IPSAS WORKSHOP

The benefits, Challenges and way forward of IFMIS in Kenya

Golf Hotel - Kakamega , 18th -19th July 2017

Outline of Presentation

- Introduction to PFMS - definitions
- Value proposition for PFMS automation History of PFMS in Kenya
- IFMIS and components
- Success and Challenges of IFMIS implementation
- Way forward – Lessons learnt

PFMS – Policy Reforms

Policy Reforms Mandated by:

- Constitution of Kenya 2010
- PFM Act, 2012
- PFM Regulation, 2015
- CRA
- Office of CoB
- OAG

Introduction to PFMS

- PMFS is absolutely critical to improving the quality of public service outcomes.
- Ensure strong financial stewardship, accountability and transparency in the use of public funds.

Areas impacted include:

- aggregate financial management – fiscal sustainability, resource mobilization and allocation

Intro. to PFMS.....cont'd

- Operational management – performance, value-for-money and budget management
- Governance – transparency and accountability
- Fiduciary risk management – controls, compliance and oversight.

Intro. to PFMS.....cont'd

- Today, strong financial management in the public sector is not a luxury but a necessity.
- We are in an era of increased demand for accountability and transparency.
- The "stakeholders" of the public sector are demanding more effective and efficient use of public resources.

Thus, PFMS

Public Financial Management System (PFMS) is designed to:

- support all financial operations,
- collect accurate, timely, complete, reliable and consistent information on all public financial events,
- provide adequate management reporting,
- support government-wide and agency policy decisions,
- produce auditable financial statements

IFMIS

- Integrated Financial management System (IFMS) – aims at improving accountability by enhancing transparency and oversight in Government Operations

- IFMS applies high technology - to enhance financial management and reduce mismanagement and corruption.

IFMIS

- Widely acknowledged that
  - fully functioning IFMS contributes to improved governance, by providing real-time financial information that financial and other managers can utilize to effectively administer programs, develop budgets and manage resources.
- During the past decade, IFMS
  - has been implemented in Africa with varying degrees of success.
- Where IFMS has been introduced successfully,
  - It has increased public sector legitimacy, produced timely and efficient accounting of public resources, increased government accountability and transparency and made it possible to audit public accounts and strengthen internal control in government units

Value proposition- Automation

- Accountability – the ability of public officials (politicians and technocrats)
  - to answer for their actions and inactions and
  - to show evidence that public funds were utilised for public Interest
- Transparency- ready access to reliable, comprehensive, timely, understandable, and internationally comparable information on government activities
- Predictability – procedures laid down by laws, regulations and administrative instructions that are:
  - clear and known in advance (documented),
  - uniformly and effectively enforced.
- Participation decentralization and allowing participation in decision making all levels of govt through representation, voting

IFMIS in Kenya – Where we came (1996- to date)

- 1996- GoK, through the Accountant General's Department

undertook an in-depth analysis of financial management and audit, people management and organization and financial management information systems in the government

- 1997- Development of IFMIS commenced 3 Phase review process , 2 phases done 1997-2000

1997- DFID Dev assistance – Strengthening Govt finance and Accounting functions" Comprehensive project framework (CPF) developed

- 2003- IFMIS implementation commenced
- Procured Oracle Government Financials for Public Sector by State Informatics Ltd -Mauritius and Simba technology Ltd -Kenya
- 2006-PFM reform coordination unit at MOF recognize IFMIS contribution to six PFM reform pillars

.. Then

- 2007- M/S Info tech Associates Ltd –consultancy situational analysis of IFMIS implementation and action plan to fast track IFMIS. Dev IFMIS project charter - Re-engineering of business processes , comprehensive mgmt and technical infrastructure to support IFMIS deployment
- In 2010, the Government developed a Master Plan for IT shared services across the 42 ministries and 175 local authorities. The government recognized that the investments in the current IFMIS must be balanced with the requirements of the new Constitution and the need for automation. This called for an automated budgeting system for the financial year 2011/12.
- 2011- IFMIS Re-engineering guided by strategic plan 2011-2013

IFMIS

Core Treasury System includes the following components:

- Budget Execution and Monitoring
- Accounting (general ledger, management of payments and receipts)
- Cash Management
- Financial Reporting
- Purchasing / Commitment
- Asset / Inventory Management
- Operational support for Spending Units

Other Public Financial Management System components:

- Macro Economic Forecasting
- Budget Preparation and Approval
- Debt and Aid Management
- HR Management /Payroll Calculations
- Support for Financial Control and Auