transfers of assets for the defunct authorities. |

PI-12.1. Financial asset monitoring

The only financial assets held by the county are cash in hand and cash at bank. The information on cash in hand and at bank is contained in the annual financial and bank reconciliation statements. According to audit opinion, the financial statement for FY2014/15 reflected an amount of Ksh 271.8 million under cash and bank balance, but a deposit amounting to Ksh 47.2 million could not be supported. Under the circumstances, the completeness and accuracy of cash and cash equivalents balance reflected in the statement of financial position could not be confirmed by the OAG. According to the audit report for FY2014/15, the OAG observed that the financial statement did not include assets amounting to Ksh 91.6 million acquired in 2013 and assets and liabilities of the defunct local authorities. The county government took possession of these assets and liabilities. In addition, the Transition Authority did not formally transfer assets and liabilities of the defunct local authorities in Kajiado to the county government. It is not yet clear when these assets and liabilities will be handed over to the county government. Consequently,

the completeness and accuracy of assets and liabilities reflected in the notes and annexes to the financial statements could not be confirmed.

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

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

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

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

Dimension rating = D

PI-12.2. Nonfinancial asset monitoring

This information is contained in the asset register though information on their value, usage, and age is generally missing. This asset register sometimes contains information on usage and age but is not necessarily complete and information contained in this register is not published. Table 3.13 presents the categories of nonfinancial assets for the last FY.

Table 3.13: Categories of nonfinancial assets - FY2015/16 (Ksh, millions)

| Asset class | Amount |
|--|--------|
| Land | — |
| Buildings and structures | 869.1 |
| Transport equipment | 109.9 |
| Office equipment, furniture, and fittings | 154.4 |
| ICT equipment, software, and other ICT assets | — |
| Other machinery and equipment | 97.8 |
| Purchase of certified seeds, breed stock, and live animals | 1.7 |
| Construction of roads and civil works | 335.2 |
| Research, feasibility studies, project preparation and design, project supervision | 18.7 |
| Heritage and cultural assets | — |
| Intangible assets | — |

Source: AFS 2015/16.

The OAG report of 2015 for FY2014/15 points out that assets increased by Ksh 1,512,171,277. A fixed assets register maintained by the county government was not up-to-date. Consequently, the nature, state, and location of the assets could not be established when required.

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

Dimension rating = D

PI-12.3. Transparency of assets disposal

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

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

Dimension rating = D

PI-13. Debt management

Summary of scores and performance table

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

PI-13.1. Recording and reporting of debt and guarantees

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

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

Dimension rating = D

PI-13.2. Approval of debt and guarantees

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

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

Dimension rating = N/A

PI-13.3. Debt management strategy

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

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

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

Dimension rating = D

3.5 Pillar IV. Policy-based fiscal strategy and budgeting

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

PI-14. Macroeconomic and fiscal forecasting

Summary of scores and performance table

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

PI-14.1. Macroeconomic forecasts

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

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

Dimension rating = C

PI-14.2. Fiscal forecasts

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

Dimension rating = C

PI-14.3. Macro fiscal sensitivity analysis

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

Dimension rating = D

PI-15. Fiscal strategy

Summary of scores and performance table

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

PI-15.1. Fiscal impact of policy proposals

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

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

Dimension rating = D

PI-15.2. Fiscal strategy adoption

The county government prepares a CSFP annually, which outlines the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the next financial year and over the medium term. It also includes the financial outlook with respect to county government revenues, expenditures, and borrowing for the next financial year and over the medium term. The CSFP is submitted to the County Assembly and published online.³ However, this strategy does not include explicit time-based quantitative fiscal goals and targets together with qualitative objectives for at least the budget year and the following two FYs.

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

Dimension rating = B

PI-15.3. Reporting on fiscal outcomes

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

Dimension rating = C

PI-16. Medium-term perspective in expenditure budgeting

Summary of scores and performance table

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

³ <https://www.kajiado.go.ke/downloads/?mdocs-cat=mdocs-cat-4>.

PI-16.1. Medium-term expenditure estimates

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

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

Dimension rating = A

PI-16.2. Medium-term expenditure ceilings

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

Dimension rating = D

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

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

Dimension rating = D

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

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

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

Dimension rating = D

PI-17. Budget preparation process

Summary of scores and performance table

| PI-17. Budget preparation process (M2) | B | Brief justification for score |
|---|----------|---|
| 17.1 Budget calendar | B | A clear annual budget calendar exists, is generally adhered to, and allows budgetary units at least four weeks from receipt of the budget circular to meaningfully complete their detailed estimates on time. |

| PI-17. Budget preparation process (M2) | B | Brief justification for score |
|---|---|--|
| 17.2 Guidance on budget preparation | D | A comprehensive budget circular is issued to budgetary units, covering total budget expenditure for the full FY. The budget circular does not include ministry ceilings. The approval of ceilings by the cabinet are approved only before sending the budget to the County Assembly. |
| 17.3 Budget submission to the legislature | A | The Executive has submitted the annual budget proposal to the legislature at least two months before the start of the FY in each of the last three years. |

PI-17.1 Budget calendar

The county has a clear budget calendar and is appended to the budget circular. The detailed budget calendar for FY2015/16 is shown in Table 3.14.

Table 3.14: Budget calendar for FY2015/16

| Activity | Responsibility | Time frame |
|--|-------------------------------------|---------------------------|
| Develop and issue MTEF Guidelines | County Treasury | August 29, 2015 |
| Update Ministerial Strategic Plans | MPND/Ministries/Departments | Mid-September 2015 |
| Develop and approval of ADP | County Treasury | September 1, 2015 |
| Develop CBROP | Macro working group | September–October 2015 |
| Departments in sub counties to submit their inputs to relevant ministry headquarters | Departments in the sub counties | October 2015 |
| Circulate approved CBROP to accounting officers | County Treasury | By end of October 2015 |
| Issue circular on revised budget | County Treasury | Mid-November 2015 |
| Submission of initial sector reports to Treasury | Sector working groups | By end of October 2015 |
| Hold sector hearings | County Treasury | December 2015 |
| Submit final sector reports | Sector working groups | By mid-January 2016 |
| Publish final sector reports | County Treasury | By end of January 2016 |
| Submission of supplementary budget proposals | Line ministries | January 7, 2016 |
| Review of supplementary budget proposals | County Treasury | January 31, 2016 |
| Submit supplementary budget proposals to Cabinet | County Treasury | 1st week of February 2016 |
| Submit supplementary budget proposals to County Assembly | County Treasury | By February 28, 2016 |
| Prepare the CSFP and approved by Executive committee | Macro working group/County Treasury | By mid-February 2016 |
| Submit CSFP to County Assembly for approval | County Treasury | By end of February 2016 |
| Issue Treasury Circular for finalization of 2015/16–2017/18 MTEF estimates and PBB | County Treasury | March 2016 |
| Submission of budget estimates to Cabinet for Approval | County Treasury | By March 20, 2016 |
| Finalize ministerial itemized budgets and PBBs and submit it to the County Assembly | Ministries/CEC Finance | By April 30, 2016 |
| Review of ministerial itemized budgets and PBBs | County Assembly | By May 2016 |

| Activity | Responsibility | Time frame |
|---|-----------------|---------------------|
| Submission of budget estimates recommendation to CEC Finance for considerations | County Assembly | By May 20, 2016 |
| Presentation of budget to County Assembly | County Treasury | By mid-June 2016 |
| Appropriation and Finance Bill passed | County Assembly | By end of June 2016 |

Source: County Secretary.

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

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

Dimension rating = B

PI-17.2 Guidance on budget preparation

The circular generally contains guidelines as provided for by Section 117–118, of the PFM Act, 2012. Its purpose is to inform and guide ministries, departments, and county government agencies on the preparation of the budget. It provides guidance on the form and content of the budget and the cost of programs to be funded at the county in line with the fourth schedule of the Constitution. It also emphasizes the constitutional timelines and requirements as per the budget calendar discussed under 17.1. However, the guidelines do not include total budget expenditure for the financial year and the ministry ceilings.

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

Dimension rating = D

PI-17.3 Budget submission to the legislature

The County Executive is expected to submit the budget to the County Assembly by April 30 of each financial year. According to the BIRR FY2015/16, the County Executive Committee for Finance submitted the budget estimates to the County Assembly on April 30, 2016, which was approved on June 30, 2016. The ADP and the CFSP were submitted to the County Assembly on September 1, 2015, and February 28, 2016, respectively. BIRRs for the previous years do not mention the dates of submission of the budget to the County Assembly. However, the COB would have mentioned the case of noncompliance if the April 30 deadline required by the PFM Act, 2012, would not have been respected.

In summary, the County Executive submitted the budget on time to the County Assembly over the three years.

Dimension rating = A

PI-18. Legislative scrutiny of budgets

Summary of scores and performance table

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

PI-18.1. Scope of budget scrutiny

According to the PFM Act, 2012, the County Assembly reviews all fiscal policies, medium-term fiscal forecasts, and medium-term priorities as well as details of expenditure and revenue through the Budget and Appropriation Committee. The specific budget documents include the CFSP, CBROP, ADP, and PBB. These documents are discussed and approved by the County Assembly and reports are produced by the Budget and Appropriation Committee. The Budget and Appropriation Committee decided to pass the budget for FY2015/16 without amendments but pointed out that the Assembly will monitor its expenditure.

The reports of the Budget and Appropriation Committee on the budgetary estimates for FY2014/15 and the approved report on the county budget estimates of revenue and expenditure for 2016/17 and the medium term were provided.

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

Dimension rating = A

PI-18.2. Legislative procedures for budget scrutiny

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

Dimension rating = A

PI-18.3. Timing of budget approval

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

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

Dimension rating = A

PI-18.4. Rules for budget adjustments by the executive

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

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

During FY2014/15, the county government temporarily stopped all its development projects over lack of funds, because the revised budget had been rejected by the COB for exceeding the ceiling set for the county. However, there have been some exceptions where salaries and wages exceeded the 35 percent of expenditure limits. This was mainly occasioned by increased salaries for striking doctors.

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

Dimension rating = C

3.6 Pillar V. Predictability and control in budget execution

PI-19. Revenue administration

Summary of scores and performance table

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

| PI-19. Revenue administration (M2) | D | Brief justification for score |
|--------------------------------------|---|--|
| 19.3 Revenue audit and investigation | D | Entities collecting the majority of government revenue undertake audits and fraud investigations. The majority of planned audits and investigations have been completed. However, no evidence that a compliance improvement plan was used has been provided. |
| 19.4 Revenue arrears monitoring | D | No record of revenue arrears is kept. The only list of arrears provided is for property rates, cumulatively from July 2014 to April 2017. One cannot ascertain the age of the arrears. |

PI-19.1. Rights and obligations for revenue measures

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

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

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

Dimension rating = D

PI-19.2. Revenue risk management

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

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

Dimension rating = D

PI-19.3. Revenue audit and investigation

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

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

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

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

Dimension rating = D

PI-19.4. Revenue arrears monitoring

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

Dimension rating = D

PI-20. Accounting for revenue

Summary of scores and performance table

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

PI-20.1. Information on revenue collections

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

The County Revenue Administration Act, 2016, outlines the procedures for revenue reports and stipulates that the receiver of revenues must give quarterly reports to the sectoral committees. In

addition, annual revenue reports should be given to the County Executive Committee member responsible for finance within 90 days after the end of the FY. According to this act, there is an established revenue register which should be maintained by the Director of Revenue on behalf of the County Treasury. The county has also established the Revenue Unit with two Directors in charge of managing revenue in different regions. Data is broken down by type of revenue and consolidated into the quarterly BIRRs.

Table 3.15: Annual revenue collection streams for FY2014/15 and 2015/16 (Ksh)

| Collection stream | 2014/15 | 2015/16 |
|---|--------------------|--------------------|
| Finance | | 1,866,600 |
| Trade and industrialization | 163,930,234 | 143,385,105 |
| Land and natural resources | 341,709,509 | 224,219,117 |
| Roads | 31,891,695 | 27,299,702 |
| Cooperatives | 23,952,070 | 21,237,530 |
| Public works | 66,562,862 | 61,349,069 |
| Communication and ICT | 27,050,240 | 47,577,406 |
| Agriculture and livestock | 44,933,391 | 38,584,670 |
| Public health | 74,963,193 | 67,945,829 |
| Water and irrigation | 476,700 | 1,192,550 |
| Education youth culture and social services | 31,830,575 | 16,327,400 |
| Total | 807,300,469 | 650,984,978 |

Source: Quarterly BIRRs.

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

Dimension rating = A

PI-20.2. Transfer of revenue collections

The revenue collected is supposed to be deposited daily by revenue collectors in revenue collection accounts held at the KCB and swept to the County Revenue Fund (CRF) account held at the Central Bank of Kenya on a weekly basis. A credit advice is issued by the KCB and transferred to the revenue collection accountant each time a deposit is made.

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

Dimension rating = B

PI-20.3. Revenue accounts reconciliation

The revenue reconciliation in the county is governed by the County Revenue Administration Act, 2016. The act stipulates that revenue analysis should be done monthly and not later than the 15th day of the following month based on the revenue targets and actual revenue collected. In addition, consolidation

and reporting of revenues collected should be done quarterly. Banking detailed operations can be extracted daily through an online interface provided by the KCB. However, no evidence was provided on the same. Reconciliations are done on a monthly basis.

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

Dimension rating = D

Ongoing reforms

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

PI-21. Predictability of in-year resource allocation

Summary of scores and performance table

| PI-21. Predictability of in-year resource allocation (M2) | C+ | Brief justification for score |
|---|----|---|
| 21.1 Consolidation of cash balances | D | Cash balances are consolidated on a yearly basis. |
| 21.2 Cash forecasting and monitoring | C | The county prepares cash flow forecast for the fiscal year, which is broken down by month but is not updated. |
| 21.3 Information on commitment ceilings | B | Budgetary units are provided reliable information on commitment ceilings at least a quarter in advance. |
| 21.4 Significance of in-year budget adjustments | A | Significant in-year adjustments to budget allocations take place no more than twice a year and are done in a transparent and predictable way. |

PI-21.1. Consolidation of cash balances

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

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

Dimension rating = D

PI-21.2. Cash forecasting and monitoring

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

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

Dimension rating = C

PI-21.3. Information on commitment ceilings

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

Dimension rating = B

PI-21.4. Significance of in-year budget adjustments

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

Dimension rating = A

PI-22. Expenditure arrears

Summary of scores and performance table

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

PI-22.1. Stock of expenditure arrears

The CBROP 2016 indicates that the county should establish the number of pending bills. Although the county acknowledged the existence of expenditure arrears, no evidence was provided on the amount of stock. There were discrepancies in the stock of pending bills. For instance, Annex 1 to the financial statement 2014/15 reflects pending bills amounting to Ksh1 1 million at the end of June 2015 and Ksh 352 million at the end of June 2014. However, records provided indicated that pending bills as of end-June 2014 amounted to Ksh 600 million. Thus, the accuracy and completeness of pending bills disclosed could not be confirmed.

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

Dimension rating = D*

PI-22.2. Expenditure arrears monitoring

Data on expenditure arrears is generated annually, three months after the end of the financial year. Expenditure arrears on projects are generally processed and generated after the completion certificate has been awarded. The county government does not maintain records such as register of individual creditors or ledgers. In addition, the county does not undertake analysis of the pending bills. However, arrears may be significant because delay in disbursement of funds from the National Treasury for FY2014/15 increased the number of unpaid bills, leading some contractors and suppliers to stop collaborating with the county government.

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

Dimension rating = D*

PI-23. Payroll controls

Summary of scores and performance table

| PI-23. Payroll controls (M1) | D+ | Brief justification for score |
|---|----|---|
| 23.1 Integration of payroll and personnel records | D | Reconciliation of the payroll with personnel records takes place only annually. Staff hiring and promotion is checked against the approved budget before authorization. |
| 23.2 Management of payroll changes | B | Required changes to the personnel records and payroll are updated at least monthly, generally in time for the following month’s payments. Retroactive adjustments are rare. Data shows corrections of slightly more than 3% of salary payments. |
| 23.3 Internal control of payroll | D | Sufficient controls exist to ensure integrity of 75% of payroll. However, 25% staff are paid through the manual system; hence, authority to change records and payroll is not restricted. |
| 23.4 Payroll audit | D* | A payroll audit covering all county government entities has been conducted at least once in the last three completed FYs, but no evidence was provided. |

PI-23.1. Integration of payroll and personnel records

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

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

Dimension rating = D

Box 3.2: Extract from the special audit report of the county government of Kajiado and the defunct local authorities

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

Source: Special audit report of the county government of Kajiado and the defunct two local authorities during the transition period from January 1 to June 30, 2013.

PI-23.2. Management of payroll changes

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

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

Dimension rating = B

PI-23.3. Internal control of payroll

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

In summary, sufficient controls exist to ensure integrity of 75 percent of payroll. However, 25 percent of staff are paid through the manual system; hence, authority to change records and payroll is not restricted.

Dimension rating = D

PI-23.4. Payroll audit

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

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

Dimension rating = D*

PI-24. Procurement

Summary of scores and performance table

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

PI-24.1. Procurement monitoring

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

The data provided was accurate and complete for procurement methods for goods, services, and works and the status. However, procurement monitoring for public establishments was not available. With all MDAs required to regularly submit procurement information since 2015, the Public Procurement and Regulatory Authority (PPRA) developed a large Excel-based comprehensive procurement database. A copy was provided to the team, indicating that it covers more than 90 percent of procurement, including semi-autonomous government agencies (SAGAs), state corporations, and counties. Data is shown for the different types of procurement (for example, open tendering, restricted tendering, request for quotations) undertaken by each type of body. Numbers and values of each type of procurement are shown.

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

Dimension rating = D*

PI-24.2. Procurement methods

The Public Procurement and Asset Disposal Act, 2015, provides for different procurement methods. The county relied on restricted tendering and request for quotations at 48.4 percent and 34.4 percent, respectively. In addition, the county used open tendering and request for proposal at 16.5 percent and 0.7 percent, respectively (Table 3.16). From Table 3.16, the county leaned heavily on restricted tendering and request for quotations, which are not highly competitive procurement methods.

Table 3.16: Type of procurement methods, 2015/16

| Procurement method | Value (Ksh, millions) | % |
|-----------------------|-----------------------|---------------|
| Open tender | 244.25 | 16.50 |
| Restricted tender | 715.28 | 48.40 |
| Request for quotation | 509.07 | 34.40 |
| Request for proposal | 9.87 | 0.70 |
| Total | 1,478.48 | 100.00 |

Source: County Executive procurement departments.

In summary, the total value of contracts awarded through competitive methods in the last completed FY represents less than 60 percent of the total value of contracts.

Dimension rating = D

PI-24.3. Public access to procurement information

The public can access the legal and regulatory framework (Public Procurement and Assets Disposal Act, 2015) for procurement freely from the PPRA website. Data on resolution of procurement complaints is available online as published by the Public Procurement and Administrative Review Board (PPARB).⁴ The tendering opportunities are available on the county website. However, information on the county procurement plans, annual procurement statistics, and details of contracts awarded are not posted on the website. The compliance with key procurement information that should be made available to the public is summarized in Table 3.17.

Table 3.17: Public access to procurement information

| Key procurement information to be made available to the public | Compliance (Yes/No) | Comments |
|--|---------------------|--|
| (1) Legal and regulatory framework for procurement | Yes | The legal and regulatory framework for procurement is available for download on the following website: http://www.kenyalaw.org/lex//actview.xql?actid=No.%2033%20of%202015 |
| (2) Government procurement plans | No | Not all government procurement plans are published on the Internet. |
| (3) Bidding opportunities | Yes | All bidding opportunities above the threshold value are advertised in the national newspaper or on notice boards (for schools). Many are posted on the Internet but not all of them. |
| (4) Contract awards (purpose, contractor, and value) | No | Contracts awards are published on the PPRA website. This publishes contract awards, including project description, contractor, and the contract value. However, the website is not completely exhaustive. |
| (5) Data on resolution of procurement complaints | Yes | Most of the information on resolution of procurement complaints is published. |
| (6) Annual procurement statistics | No | The PPDA requires that MDAs keep records of their procurement activities. PPRA Annual Reports are available on the PPRA's website in the form of comprehensive summary |

⁴ <http://www.ppoa.go.ke/2015-08-24-14-47-13/pparb-decisions>.

| Key procurement information to be made available to the public | Compliance (Yes/No) | Comments |
|--|---------------------|---|
| | | statistics on annual procurements (for example, contract awards, 30% public procurement reservations, and preferences for youth and women). |

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

Dimension rating = C

PI-24.4. Procurement complaints management

Procurement complaints are addressed by the PPARB under the PPRA. This is an external higher authority which is not involved in the procurement process. There are clear guidelines on the process followed in case of complaints. The decisions of the PPARB are binding to all parties involved. There is a fee payable by the party filing complaints. Compliance of complaints reviewed by an independent body in accordance with the PEFA criteria is summarized in Table 3.18.

Table 3.18: Procurement complaints management

| Complaints are reviewed by a body which | Compliance (Yes/No) | Comments |
|--|---------------------|---|
| (1) Is not involved in any capacity in procurement transactions or in the process leading to contract award decisions; | Yes | Section 27 of the PPADA establishes an independent Public Administrative Review Board (PPARB) to ensure the proper and effective performance of the functions of the PPRA. This was in fact in place under the previous public procurement legislation, as noted in the 2012 PEFA assessment. |
| (2) Does not charge fees that prohibit access by concerned parties; | No | There is a fee payable by the party filing complaints. The schedule of fees can be extracted from the Public Procurement and Disposal Regulations, 2013. |
| (3) Follows processes for submission and resolution of complaints that are clearly defined and publicly available; | Yes | The process for submission and resolution of complaints is clearly provided for in the PPADA (Section 27) which is publicly available. |
| (4) Exercises the authority to suspend the procurement process; | Yes | The PPADA provides grounds for debarment of a person from participating in procurement or asset disposal proceedings. |
| (5) Issues decisions within the time frame specified in the rules/regulations; and | Yes | The PPADA requires the PPARB to make a decision within 30 days of the date of submission of an application for review. The PPARB report for 2015/16 states that all cases lodged were heard and determined within an average of 22.5 days. |
| (6) Issues decisions that are binding on every party (without precluding subsequent access to an external higher authority). | Yes | The Procurement Regulations state that “a decision by the Review Board is binding on all parties concerned subject to judicial review where the parties so appeal.” |

In summary, the procurement complaint system meets all the criteria.

Dimension rating = A

PI-25. Internal controls on non-salary expenditure

Summary of scores and performance table

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

PI-25.1. Segregation of duties

The legislations about segregation of duties are (a) the Constitution of Kenya of 2010; (b) the Public Finance Management Act, 2012; (c) Circulars from National Treasury; and (d) Public Procurement and Asset Disposal Act, 2015. The different responsibilities on internal controls are (a) planning, (b) budgeting, (c) procurement, (d) accounting, (e) monitoring and evaluation, and (f) internal auditing.

Appropriate segregation of duties is prescribed throughout the expenditure process. Responsibilities are clearly laid down. Payments go through various stages of approval and in the IFMIS, there are different validators with unique passwords and different levels of access rights. Procurement process is clearly defined except under emergency cases and there is a separate emergency fund. The county government uses the IFMIS which has various modules and different levels of access rights to ensure adequate segregation of duties in the expenditure process. Each stage is assigned a specific officer with specific log-in credentials. No one officer can initiate a transaction and process it to completion without the approval of the other officers. The budget execution process in the IFMIS is summarized in Table 3.19.

Table 3.19: Different stages of control of budget execution

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

Source: County Executive.

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

up to the approval process. Payment is done by a cashier who has been assigned the role to make payments.

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

Dimension rating = B

PI-25.2. Effectiveness of expenditure commitment controls

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

Any payment is supported by a payment voucher which is prepared by the user department. The payment voucher has various sections for authorization and approval. The AIE holder signs and certifies that the expenditure was incurred for the authorized purpose, then the departmental accountant signs to confirm the accuracy, and the Chief Officer in the Department of Finance authorizes the payment. The payment voucher has a vote book control section (Vote Book Certificate) which is used to ensure that payments are made within the approved vote. After authorization, the payment is initiated in the IFMIS by the invoicer, and then a validator confirms the posting before the AIE holder approves the payment in the IFMIS. Two more validators have to approve the transaction in the IFMIS before the final stage of payment. The payment process in the IFMIS is adhered to as everyone involved has a unique password with predefined, limited access rights.

The OAG report on AFS 2014/15 points that, from a sample of payment vouchers reviewed, the Vote Book Certificate was not duly filled and therefore there was a risk of making payments without considering the amount voted. Further, the payment vouchers were required to be examined and signed. The examination was not done. The part where the Chief Officer Finance was required to sign was also left blank for most of the payment vouchers.

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

Dimension rating = C

PI-25.3. Compliance with payment rules and procedures

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

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

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

The report related to AFS 2014/15 observes that Ksh 13.8 million was paid to four firms contracted by the county to supply goods with either original or duplicate copies of LPOs instead of the triplicate copies as required by the Financial Orders and Regulations. Under these circumstances, the validity of this expenditure on use of goods and services amounting to about 1 percent of the whole expenditure could not be confirmed.

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

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

In summary, all payments should be made according to regular procedures through the IFMIS, but the data enabling precise scoring of the component was not provided.

Dimension rating = D*

PI-26. Internal audit

Summary of scores and performance table

| PI-26. Internal audit (M1) | C+ | Brief justification for score |
|--|-----------|---|
| 26.1 Coverage of internal audit | B | Internal audit is operational for the County Executive and the County Assembly. |
| 26.2 Nature of audits and standards applied | C | Audits were conducted, but no quality assurance process showing that internal audit activities are focused on evaluations of the adequacy and effectiveness of internal controls was disclosed. |
| 26.3 Implementation of internal audits and reporting | B | Annual audit programs are performed annually, and most programmed audits have been completed in FY2015/16. |
| 26.4 Response to internal audits | B | Management provides a partial response to audit recommendations within 12 months of the audit report being produced for three entities audited. |

PI-26.1. Coverage of internal audit

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

Table 3.20: County government entities audited for the last three years

| Department |
|-----------------------------------|
| Revenue Department |
| Accounts/Expenditure Department |
| Procurement and Stores Department |
| Roads Department |
| Public Works Department |
| Water Department |
| Health Services Department |
| County Public Service Board |
| Emergency Fund |
| Bursary Fund |

Table 3.21: Entities to be covered by annual audit activities for the next three years

| Department |
|------------------------------------|
| Revenue Department |
| Accounts/Expenditure Department |
| Procurement and Stores Department |
| Roads Department |
| Public Works Department |
| Water Department |
| Health Services Department |
| County Public Service Board |
| Emergency Fund |
| Bursary Fund |
| People Living with Disability Fund |

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

Dimension rating = B

PI-26.2. Nature of audits and standards applied

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

The audits are basically continuous audits. This includes systems audits to ascertain existence and effectiveness of internal controls in areas such as the payment process, procurement process, and revenue collection and reporting process. The following approach was used in performing the audits: all audit activities that are expected to be carried out in the course of the financial year are enlisted in the Annual Work Plan with the necessary time and resource budgets. An audit program is developed for each audit activity, which details all the necessary substantive audit tests to be carried out. The activities are then shared among the audit staff on the basis of competency and experience, who then submit their findings to be compiled into one audit report by the Deputy Director of Audit. The Director of Internal Audit then reviews the report and issues the draft report to the concerned department for response. A final report is then issued to the Audit Committee and copied to the Governor.

Table 3.22: Table of risk index

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

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

Dimension rating = C

PI-26.3. Implementation of internal audits and reporting

The Directorate of Internal Audit of the County Executive planned to conduct 11 audits in FY2015/16 and managed to conduct 8 audits. The percentage of audit completion was 73 percent.

Table 3.23: Planed and realized audits of the County Executive in 2015/16

| | Planned audits | Audits concluded (Y/N) | Reports released to management (Y/N) | Management response received (Y/N) |
|---|---------------------------------|------------------------|--------------------------------------|------------------------------------|
| 1 | Cash survey as of June 30, 2015 | Y | Y | Y |

| | | | | |
|----|---|---|-----|-----|
| 2 | Development projects - roads, buildings, and water projects | Y | Y | Y |
| 3 | Revenue audit | Y | Y | N |
| 4 | Examination of payment process/recurrent expenditure | Y | Y | Y |
| 5 | Verification of assets inherited from defunct authorities | N | N/A | N/A |
| 6 | Bursary fund | Y | Y | Y |
| 7 | Audit of health centres | N | N/A | N/A |
| 8 | Payroll audit | N | N/A | N/A |
| 9 | Internal controls system review | Y | Y | Y |
| 10 | Stores records/inventories audit | Y | Y | N |
| 11 | County Public service board audit | Y | Y | Y |

Source: Directorate of Internal Audit.

Similarly, in the County Assembly, the internal auditor planned for 12 audits and managed to complete 9, which corresponds to an execution rate of 75 percent.

In summary, annual audit programs are performed annually and **most** programmed audits have been completed in FY2015/16.

Dimension rating = B

PI-26.4. Response to internal audits

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

In FY2015/2016, the management responded to 6 out of the 8 audit reports. The County Assembly received 9 audit reports but responded to 7. However, as complete information was not available, a sampling approach was applied, but it was not possible to get five major budgetary units or institutional units as recommended by the PEFA methodology. Evidence was provided to assess the timeliness of the responses for the three public entities presented in Table 3.24.

Table 3.24: Timeliness of the responses to internal audit by audited public entities

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

Source: County Executive.

In summary, audited entities provided a full response to audit recommendations within 12 months of the audit report being produced. This would have qualified for an A score, as everyone met the requirements. However, only the three entities provided their report.

Dimension rating = B

3.7 Pillar VI. Accounting and reporting

PI-27. Financial data integrity

Summary of scores and performance table

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

PI-27.1. Bank account reconciliation

PFM Act, 2012, Section 90(1) requires bank reconciliations to all active accounts to be prepared every month and submitted to the County Treasury with a copy to the OAG not later than the 10th of the subsequent month. Manual bank reconciliation statements were provided for June 2015, June 2016, and December 2016.

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

Dimension rating = D*

PI-27.2. Suspense accounts

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

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

In summary, suspense accounts are reconciled and cleared monthly, but no evidence was provided.

Dimension rating = D*

PI-27.3. Advance accounts

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

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

Dimension rating = D*

PI-27.4 Financial data integrity processes

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

The County Treasury uses the IFMIS for recording and processing budget data. This system has various modules ranging from budgeting to payments and reporting. All users are assigned passwords and the Chief Officer Finance authorizes assignment of responsibilities in the various rights to the system. The IFMIS has an audit trail and any record change is electronically recorded in the system. The IFMIS department in the National Treasury is responsible for introduction of new users in the system with the approval of the accounting officer. Finally, the county has an examination unit that ensures data integrity by pre-audit of payments before they are passed into the system. However, there is no operational unit to verify financial data integrity.

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

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

Dimension rating = C

PI-28. In-year budget reports

Summary of scores and performance table

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

| PI-28. In-year budget reports (M1) | C+ | Brief justification for score |
|------------------------------------|----|--|
| | | on at least a half-yearly basis. Expenditure is captured at the payment stage. |

PI-28.1. Coverage and comparability of reports

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

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

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

Dimension rating = C

PI-28.2. Timing of in-year budget reports

PFM Act 166, 2012, requires counties to prepare quarterly reports and deliver copies to the National Treasury, COB, and CRA while County Treasury Circular requires preparation of reports of performance of the entire budget during the implementation phase. Annual Expenditure Appropriation Accounts are prepared annually and submitted by September 30. Budget execution reports are prepared quarterly and within one month from the end of that quarter. Table 3.25 presents the timing of various in-year budget reports for FY2014/15.

Table 3.25: Timing of in-year budget reports FY2014/15

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

Source: County Executive.

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

Dimension rating = B

28.3. Accuracy of in-year budget reports

The in-year quarterly reports are prepared mainly on actual payments, and commitments are also included. The reports are prepared by the County Treasury, reviewed, and sent to various bodies including the County Executive, National Treasury, and the COB. The level of review ensures that these reports are accurate.

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

Dimension rating = C

Ongoing reforms

The National Treasury, through PricewaterhouseCoopers (PwC), has been assisting in preparation of the quarterly reports. Recently the Public Sector Accounting Standards Board (PSASB) issued another template for preparation of quarterly reports and that has been adopted. The report has its own format.

PI-29. Annual financial reports

Summary of scores and performance table

| PI-29. Annual financial reports (M1) | D+ | Brief justification for score |
|---|----|---|
| 29.1 Completeness of annual financial reports | B | Financial reports for budgetary county government are prepared annually. They include information on revenue, expenditures, and cash balances. They are comparable with the approved budget. |
| 29.2 Submission of reports for external audit | D | The AFSs were presented for external audit on September 30, 2016, but were complete only by June 8, 2017, which was within 12 months after the end of the year. |
| 29.3 Accounting standards | C | The county prepares financial statements as per the cash basis International Public Sector Accounting Standards (IPSAS), but some weaknesses are raised by the report of the Auditor General and gaps are not explained in reports. |

PI-29.1. Completeness of annual financial reports

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

The financial statements are prepared annually and submitted by September 30 every year. The county prepares financial statements as per the IPSAS cash basis, as required by the PSASB. The AFS 2015–16 compares the actuals with those of the previous year and with the budgeted amount for the last AFS. However, it must be noted that, for the preceding year, the report of the Auditor General stated that “the format of the financial statements and the format of approved budget were dissimilar and therefore it was not possible to compare the two sets of documents” and did not express an opinion on AFS 2014–15. AFSs have all disclosures including revenue, expenditure, assets and liabilities which are accompanied by a balanced cash flow.

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

Dimension rating = B

PI-29.2. Submission of reports for external audit

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

In summary, financial reports for budgetary central government are submitted for external audit within 12 months at the end of the fiscal year.

Dimension rating = D

PI-29.3. Accounting standards

The county prepares AFSs as per the IPSAS cash basis in line with requirements of the PSASB. The latest audited AFS was for FY2014/15 and audit opinion was provided where the OAG identified lack of complete fixed assets register, nonfinancial assets not already included in financial assets, and unsupported cash and cash equivalents.

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

Dimension rating = C

3.8 Pillar VII. External scrutiny and audit

PI-30. External audit

Summary of scores and performance table

| PI-30. External audit (M1) | C+ | Brief justification for score |
|---|-----------|---|
| 30.1 Audit coverage and standards | B | The OAG is using International Standards on Supreme Audit Institutions (ISSAIs) on all external audits of national and county governments, but public establishments are not regularly audited. |
| 30.2 Submission of audit reports to the legislature | A | Audit report of AFS 2015/16 was submitted to the legislature within three months from receipt of the financial reports. |
| 30.3 External audit follow-up | C | A progress report on the issues raised during the 2014/15 financial year is put in the annex of the audit report for FY2015/16. Audited entities provide a formal response to audit findings, but it is not necessarily comprehensive and timely. |
| 30.4 Supreme Audit Institution (SAI) independence | A | The SAI operates independently from the Executive with respect to procedures for appointment and removal of the Head of the SAI, the planning of audit engagements, arrangements for publicizing reports, |

| PI-30. External audit (M1) | C+ | Brief justification for score |
|----------------------------|----|---|
| | | and the approval and execution of the SAI's budget. This independence is assured by law. The SAI has unrestricted and timely access to records, documentation, and information. |

PI-30.1. Audit coverage and standards

The OAG, headed by the Auditor General, has the primary oversight role of ensuring accountability in the use of public resources. The OAG may audit the accounts of any entity that is funded from public funds (including SAGAs, as discussed under PI-10). The Constitution and Public Audit Act, 2015, specify that the OAG must, within 6 months of the end of the FY, audit and report on the accounts of all county government entities, covering revenue, expenditure, assets, and liabilities, using ISSAIs or consistent national auditing standards. The audit reports should highlight relevant material issues and systemic and control risks. In-depth audits should be carried out on the basis of risk analysis methods. More emphasis is given to performance audits (value for money) forensic audits and procurement/asset disposal than under the previous law (sections 34–38 of the Public Audit Act, 2015). The OAG annually audits all county government MDAs that are linked to IFMIS. Public establishments are not regularly audited, as they are not connected to IFMIS. Very few specific audits have been conducted on them during the last three completed FYs.

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

- (a) Assessment of controls over management of cash and bank accounts
- (b) Assessment of controls over management of assets under the control of the county government
- (c) Assessment of compliance with the procurement laws in acquisition of goods or services
- (d) Assessment of compliance with the PFM Act, 2012, in the utilization of public funds
- (e) Compliance with other relevant laws and regulations
- (f) To ascertain the integrity and reliability of financial and other information used by management in the utilization of public funds
- (g) To confirm that all necessary supporting documents, records, and accounts have been kept with respect to all transactions

The FY2013/14 audit report of the OAG did not highlight any relevant material issues, but no opinion was given, the OAG expressed a non-qualified opinion in its audit report in FY2014/15, and the audit report in FY2015/16 provided a positive opinion.

In summary, the OAG is using ISSAIs on all external audits of national and county governments, but public establishments are not regularly audited, as they are not connected to the IFMIS.

Dimension rating = B

PI-30.2. Submission of audit reports to the legislature

According to the PFM Act, 2012, it is not the responsibility of the County Executive to forward audit reports to the County Assembly. This is done directly by the OAG. Table 3.26 presents dates for the submission of audit reports to the legislature (Senate and the County Assembly). The scoring has been based on the last submission of AFS, to avoid scoring the same situation twice.

Table 3.26: Submission of audit reports to the legislature for the last three FYs

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

Source: OAG.

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

Dimension rating = A

PI-30.3. External audit follow-up

The Public Audit Act, 2015, explicitly covers the audit process, including response and follow-up. The PSASB has prepared a template for this. The audit process is prescribed in Section 31 of Part IV of the Public Audit Act, 2015, on the 'Audit Process and Types of Audit'. The audit opinion and summary findings of the external audits of both 2013/14 and 2014/15 have been received.

A progress report on the issues raised during FY2014/15 is provided in the annex of the audit report for FY2015/16. Audited MDAs provide a formal response to audit findings, but it is not necessarily comprehensive and timely. The 2009 Public Audit Act did not provide for this.

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

Dimension rating = C

PI-30.4. Supreme Audit Institution (SAI) independence

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

Since the Public Audit Act, 2015, came into force in January 2016, the follow-up process has become more formalized. The PSASB is established in sections 192–195 of the PFM Act, 2012 and elaborated on under Financial Regulation 111 of 2015. The Board, which is located in the National Treasury, prepared a template in FY2015/16 for preparing AFSs. Section 27 of the template (available on the National Treasury’s website) provides for monitoring the actions taken by an MDA in response to the recommendations of audit reports. A matrix contains the following in column form: list of issues raised by the OAG in its management letter to the respective MDA, Management comments, name of MDA staff person in charge of resolving the issue, status of resolving the issue, and expected date for resolving the issue. The template came into effect for FY2016/17. The audit process is still ongoing, so it is not possible to assess how well this new process has worked.

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

Dimension rating = A

PI-31. Legislative scrutiny of audit reports

Summary of scores and performance table

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

PI-31.1. Timing of audit report scrutiny

Table 3.27 summarizes the dates when the external audit reports were received and discussed by the County Assembly. There is no specific timeline to scrutinize audit reports by the County Assembly. The time for scrutiny depends on the program of the committee. It has been said during meetings that the scrutiny was completed over a maximum of two months but no evidence has been provided.

Table 3.27: Timing of audit reports

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

Source: County Executive.

It was reported that it takes an average of 3 to 6 months to complete the scrutiny of audit reports on AFSs after their receipt.

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

Dimension rating = D*

PI-31.2. Hearings on audit findings

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

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

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

Dimension rating = D*

PI-31.3. Recommendations on audit by the legislature

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

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

Dimension rating = D*

PI-31.4. Transparency of legislative scrutiny of audit reports

Articles 196 and 201 of the Constitution and Section 115 of the County Government Act, 2012, state that there shall be openness and accountability, including public participation in financial matters. A County Assembly shall conduct its business in an open manner and hold its sittings and those of its committees in public and facilitate public participation and involvement in the legislative and business of the Assembly

and its committees. The PAC proceedings are open to the public except under special circumstances that the County Assembly determines. Further, audit reports are discussed in the full chamber of the house.

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

Dimension rating = D*

4. Conclusions of the Analysis of PFM Systems

4.1 Integrated assessment of PFM performance

Budget Reliability

Actual revenues were short of budgeted amounts in all 3 years. Actual revenue was below 92 percent of budgeted revenue and variance in revenue composition was more than 15 percent in the last two FYs because of over-estimate of local revenues.

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

Transparency of public finances

Budget formulation, execution, and reporting are based on administrative and economic classification (at level 2 of the GFS standard for the economic classification). Due to the adoption of an SCOA in FY2012/13 at the national level and the use of the IFMIS, codes for budgets, budget execution, reports, and accounts are the same.

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

Annual executive budget proposal documentation, enacted budget, in-year budget execution reports, and annual budget execution report have been produced by the county government, but they are not put at the disposal of the public on timely. The lowest performance in this section is that financial reports of the extra budgetary units are not available, the 'citizens' budget', translated into spoken local language, is not produced nor are the macroeconomic forecasts at the county level (national economic forecasts are used instead).

Management of assets and liabilities

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

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

Though the counties are not authorized to incur debt, there was a pre-existing debt inherited from OIKejuado County Council. This debt has been serviced and records are maintained annually. The DMS

had established an allocation for debt servicing inherited from the defunct authority, but no information is being published. A debt strategy has nevertheless been put in place. Contingent liabilities and other fiscal risks have been outlined qualitatively in the CBROP and the CFSP but have not been specified in the budget in a quantitative manner.

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

Policy-based fiscal strategy and budgeting

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

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

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

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

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

The county assembly reviews fiscal policies, medium-term fiscal forecasts, and medium-term priorities, which is presented in the CBROP and CFSP, as well as details of expenditure and revenue presented in the budget estimates. These procedures include specialized review committees, technical support, and public consultation.

Predictability and control in budget execution

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

The County Executive provides payers with access to information on the main revenue obligation areas but not on redress processes and procedures. The revenue collectors deposit most of the collections in the revenue collection accounts held at the KCB weekly. Expenditure commitment control procedures

provide only partial coverage and are partially effective. Internal audit is operational in the county government as well as in the County Assembly.

Procurement databases are maintained for contracts, including data on what has been procured, value of procurement, and who has been awarded contracts. The data is accurate and complete for most procurement methods for goods, services, and works. However, only legal and regulatory framework for procurement, bidding opportunities, and data on resolution of procurement complaints is made available to the public. The total value of contracts awarded through competitive methods in FY2015/16 represents less than 60 percent of the total value of contracts.

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

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

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

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

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

Accounting and reporting

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

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

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

External scrutiny and audit

External scrutiny and audit is done by the OAG, which operates at the national level. The OAG has been employing ISSAIs on all external audits of national and county governments since 2011. Material weaknesses are highlighted in the management letters issued.

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

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

4.2 Effectiveness of the internal control framework

Control environment

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

Risk assessment

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

The following risks, which are not provided for, exist in all stages of PFM:

- **Pillar 2: Transparency of public finances.** The county is not able to capture expenditure and revenue outside financial reports (PI-6). This creates the risk of having incomplete budget environment, potential misuse of funds, and poor service to the public.
- **Pillar 3: Management of assets and liabilities.** With no economic analysis of investment proposals (PI-11), no costing of investment, and no written procedures for monitoring of the investment performance, there is a huge risk of abuse and loss of funds in loss-making investment. There is no practice of inherited debt reconciliation with creditors (PI-13).
- **Pillar 4: Policy based fiscal strategy and budgeting.** With no practice to provide for uncertain economic events and the lack of a sensitivity analysis, the county fails to link policy formulation and programmed activities with the budget estimate. The risk of having an inadequate budget that is prone to amendment is not treated.
- **Pillar 5: Predictability and control in budget execution.** The revenue administration practice fails to have an integrated revenue management system in place to detect and arrest potential revenue risks and to manage arrears (PI-19). The county fails to keep proper accounting of expenditure arrears, tolerating a risk of accumulation (PI-22). Approved staff establishment is not linked to the IPPD, which is also not linked to the IFMIS. (PI-23). This creates a risk of ghost workers; otherwise the payment control is well formalized and applied. Procurement practice shows that non-competitive selection methods are mostly applied, which creates the risk of discrimination, reduced control on the quality of procured services or works, misuse of funds, and hence poor public service delivery (PI-24). There is clear segregation of duties with non-salary expenditures which are electronically set up in the IFMIS with various authorization levels and roles assigned to different functions and operational staff. This arrangement provides for all phases of budget implementation to be executed in the IFMIS (PI-25) but many operations are still executed outside the IFMIS.

Control activities

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

Over time, lack of/weak internal control system leads to unreliable financial record and resulting in loss of organizational integrity. This may affect not only the execution of the budget but also the implementation of projects and county priorities whether they are for development or recurrent.

Information and communication

This internal control element deals with the methods and records used to register, maintain, and report on facts and events of the entity, as well as to maintain accountability for the related assets, liabilities, and initiatives of the county.

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

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

Monitoring

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

As far as the oversight of the internal control system is concerned, the interaction between the external audit and the internal audit has not been evidenced during the fieldwork and the respective indicators' assessment.

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

to contribute to building a sound internal control system. Therefore, the legislative scrutiny cannot serve as reinforcing mechanisms to the effectiveness of the internal control system of Kajiado County.

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

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

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

4.3 PFM strengths and weaknesses

Aggregate fiscal discipline

The revenue module of the IFMIS was not operational and hence the county government was using the LAIFOMS for managing and monitoring own-source revenue collection. Hence, the county government has not been using GFS standards for revenue in the past since revenues were collected off the IFMIS (using LAIFOMS). The County Executive has used the GFS codes while budgeting for revenue for FY2016/17.

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

As far as development expenditure are concerned, development internal audit report for roads and building projects for 2014/15 pointed out various deficiencies such as

- Completed classrooms projects without supply of the furniture provided and classroom projects overpriced;
- Poorly done or overpriced building projects, with defects and omissions that were not noticed before final payment is made;

- Poorly done road projects leading to roads having to be redone and whose quality was not checked before final payment is released; and
- Well done but overpriced road projects.

Strategic allocation of resources

Allocation and prioritization of resources are established from the CIDP, the ADP, and departmental strategic plans. The CFSP outlines the medium-term fiscal framework, policies, and strategic objectives for the county, which is the basis for the next year's budget. The CFSP is intended to be in line with the county government priority policies reported in the CIDP, as follows:

- Agricultural transformation that promotes food security and sustainable income
- Creation of a suitable business environment
- Investment in environmental conservation
- Promotion of basic education and retention of learners throughout school
- Investment in quality and accessible health care services
- Investment in infrastructure, including roads, water, energy, and ICT to support other sectors

However, strategic allocation of resources is first hampered by mismanagement of accounting revenue. The county government had an under-collection above Ksh 500 million in comparison with the budget revenue for all 3 years under review, because of delay in automation of revenue collection, conditional grant not realized, and unpaid debts from key debtors companies, while unbudgeted sale of goods was reported in the financial statement for FY2013/14. However, the CFSP does not provide detailed reasons why local government revenue failed to achieve the annual revenue budget.

Follow-up of strategic allocation of resources is also undermined by the format of the financial statements and the format of the approved budget. The formats are dissimilar and therefore do not make it possible to compare the two sets of documents. For the last 3 FYs, the budgets presented to the County Assembly did not make detailed analysis of the various budgeted sources of internal revenue. Under these circumstances, it was not possible to verify, analyze, and comment on the specific revenue streams identified by the county government.

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

Efficient use of resources for service delivery

The Auditor General was not in a position to provide an opinion and the AFS 2014/15, because of many misleading operations such as renovation of machinery and equipment disclosed as cost of acquisition of assets, lack of a fixed assets register, unsupported account in cashbook balances, unclear amount of pending bills, payments processed by either original or duplicate for LPOs (instead of both), provisional sums paid without supporting documents, purchase of goods from a prequalified firm, unjustified use of

emergency funds, dissimilar AFS formats between approved budget and actual recurrent and development expenditure, over-expenditure in compensation of employees, and lack of alignment between approved budget and procurement plan. In conclusion, use of resources for service delivery cannot be considered as efficient under such conditions.

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

Additional reforms are also needed to enhance the policy/performance platform through the creation of a more reliable macroeconomic and fiscal framework at the subnational level, to move toward more performance-based budgeting.

5. Government PFM Reform Process

5.1 Approach to PFM reforms

In Kenya, the national government, through the National Treasury, takes the lead in initiating and implementing PFM reforms. The Government of Kenya has undertaken PFM reforms since 2006, which has been elaborated in Vision 2030. The current PFMR strategy is elaborated in the Strategy for Public Finance Management Reforms in Kenya 2013–2018. The overall goal of this PFMR Strategy is to ensure “A public finance management system that promotes transparency, accountability, equity, fiscal discipline and efficiency in the management and use of public resources for improved service delivery and economic development.” The main areas of emphasis in the strategy include (a) macroeconomic management and resource mobilization; (b) strategic planning and resource allocation; (c) budget execution, accounting, and reporting and review; (d) independent audit and oversight; (e) fiscal decentralization and intergovernmental fiscal relations; (f) legal and institutional framework; and (g) IFMIS and other PFM systems.

5.2 Recent and ongoing reform actions

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

- For FY2016/17 the county government has used the GFS codes while budgeting for revenue.
- The county government has extended the use of the IFMIS to budget revenue and has partnered with an NGO to prepare the ‘citizen’s budget’.
- A borrowing framework is being developed under the leadership of the national government with the participation of the county government and other stakeholders.
- The procurement department is also in the process of acquiring an integrated records management system which will help in records management.
- PwC is supporting the County Treasury in preparation of the budget quarterly reports. A new template of the PSASB has been issued for preparation of quarterly reports and has been adopted. PwC is also providing technical assistance on financial accounting.
- Other measures such as planning reforms (budget calendars) and accounting reforms (improving cashbooks and AFS) are also on track.

5.3 Institutional considerations

The devolution system as envisaged by the Constitution is ambitious and may have major challenges in the initial stages of implementation. The IFMIS has been implemented at the national and county levels to reinforce accountability but has not proved to be a solution to the procurement-related issues. At the county level, there is in addition a need for better appropriation and reinforced control. More operations are passed outside the IFMIS at the county level than at the national level. The implementation of a Treasury Single Account should ensure a better check on the movement of funds by the national and county governments. The PFM Act allows for the establishment of a committee to check on the use of

funds and disciplinary measures that can be taken. However, proper monitoring of public resources is only possible if the IFMIS is fully used at the county level and a Business Intelligence layer is implemented to facilitate data analysis and visualization.

Annex 1. Performance Indicator Summary

| Indicator/component | Score | Explanation |
|--|-----------|--|
| HLG-1. Transfers from a higher level of government | D+ | |
| HLG-1.1 Outturn of transfers from higher-level government | A | Transfers have been at least 95 per cent of the original budget estimate in two of the last three years. |
| HLG-1.2 Earmarked grants outturn | B | The difference between the original budget estimate and actual transfers and grants was less than 5 percent or less in two of the last three years. The score for this component is B. |
| HLG-1.3 Timeliness of transfers from higher-level government | D* | Quarterly transfers should be released quarterly, but the effective dates were not provided and important delays were reported in CFSP and in the press. |
| PI-1. Aggregate expenditure outturn (M1) | D | |
| PI-1.1. Aggregate expenditure outturn | D | Aggregate expenditure outturn was below 85% of the approved aggregate budgeted expenditure in all of the last three years. |
| PI-2. Expenditure composition outturn (M1) | D+ | |
| PI-2.1. Expenditure composition outturn by function | D | Variance in expenditure composition by administrative/functional classification was more than 15% in at least two of the last three years. |
| PI-2.2. Expenditure composition outturn by economic type | D | Variance in expenditure composition by economic classification was more than 15% in at least two of the last three years. |
| PI-2.3 Expenditure from contingency reserve | A | Actual expenditure charged to a contingency vote was on average less than 3% of the original budget (0.7% on average). |
| PI-3. Revenue outturn (M2) | D | |
| PI-3.1. Aggregate revenue outturn | D | Actual revenue was below 85% of budgeted revenue in two of the last three years. |
| PI-3.2. Revenue composition outturn | D* | AFSs do not present the breakdown of the local revenue, and hence the composition variance could not be calculated. |
| PI-4. Budget classification (M1) | C | |
| PI-4.1. Budget classification | C | Budget formulation, execution, and reporting are based on administrative and economic classification that can produce consistent documentation comparable with GFS standards (at level 2 of the GFS standard for the economic classification). |
| PI-5. Budget documentation (M1) | D | |
| PI-5.1. Budget documentation | D | Two basic elements and one additional element fulfil the PEFA criteria requirements. |
| PI-6. County government operations outside financial reports (M2) | D | |
| PI-6.1. Expenditure outside financial reports | D* | Data required for scoring the component was not available. |
| PI-6.2. Revenue outside financial reports | D* | Data required for scoring the component was not available. |

| Indicator/component | Score | Explanation |
|---|------------|--|
| PI-6.3. Financial reports of extra budgetary units | D* | The financial reports of the extra-budgetary units were not available. |
| PI-7 Transfers to subnational governments (M2) | N/A | |
| PI-7.1 Transparency and objectivity in the horizontal allocation of central government grants to LGUs | N/A | Not applicable at the level of subnational government. |
| PI-7.2 Timeliness of reliable information to LGUs on their allocations | N/A | |
| PI-8. Performance information for service delivery (M2) | D+ | |
| PI-8.1. Performance plans for service delivery | B | Performance plans are published in Annual Development Plans (ADPs), detailed for all ministries by program objectives, key performance indicators, and outputs. |
| PI-8.2. Performance achieved for service delivery | D | The county government has not established a unit to conduct performance evaluation. |
| PI-8.3. Resources received by service delivery units | D | Information on resources received by frontline service delivery units is collected and recorded in the budget implementation review reports, but the source of funds is not included, and no survey has been carried out in one of the last three years. |
| 8.4 Performance evaluation for service delivery | D | Evaluation of the efficiency or effectiveness of the service delivery units has not been carried out for the last three fiscal years. |
| PI-9. Public access to fiscal information (M1) | D | |
| PI-9.1. Public access to fiscal information | D | Public access to fiscal information does not fulfil any basic element and fulfils only one additional element. |
| PI-10. Fiscal risk reporting (M2) | D | |
| PI-10.1. Monitoring of public corporations | N/A | The county is yet to constitute any public corporations. |
| PI-10.2. Monitoring of subnational governments | N/A | Kajiado County does not have further devolved units. |
| PI-10.3. Contingent liabilities and other fiscal risks | D | Contingent liabilities and other fiscal risks have not been specified in the budget but have been outlined in the CBROP and the CFSP. |
| PI-11. Public investment management (M2) | D+ | |
| PI-11.1. Economic analysis of investment proposals | D | No rigorous economic analyses techniques are employed for major investment projects beyond the public participation. |
| PI-11.2. Investment project selection | D* | The Budget and Planning Unit is responsible for project selection but the selection criteria is not documented. Most of the practices and rules have not been formalized and evidence showing the major investment projects selected by the cabinet before their inclusion in the budget was not provided. |

| Indicator/component | Score | Explanation |
|---|-----------|--|
| PI-11.3. Investment project costing | C | Projections of the total capital cost of major investment projects, together with the capital costs for the forthcoming budget year, are included in the budget documents. |
| PI-11.4. Investment project monitoring | D* | The total cost and physical progress of major investment projects are monitored by a team, which has been constituted by the county. But no information on implementation of major investment projects has been provided. |
| PI-12 Public asset management (M2) | D | |
| PI-12.1. Financial assets monitoring | D | The government maintains a record of its holdings in major categories of financial assets, which are included into the report of the OAG published online. However, information on assets and liabilities is contained in the bank reconciliation statement is not complete, especially those relating to the defunct local authorities. |
| PI-12.2. Nonfinancial asset monitoring | D | The government maintains a register of its holdings of fixed assets, which is not complete and information on their usage and age is generally not available. |
| PI-12.3. Transparency of assets disposal | D | Procedures and rules for the transfer or disposal of nonfinancial assets are not established yet. The county has not disposed of any assets except cash and cash equivalent. The county has not set up any rule related to transfers of assets for the defunct authorities. |
| PI-13. Debt management (M2) | D | |
| PI-13.1. Recording and reporting of debt and guarantees | D | Though the counties are not authorized to incur debt, there was a pre-existing debt inherited from OlKejuado County Council. This debt has been serviced and records are maintained annually but no reconciliation is performed. |
| PI-13.2. Approval of debt and guarantees | N/A | Primary legislation grants authorization to borrow and issue new debt, but documented policies and procedures have not been established yet. |
| PI-13.3. Debt management strategy | D | A current medium-term DMS has been established but is not publicly available yet. The DMS establishes an allocation for debt servicing, but no evidence has been provided yet. |
| PI-14. Macroeconomic and fiscal forecasting (M2) | D+ | |
| PI-14.1. Macroeconomic forecasts | C | The county only provides a situational analysis of key macroeconomic indicators (growth, inflation, exchange rate, interest rates) at the national level in the CSFP. |
| PI-14.2. Fiscal forecasts | C | The budget forecasts for revenue, expenditure, and fiscal balance for the budget year and the following years are prepared and presented in the CSFP and CBROP and submitted to the County Assembly. However, the CBROP does not present clear explanations for deviations and assumptions. |
| PI-14.3. Macro fiscal sensitivity analysis | D | The county does not do any scenario building and sensitivity analysis. |
| PI-15. Fiscal strategy (M2) | C | |

| Indicator/component | Score | Explanation |
|---|-----------|---|
| PI-15.1. Fiscal impact of policy proposals | D | The county does not prepare estimates of the fiscal impact of all proposed changes in revenue and expenditure, except for a few cases. |
| PI-15.2. Fiscal strategy adoption | B | The government has adopted, submitted to the legislature, and published a fiscal strategy. But this strategy does not include explicit time-based quantitative fiscal goals and targets together with qualitative objectives for at least the budget year and the following two FYs. |
| PI-15.3. Reporting on fiscal outcomes | C | The government prepares an internal report on the progress made against its fiscal strategy. Such a report has been prepared for at least the last completed FY. However, an explanation of the reasons for any deviation from the objectives and targets set is not provided in the CBROP. |
| PI-16. Medium-term perspective in expenditure budgeting (M2) | D+ | |
| PI-16.1. Medium-term expenditure estimates | A | The county government prepares medium-term expenditure estimates by administrative, economic, and functional classification, which are presented in both budget estimates and the CSFP. |
| PI-16.2. Medium-term expenditure ceilings | D | The expenditure ceilings (in the CSFP and budget estimates) are approved after issuance of the budget circular. |
| PI-16.3. Alignment of strategic plans and medium-term budgets | D | The county has only prepared strategic plans for education, health, and agriculture. The strategic plans are not aligned with the budget estimates. Budget estimates are mainly guided by the ADP, which is based on the CIDP. |
| PI-16.4. Consistency of budgets with previous year's estimates | D | There is no consistency in medium-term estimates for the different MTEF periods and the budget documents do not provide an explanation for the changes. |
| PI-17. Budget preparation process (M2) | B | |
| PI-17.1 Budget calendar | B | A clear annual budget calendar exists, is generally adhered to, and allows budgetary units at least four weeks from receipt of the budget circular to meaningfully complete their detailed estimates on time. |
| PI-17.2 Guidance on budget preparation | D | A comprehensive budget circular is issued to budgetary units, covering total budget expenditure for the full FY. The budget circular does not include ministry ceilings. The approval of ceilings by the cabinet are approved only before sending the budget to the County Assembly. |
| PI-17.3 Budget submission to the legislature | A | The Executive has submitted the annual budget proposal to the legislature at least two months before the start of the FY in each of the last three years. |
| PI-18. Legislative scrutiny of budgets (M1) | C+ | |
| PI-18.1. Scope of budget scrutiny | A | The County Assembly review covers fiscal policies, medium-term fiscal forecasts, and medium-term priorities as well as details of expenditure and revenue. |

| Indicator/component | Score | Explanation |
|--|-----------|---|
| PI-18.2. Legislative procedures for budget scrutiny | A | The procedures for budget scrutiny include specialized review committees, technical support, and negotiation procedures and arrangements for public consultation. |
| PI-18.3. Timing of budget approval | A | The budget estimates for 2014/15, 2015/16 and 2016/17 were discussed, adopted, and approved by the County Assembly on 30th June of each of the respective years. |
| 18.4 Rules for budget adjustments by the executive | C | The rules and guidelines enabling budget adjustments through the supplementary budget (including reallocations) are found in the PFM Act and are adhered to in most instances. Extensive administrative reallocations may be permitted, and the total amount of expenditure can be exceeded by 10% of the total amount of the budget. |
| PI-19. Revenue administration (M2) | D | |
| PI-19.1. Rights and obligations for revenue measures | D | Entities collecting revenues provide payers with access to information on the main revenue obligation areas but not on redress processes and procedures, while the mechanism is in place. The County Revenue Administration Act presents only the procedure for reduction of taxes, fees, and charges. |
| PI-19.2. Revenue risk management | D | The county does not have a risk assessment framework in place for assessing and prioritizing risks. |
| PI-19.3. Revenue audit and investigation | D | Entities collecting the majority of government revenue undertake audits and fraud investigations. The majority of planned audits and investigations have been completed. However, no evidence that a compliance improvement plan was used has been provided. |
| PI-19.4. Revenue arrears monitoring | D | No record of revenue arrears is kept. The only list of arrears provided is for property rates, cumulatively from July 2014 to April 2017. One cannot ascertain the age of the arrears. |
| PI-20. Accounting for revenue (M1) | D+ | |
| PI-20.1. Information on revenue collections | A | The county consolidates the revenue data into monthly reports. The information is broken down by revenue type and consolidated into monthly, quarterly, and annual reports. Data is presented by type of revenue in the quarterly BIRRs. |
| PI-20.2. Transfer of revenue collections | B | The revenue collectors deposit the revenue collection accounts held at the KCB weekly. |
| PI-20.3. Revenue accounts reconciliation | D | There is no complete reconciliation of assessments, collections, arrears, and transfers. |
| PI-21. Predictability of in-year resource allocation (M2) | C+ | |
| PI-21.1. Consolidation of cash balances | D | Cash balances are consolidated on a yearly basis. |
| PI-21.2. Cash forecasting and monitoring | C | The county prepares cash flow forecast for the fiscal year, which is broken down by month but is not updated. |
| PI-21.3. Information on commitment ceilings | B | Budgetary units are provided reliable information on commitment ceilings at least a quarter in advance. |

| Indicator/component | Score | Explanation |
|--|-----------|---|
| PI-21.4. Significance of in-year budget adjustments | A | Significant in-year adjustments to budget allocations take place no more than twice a year and are done in a transparent and predictable way. |
| PI-22. Expenditure arrears (M1) | D | |
| PI-22.1. Stock of expenditure arrears | D* | Yearly pending bills are mentioned in the AFS, but the stock of arrears is not established. |
| PI-22.2. Expenditure arrears monitoring | D* | The county government does not maintain a register of individual creditors or ledgers. In addition, the county government did not have an analysis of the pending bills or any other records indicating the existence of the pending bills. |
| PI-23. Payroll controls (M1) | D+ | |
| PI-23.1. Integration of payroll and personnel records | D | Reconciliation of the payroll with personnel records takes place only annually. Staff hiring and promotion is checked against the approved budget before authorization. |
| PI-23.2. Management of payroll changes | B | Required changes to the personnel records and payroll are updated at least monthly, generally in time for the following month's payments. Retroactive adjustments are rare. Data shows corrections of slightly more than 3% of salary payments. |
| PI-23.3. Internal control of payroll | D | Sufficient controls exist to ensure integrity of 75% of payroll. However, 25% staff are paid through the manual system; hence, authority to change records and payroll is not restricted. |
| PI-23.4. Payroll audit | D* | A payroll audit covering all county government entities has been conducted at least once in the last three completed FRYs, but no evidence was provided. |
| PI-24. Procurement (M2) | C | |
| PI-24.1. Procurement monitoring | D* | Database or records are maintained for contracts, including data on what has been procured, value of procurement, and who has been awarded contracts. However, the database is not connected to the IFMIS; hence, the accuracy of procurement methods for goods, services, and works could not be verified. |
| PI-24.2. Procurement methods | D | The total value of contracts awarded through competitive methods in the last completed FY represents less than 60% of the total value of contracts. |
| PI-24.3. Public access to procurement information | C | At least three of the key procurement information elements are complete and are made available to the public. |
| PI-24.4. Procurement complaints management | A | The procurement complaint system meets all the criteria. |
| PI-25. Internal controls on non-salary expenditure (M2) | C | |
| PI-25.1. Segregation of duties | B | Segregation of duties is prescribed throughout the expenditure process. Responsibilities are clearly laid down for most key steps while further details may be needed in a few areas. |
| PI-25.2. Effectiveness of expenditure commitment controls | C | Expenditure commitment control procedures exist, which provide partial coverage and are partially effective. |

| Indicator/component | Score | Explanation |
|--|-----------|--|
| PI-25.3. Compliance with payment rules and procedures | D* | All payments should be made according to regular procedures through the IFMIS, but the data enabling scoring of the component was not provided. |
| PI-26. Internal audit (M1) | C+ | |
| PI-26.1. Coverage of internal audit | B | Internal audit is operational for the County Executive and the County Assembly, which are central government entities collecting all budgeted government revenue and expenditure. |
| PI-26.2. Nature of audits and standards applied | C | Audits were conducted, but no quality assurance process showing that internal audit activities are focused on evaluations of the adequacy and effectiveness of internal controls was disclosed. |
| PI-26.3. Implementation of internal audits and reporting | B | Annual audit programs are performed annually and most programmed audits have been completed in FY2015/16. |
| PI-26.4. Response to internal audits | B | Management provides a partial response to audit recommendations within 12 months of the audit report being produced for three entities audited. |
| PI-27. Financial data integrity (M2) | D+ | |
| PI-27.1 Bank account reconciliation | D* | Bank reconciliation takes place at least monthly, however, bank reconciliation regarding extra budgetary units was not provided. |
| PI-27.2 Suspense accounts | D* | Suspense accounts are reconciled and cleared monthly but evidences have not been provided. |
| PI-27.3 Advance accounts | D* | The county prepares imprest reconciliation monthly. However, some items are not cleared on time. Imprest account reconciliations have not been provided. |
| PI-27.4 Financial data integrity | C | IFMIS is used for recording and processing budget data originating from the national government. An examination unit ensures data integrity by pre-audit of payments before they are passed into the system. But no audit trail is available for local resources. |
| PI-28. In-year budget reports (M1) | C+ | |
| PI-28.1. Coverage and comparability of reports | C | Budget reports are prepared quarterly. This report has its own format but budget items are easily comparable to the initial budget. |
| PI-28.2. Timing of in-year budget reports | B | Budget execution reports are prepared quarterly and within one month from the end of that quarter. |
| PI-28.3. Accuracy of in-year budget reports | C | There may be concerns regarding data accuracy, which are not highlighted in the report. Data is consistent and useful for analysis of budget execution, but no analysis of the budget execution is provided on at least a half-yearly basis. Expenditure is captured at the payment stage. |
| PI-29. Annual financial reports (M1) | D+ | |
| PI-29.1. Completeness of annual financial reports | B | Financial reports for budgetary county government are prepared annually. They include information on revenue, expenditures, and cash balances. They are comparable with the approved budget. |

| Indicator/component | Score | Explanation |
|--|-----------|---|
| PI-29.2. Submission of reports for external audit | D | The AFS were presented for external audit on September 30 2016, but were complete only by June 8, 2017, which was within 12 months after the end of the year. |
| PI-29.3. Accounting standards | C | The county prepares financial statements as per the cash basis but some drawbacks are raised by the report of the Auditor General and gaps are not explained in reports. |
| PI-30. External audit (M1) | C+ | |
| PI-30.1 Audit coverage and standards | B | The OAG is using ISSAIs on all external audits of national and county governments, but public establishments are not regularly audited. |
| PI-30.2 Submission of audit reports to the legislature | A | Audit report of AFS 2015/16 was submitted to the legislature within three months from receipt of the financial reports. |
| PI-30.3 External audit follow-up | C | Audited MDAs provide a formal response to audit findings, but it is not necessarily comprehensive and timely. A progress report on the issues raised during FY2014/15 is put in annex of the audit report for FY2015/16. |
| PI-30.4 Supreme Audit Institution (SAI) Independence | A | The SAI operates independently from the Executive with respect to procedures for the appointment and removal of the Head of the SAI, the planning of audit engagements, arrangements for publicizing reports, and the approval and execution of the SAI's budget. This independence is assured by law. The SAI has unrestricted and timely access to records, documentation, and information. |
| PI-31. Legislative scrutiny of audit reports (M2) | D | |
| PI-31.1. Timing of audit report scrutiny | D* | Scrutiny of audit reports is completed within 12 months in most instances. However, this could not be verified due to lack of supporting documentation. |
| PI-31.2. Hearings on audit findings | D* | In-depth hearings on key findings of audit reports should take place occasionally, but only the external audit for the year 2013/14 has been fully completed and discussed and no evidence of hearings was provided. |
| PI-31.3. Recommendations on audit by the legislature | D* | The assembly has a process for monitoring implementation of audit recommendations. However, no record of recommendations by the legislatures for actions to be taken up by the Executive was provided. |
| PI-31.4. Transparency of legislative scrutiny of audit reports | D* | Committee reports have not been provided. |

Annex 2. Summary of Observations on the Internal Control Framework

| Internal control components and elements | Summary of observations |
|--|---|
| 1. Control environment | <p>The regulatory framework in the county is derived from the national regulation such as the Kenya Constitution 2010; the PFM Act, 2012; and the PFM Regulations 2015. Government circulars are issued periodically to ensure compliance with the laws.</p> <p>An Internal Audit Department has been set up with few staff, which is largely insufficient. Annual external audits are carried out by the OAG, which is an independent body but operates at the national level. Audit reports are submitted to the County Assembly when completed. There are, however, delays in completion of the external audits. The last received audit reports were for 2014–15.</p> |
| 1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organization | <p>Chapter 6 of the Kenya Constitution sets out the responsibilities of leadership of all public officers. This includes oath of office of state officers, conduct of state officers, financial probity of state officers, restriction on activities of state officers, citizenship and leadership, legislation to establish the ethics and anti-corruption commission, and legislation on leadership. These appear to be understood and internalized by the management and staff.</p> |
| 1.2. Commitment to competence | <p>With only one person working in the Internal Audit Department, the county does not have access to a pool of qualified professionals who would deliver excellence in service delivery. However, judging from the findings of the external auditor, lack of adequacy of County Assembly oversight and their competence may not have been felt through results.</p> |
| 1.3. The ‘tone at the top’ (that is, management’s philosophy and operating style) | <p>The PFM Act, 2012, paragraph 104 states that management must ensure proper management, control of, and accounting for the finances of the county government and its entities to promote efficient and effective use of the county’s budgetary resources.</p> <p>There is no leadership, such as management’s philosophy and operating style in the county, judging from the work of external auditors where audit findings are not acted upon. In addition, the assembly, which is a key institution of control, has not also played its oversight role effectively.</p> |
| 1.4. Organizational structure | <p>The county has an organization structure for the county and another for the Department of Finance.</p> <p>From our discussions with management, it is understood that the county structures have not been standardized. The staff expressed some concerns, for instance, the Revenue Department is not effective because the revenue officers are domiciled at the departments; hence, it is difficult for the director of revenue to monitor access and reward performance.</p> |
| 1.5. Human resource policies and practices | <p>The county organization policies are management by the County Public Service Board. The Board is responsible for recruitment, staff development, and discipline.</p> <p>The Public Service Commission is set up by Article 234 of the Constitution which outlines the functions and powers of the Public Service Commission. One of the key mandates of this commission is to investigate, monitor, and evaluate the organization, administration, and personnel practices of the public service, including the county government.</p> |

| Internal control components and elements | Summary of observations |
|---|--|
| 2. Risk assessment | The county does not have a risk management policy and a risk register yet. The PFM Regulation 165 sets out the role of the accounting officer in risk management and requires the accounting officer to develop (a) risk management strategies, which include fraud prevention mechanism, and (b) a system of risk management and internal control that builds robust business operations. |
| 2.1 Risk identification | Several PIs are related to the extent to which risks are identified, notably, <ul style="list-style-type: none"> • PI-11.1 Economic analysis of investment proposals: proposed capital investment projects are submitted to the Public Investment Committee for appraisal before approval but are not supported by economic analysis; • PI-13.3 Debt management strategy: a medium-term debt strategy exists, but is supported by associated risk analysis, exchange rate, and interest rate factors; and • PI-21.2 Cash forecasting and monitoring: a monthly cash flow is established and updated only annually. There is no revenue risk management implemented yet. |
| 2.2 Risk assessment (significance and likelihood) | This item has not been considered because there is no risk management policy implemented at the county level. |
| 2.3 Risk evaluation | Risk-based annual audit plans have not been established yet. Audit Committees are progressively implementing key risks in the control environment. |
| 2.4 Risk appetite assessment | The county does not make any risk assessment yet. |
| 2.5 Responses to risk (transfer, tolerance, treatment, or termination) | Not assessed (see 2.4). |
| 3. Control activities | The various functions of departments are set out in the PFM Regulations. The Accounting Division, in charge of recording and keeping the books, is separate from the administrative role, which normally handles the cashier function. Procurement is also a separate function that works under the Procurement Committee. |
| 3.1 Authorization and approval procedures | The Government Accounting Manual sets out the systems of authorization, policies, standards, and accounting procedures and reports. An SCOA is used by all county departments. These procedures or activities are implemented to achieve the control objectives of safeguarding resources, ensuring the accuracy of data, and enabling adherence to laws, policies, rules, and regulations. |
| 3.2 Segregation of duties (authorizing, processing, recording, reviewing) | Appropriate segregation of duties exists, in accordance with the SCOA, IFMIS and government circulars, which specifies clear responsibilities, but many operations are made outside the IFMIS. |
| 3.3 Controls over access to resources and records | PI-25.3 Most payments are compliant with rules and procedures, but there are variations that are pointed out in the report of the OAG. PI-27.4. Access and changes to records are restricted and recorded. |
| 3.4 Verifications | The PFM Regulations and finance manual sets out the usual internal control instructions for verification: review of transactions to check the propriety and reliability of documentation, costing, or mathematical computation. It includes checking the conformity of acquired goods and services with agreed quantity and quality specifications. |

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

Annex 3. Sources of Information

Annex 3A: List of related surveys and analytical work

- World Bank and Government of Kenya In-depth Report Recommendations and Action Plan Following the Analysis of Financial Management, Procurement and Human Resource Management in Kenya County Governments (2015).
- World Bank Public Expenditure Review of 2015.
- World Bank Kenya Economic Updates of 2015 and 2016.
- World Bank Country Economic Memorandum 2016.
- Government of Kenya National Capacity Building Framework Progress and Implementation Reports.
- Kenya Economic Survey 2016.
- End-of-assignment report to the National Treasury by PwC on the provision of technical assistance in the preparation of individual and consolidated financial statements for the county government entities for FY2014/15 (June 2016).
- Integrated Fiduciary Assessment Report. Program for Results for the Kenya Devolution Support Programme (KDSP). December 21, 2015.
- KIPPRA Kenya Economic Report 2016.
- The Constitution of Kenya (2010)
 - Principles of Public Finance (Article 201)
 - Institutional Arrangement (Commission for Revenue Allocation, Controller of Budgets, OAG, The National Treasury, Parliament and County Assemblies, SRC, and Central Bank of Kenya). KRA, Public Procurement Oversight Authority (PPOA).
- The PFM Act (2012)
- The Public Financial Management Regulations (2015)
- The Public Procurement and Disposal Act (2015)
- Public Audit Act (2015).
- Government of Kenya Review of the Public Finance Management Reforms (PFMR Strategy) 2013–2018 report (2016).
- PEFA (2016a). Framework for assessing public financial management.
- PEFA (2016b). Supplementary guidance for subnational PEFA assessment.

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

| Name | Designation | Email Address |
|-------------------|--|--|
| Priscillah Mungai | Deputy Director Budget | wprisc3@gmail.com |
| Anne Tobiko | Director, Revenue | annsadir@gmail.com |
| Jonathan Turere | Director, Budget and Economic Planning | iturere@yahoo.com |
| Jackson Pulei | Accountant | pulei13@gmail.com |
| Samson Sirere | Fiscal Analyst, County Assembly | samsonsirere@gmail.com |
| Leonard Opiyo | | opiyoleon@gmail.com |
| Douglas Keton | Director, Expenditure | douglasketon@gmail.com |
| Andrew Muange | Payroll manager | andrewmwange@yahoo.com |
| Luke Najulo | Procurement officer | lukenajulo@yahoo.com |
| Jackson Ritei | Accountant | Jacksonritei1@gmail.com |
| Julius sekoyo | Director, Internal audit | juliussekoyo@yahoo.com |
| Daniel Nkilishu | ICT Revenue Officer | |

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

PI-1. Aggregate expenditure outturn

- PI-1 expenditure calculation - Kajiado

PI-2. Expenditure composition outturn

- Emergency Fund Report
- Emergency Fund 2015, 2016 Expenditure Report
- Emergency Fund Expenditure Report for 2013–2014–2015
- Annual Financial Statements
- Appropriation Acts
- County Budget Revenue and Outlook Papers
- En-PI-1 PI-2 exp calculation-Kajiado
- Original budget for Kajiado county government

PI-3. Revenue outturn(M2)

- Annual Financial Statements
- Revenue outturn calculation-Kajiado
- Original budget for Kajiado county government

PI-4. Budget classification

- 2016/17 budget
- Kajiado county final budget 1415
- Supplementary budget 201516

PI-5. Budget documentation

- County Budget Revenue and Outlook Papers
- 2013–14 CBROP final
- 2013–14 CBROP final
- CBROP 2015
- CBROP 2016
- Original budget for Kajiado county government
- Original budget for Kajiado county government 2013/14
- Original budget for Kajiado county government 2014/15

PEFA framework for the assessment of public financial management at the county level, 2017

- Original budget for Kajiado county government 2015/16
- 2013–14 CBROP final
- 2016–17 budget
- Annual Development Plan 2016–17 final
- Annual Development Plan 2015–16 final
- CBROP 2015
- CBROP 2016
- CSFP 2015
- CSFP 2016
- Final CSFP 2016/17
- Kajiado CSFP 2014 final
- Kajiado county final budget 2014/15
- Supplementary budget 2015/16

PI-6. County government operations outside financial reports(M2)

- 2016/17 budget
- Kajiado county final budget 2014/15
- Supplementary budget 2015/16

PI-7. Transfers to subnational governments

PI-8. Performance information for service delivery(M2)

- 2016/17 budget
- Annual Development Plan 2016–17 final
- Annual Development Plan 2015–16 final
- Kajiado county final budget 2014/15
- Program Performance Report for 2014–2015 and 2015–2016
- Supplementary budget 2015/16

PI-9. Public access to fiscal information

- Appropriation Act 2013
- Appropriation Act 2014
- Appropriation Act 2015

PI-10. Fiscal risk reporting (M2)

- Budgets
- 2016/17 budget
- Kajiado county final budget 2014/15
- CBROP
- CBROP 2015
- CBROP 2016
- CSFP
- CSFP 2015
- CSFP 2016
- Final CSFP 2016/17

PI-11. Public investment management(M2)

PI-12. Public asset management

PI-13. Debt management

- 2016/17 budget
- Kajiado county final budget 2014/15
- Supplementary budget 2015/16

PI-14. Macroeconomic and fiscal forecasting(M2)

- Budgets
- 2016/17 budget
- Kajiado county final budget 2014/15
- Supplementary budget 2015/16
- CBROP
- 2013–14 CBROP final
- CBROP 2015
- CBROP 2016
- CSFP
- CSFP 2015
- CSFP 2016
- Final CSFP 2016/17

PI-15. Fiscal strategy(M2)

- CBROP
- 2013–14 CBROP final
- CBROP 2015
- CBROP 2016
- CSFP
- CSFP 2015
- CSFP 2016
- CSFP 2016/17

PI-16. Medium-term perspective in expenditure budgeting

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

PI-17. Budget preparation process(M2)

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

PI-18. Legislative scrutiny of budgets

- Kajiado County Assembly - Orders of the day

PI-19. Revenue administration

- County Revenue Administration Act, 2016
- County Trade Licence Act, 2014
- Finance Bill 2016 - final adjusted on June 23, 2016
- Kajiado County Revenue Administration Bill, 2016
- Kajiado Rating Bill, 2014

PEFA framework for the assessment of public financial management at the county level, 2017

- Reminder letter for payment of due levies through public address system
- Revenue Audit Report
- Response to Revenue Audit Report
- Stock of revenue arrears from July 1st, 2014 to April 6th, 2017.

PI-20. Accounting for revenue(M1)

- Monthly Revenue Report 2016–17
- Quarterly Revenue Report 2014-15
- Quarterly Revenue Report 2015–16
- Revenue Analysis by Revenue Type 2012–2014 by year
- Banking extract
- Banking slip
- Daily deposits to revenue account at KCB

PI-21. Predictability of in-year resource allocation(M1)

- Certificate of balances June 30, 2016
- List of bank accounts
- Cash flow projections
- Requisitions versus cash balances
- 2016/17 budget
- CSFP 2015
- CSFP 2016
- County Appropriation Act, 2015
- Final CSFP 2016/17
- Forwarding letter for CSFP
- Kajiado county final budget 2014/15
- Requisitions versus cash balances
- Copy of letter forwarding supplementary budget to the County Assembly
- County Supplementary Appropriation Act, 2015
- Forwarding letter for CSFP
- Public hearing proposal
- Public participation advert
- Supplementary budget 2015/16

PI-22. Expenditure arrears(M1)

- Financial statement for 2014–15

PI-24. Procurement(M2)

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

PI-25. Internal controls on non-salary expenditure(M2)

- Audit Report Revenue
- Auditor General Report 2014–2015
- Cash flow projections
- Emergency Fund 2015.2016 Expenditure Report
- Emergency Fund Expenditure Report for 2013–2014–2015
- PFM Regulations 2015
- Public Finance Management Act, 2012
- Sample payment voucher to show approval process

PI-26. Internal audit(M1)

- Kajiado County Assembly
- Audit reports-Kajiado Assembly
- Audit report response - CLP
- Audit Report - Sergeants
- Car Loan and Mortgage Audit Report - 2015–2016
- Finance Audit Report - 2015–2016
- Hansard Audit Report
- ICT Audit Report
- Report Human Resource Management Audit
- Research Services Audit Report
- Ward Offices Audit Report - Amended
- Annual work plan 2015–2016

PEFA framework for the assessment of public financial management at the county level, 2017

- Annual work plan 2016–2017
- Audit Committee Charter
- Audits concluded in the county assembly FY2015
- Internal audit charter
 - Internal Audit Report - Dev Project Report
 - Management Response to Dev Proj Report
 - Internal Audit Report - PSB
 - Management Response to PSB Report
 - Internal Audit Report - Recurrent
 - Management Response to Recurrent Report
- Audits concluded - County Executive

PI-27. Financial data integrity(M2)

PI-28. In-year budget reports(M1)

- Annual Financial Statement June 30, 2014
- Annual Financial Statement June 30, 2015
- Annual Financial Statement June 30, 2016

PI-29. Annual financial reports

- Annual Financial Statement June 30, 2014
- Annual Financial Statement June 30, 2015
- Annual Financial Statement June 30, 2016
- Financial statements 2013–2014 final copy
- Financial statements 2014–2015-final-amended
- Kajiado County amended financial statements 2015–2016

PI-30. External audit(M1)

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

Annex 4: County Profile

Kajiado County is one of the 47 counties in the Republic of Kenya. It is located in the Rift Valley in the southern part of Kenya. It borders the Republic of Tanzania to the southwest, Taita Taveta County to the southeast, Machakos and Makueni Counties to the east, Nairobi County to the northeast, Kiambu County to the north, and Narok County to the west.

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

Kajiado County is divided into five administrative subcounties with a total of 17 administrative divisions:

- Kajiado Central
- Kajiado North
- Loitokitok
- Isinya
- Mashuuru

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

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

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

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

Statistics for the county (in percentage):

- Literacy: 55.4
- School attendance (15–18 years): 44.9
- Paved roads: 5.9

PEFA framework for the assessment of public financial management at the county level, 2017

- Good roads: 38.4
- Electricity access: 39.8

Source: USAid Kenya.

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

Annex 5: Calculation Sheet for PFM Indicators PI-1 and PI-2 (i)

Year 2013/14 (Ksh, millions and %)

| Functional Head | Budget | Actual | Adjusted Budget | Deviation | Absolute Deviation | % |
|----------------------------------|---------------|----------------|-----------------|-----------------|--------------------|----|
| County Assembly | 670,271,602 | 518,918,957.05 | 497,437,579.86 | 21,481,377.19 | 21,481,377.19 | 4 |
| Office of the governor | 192,574,787 | 186,697,157 | 142,918,088.28 | 43,779,068.72 | 43,779,068.72 | 31 |
| County Public Service | 844,516,448 | 841,735,444 | 626,752,225.21 | 214,983,218.79 | 214,983,218.79 | 34 |
| County Public Service Board | 60,672,414 | 55,673,917 | 45,027,625.66 | 10,646,291.34 | 10,646,291.34 | 24 |
| County Executive | 37,151,497 | 35,815,683 | 27,571,734.65 | 8,243,948.35 | 8,243,948.35 | 30 |
| County Executive administration | 7,440,723 | 7,071,659 | 5,522,082.74 | 1,549,576.26 | 1,549,576.26 | 28 |
| Finance and planning | 306,190,177 | 257,069,459 | 227,236,988.96 | 29,832,470.04 | 29,832,470.04 | 13 |
| Trade and enterprise development | 43,770,855 | 21,480,881 | 32,484,246.86 | (11,003,365.86) | 11,003,365.86 | 34 |
| Agriculture | 130,508,279 | 108,074,434 | 96,855,845.10 | 11,218,588.90 | 11,218,588.90 | 12 |
| Water and irrigation | 319,714,460 | 220,795,661 | 237,273,945.00 | (16,478,284.00) | 16,478,284.00 | 7 |
| Education | 362,618,998 | 179,723,977 | 269,115,260.50 | (89,391,283.50) | 89,391,283.50 | 33 |
| Health | 258,792,369 | 150,590,869 | 192,061,023.23 | (41,470,154.23) | 41,470,154.23 | 22 |
| Lands and physical planning | 83,734,176 | 32,851,321 | 62,142,757.86 | (29,291,436.86) | 29,291,436.86 | 47 |
| Works and housing | 369,097,081 | 180,706,121 | 273,922,926.41 | (93,216,805.41) | 93,216,805.41 | 34 |
| Information communication | 71,126,930 | 46,564,058 | 52,786,374.68 | (6,222,316.68) | 6,222,316.68 | 12 |
| Allocated expenditure | 3,758,180,796 | 2,789,108,705 | 2,789,108,705 | 54,660,893.05 | 628,808,186.12 | |
| Contingency | 50,000,000 | 1,979,632 | | | | |
| Total expenditure | 3,808,180,796 | 2,791,088,337 | | | | |

Year 2014/15 (Ksh, millions and %)

| Functional Head | Budget | Actual | Adjusted Budget | Deviation | Absolute Deviation | % |
|-------------------------------|----------|----------|-----------------|-----------|--------------------|----|
| County Assembly | 763.00 | 652.76 | 594.47 | 58.29 | 58.29 | 10 |
| Water and Irrigation | 240.95 | 178.47 | 187.73 | (9.25) | 9.25 | 5 |
| County Public Service | 1,372.09 | 1,270.89 | 1,069.02 | 201.87 | 201.87 | 19 |
| ICT and Citizen Participation | 113.40 | 89.48 | 88.35 | 1.13 | 1.13 | 1 |

PEFA framework for the assessment of public financial management at the county level, 2017

| Functional Head | Budget | Actual | Adjusted Budget | Deviation | Absolute Deviation | % |
|---|----------|----------|-----------------|-----------|--------------------|----|
| Office of The Governor and The Deputy Governor | 131.15 | 131.06 | 102.18 | 28.88 | 28.88 | 28 |
| County Executive Committee | 8.54 | 7.18 | 6.65 | 0.53 | 0.53 | 8 |
| County Public Service Board | 69.59 | 68.58 | 54.22 | 14.36 | 14.36 | 26 |
| Agriculture, Livestock and Tourism | 163.42 | 179.78 | 127.32 | 52.46 | 52.46 | 41 |
| Public Works, Roads, Transport, And Housing | 562.87 | 398.43 | 438.54 | (40.11) | 40.11 | 9 |
| Industrialisation and Enterprise Development | 156.31 | 89.92 | 121.78 | (31.86) | 31.86 | 26 |
| Lands, Physical Planning, Environment, Wildlife and Natural Resources | 110.33 | 115.74 | 85.96 | 29.78 | 29.78 | 35 |
| Health Services | 587.83 | 497.02 | 457.99 | 39.03 | 39.03 | 9 |
| Finance and Economic Planning | 711.03 | 299.95 | 553.98 | (254.02) | 254.02 | 46 |
| Education, Youth, Sports, Culture, And Social Services | 529.26 | 344.81 | 412.36 | (67.55) | 67.55 | 16 |
| County Administration | 78.74 | 37.80 | 61.34 | (23.54) | 23.54 | 38 |
| Allocated expenditure | 5,598.50 | 4,361.88 | 4,361.88 | (0.00) | 852.67 | |
| Interests | | | | | | |
| Contingency | 70.00 | 70.03 | | | | |
| Total expenditure | 5,668.50 | 4,431.91 | | | | |
| Overall (PI-1) variance | | | | | | 78 |
| Composition (PI-2) variance | | | | | | 20 |
| Contingency share of budget | | | | | | 1 |

PEFA framework for the assessment of public financial management at the county level, 2017

Year 2015/16 (Ksh, millions and %)

| Functional Head | Budget | Actual | Adjusted Budget | Deviation | Absolute Deviation | % |
|--|----------|----------|-----------------|-----------|--------------------|----|
| Office of the Governor and the Deputy Governor | 167.87 | 185.57 | 128.20 | 57.37 | 57.37 | 45 |
| County Public Service Board | 86.30 | 85.80 | 65.91 | 19.89 | 19.89 | 30 |
| Education, Youth, Sports, And Social Services | 923.52 | 642.98 | 705.27 | (62.29) | 62.29 | 9 |
| Health Services | 1,520.70 | 1,321.02 | 1161.32 | 159.70 | 159.70 | 14 |
| ICT and Gender | 137.28 | 131.73 | 104.84 | 26.89 | 26.89 | 26 |
| Agriculture, Livestock, and Fisheries | 278.47 | 226.17 | 212.66 | 13.51 | 13.51 | 6 |
| Water and Irrigation | 451.85 | 261.47 | 345.06 | (83.59) | 83.59 | 24 |
| Public Works, Roads, Transport, And Housing | 767.88 | 572.46 | 586.41 | (13.95) | 13.95 | 2 |
| Finance and Economic Planning | 444.34 | 465.99 | 339.33 | 126.67 | 126.67 | 37 |
| Industrialisation and Enterprise Development | 355.24 | 223.73 | 271.29 | (47.56) | 47.56 | 18 |
| Lands, Physical Planning, Environment, Wildlife, and Natural Resources | 271.09 | 136.13 | 207.02 | (70.89) | 70.89 | 34 |
| County Assembly | 638.40 | 362.55 | 487.53 | (124.98) | 124.98 | 26 |
| County Public Service | 485.86 | 370.27 | 371.04 | (0.77) | 0.77 | 0 |
| Allocated expenditure | 6,528.79 | 4,985.88 | 4,985.88 | (0.00) | 808.06 | |
| Interests | | | | | | |
| Contingency | 60.00 | 63.29 | | | | |
| Total expenditure | 6,588.79 | 5,049.17 | | | | |
| Overall (PI-1) variance | | | | | | 77 |
| Composition (PI-2) variance | | | | | | 16 |
| Contingency share of budget | | | | | | 1 |

PEFA framework for the assessment of public financial management at the county level, 2017

Year 2013/14 (Ksh, millions and %)

| Economic head | Budget | Actual | Adjusted Budget | Deviation | Abs. Dev. | % |
|------------------------------|---------|---------|-----------------|-----------|-----------|-------|
| Compensation of employees | 783.2 | 1,005.3 | 540.4 | 465.0 | 465.0 | 86.0 |
| Use of goods and services | 2,196.5 | 1,604.6 | 1,515.5 | 89.1 | 89.1 | 5.9 |
| Consumption of fixed capital | 1,062.8 | 0.0 | 733.3 | -733.3 | 733.3 | 100.0 |
| Interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | — |
| Subsidies | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | — |
| Grants | 0.0 | 179.2 | 0.0 | 179.2 | 179.2 | — |
| Social benefits | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | — |
| Other expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | — |
| Total expenditure | 4,042.6 | 2,789.1 | 2,789.1 | 0.0 | 1,466.5 | |
| Overall variance | | | | | | 144.9 |
| Composition variance | | | | | | 52.6 |

Year 2014/15 (Ksh, millions and %)

| Economic head | Budget | Actual | Adjusted Budget | Deviation | Abs. Dev. | % |
|------------------------------|---------|---------|-----------------|-----------|-----------|-------|
| Compensation of employees | 1,492.3 | 1,403.5 | 1,029.6 | 373.9 | 373.9 | 36.3 |
| Use of goods and services | 2,131.4 | 2,618.9 | 1,470.5 | 1,148.3 | 1,148.3 | 78.1 |
| Consumption of fixed capital | 2,044.8 | 0.0 | 1,410.8 | -1,410.8 | 1,410.8 | 100.0 |
| Interest | 0.0 | 25.0 | 0.0 | 25.0 | 25.0 | — |
| Subsidies | 0.0 | 181.2 | 0.0 | 181.2 | 181.2 | — |
| Grants | 0.0 | 149.9 | 0.0 | 149.9 | 149.9 | — |
| Social benefits | 0.0 | 42.9 | 0.0 | 42.9 | 42.9 | — |
| Other expenses | 0.0 | 10.7 | 0.0 | 10.7 | 10.7 | — |
| Total expenditure | 5,668.5 | 4,431.9 | 3,910.9 | 521.0 | 3,342.6 | |
| Overall variance | | | | | | 127.9 |
| Composition variance | | | | | | 85.5 |

Year 2015/16 (Ksh, millions and %)

| Economic head | Budget | Actual | Adjusted Budget | Deviation | Abs. Dev. | % |
|------------------------------|---------|---------|-----------------|-----------|-----------|-------|
| Compensation of employees | 1,641.5 | 1,545.5 | 1,132.5 | 413.0 | 413.0 | 36.5 |
| Use of goods and services | 2,285.9 | 2,826.8 | 1,577.2 | 1,249.6 | 1,249.6 | 79.2 |
| Consumption of fixed capital | 2,661.4 | 0.0 | 1,836.2 | -1,836.2 | 1,836.2 | 100.0 |

PEFA framework for the assessment of public financial management at the county level, 2017

| Economic head | Budget | Actual | Adjusted Budget | Deviation | Abs. Dev. | % |
|----------------------|---------|---------|-----------------|-----------|-----------|-------|
| Interest | 0.0 | 31.2 | 0.0 | 31.2 | 31.2 | — |
| Subsidies | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | — |
| Grants | 0.0 | 578.2 | 0.0 | 578.2 | 578.2 | — |
| Social benefits | 0.0 | 35.0 | 0.0 | 35.0 | 35.0 | — |
| Other expenses | 0.0 | 32.6 | 0.0 | 32.6 | 32.6 | — |
| Total expenditure | 6,588.8 | 5,049.2 | 4,545.8 | 503.3 | 4,175.7 | |
| Overall variance | | | | | | 130.5 |
| Composition variance | | | | | | 91.9 |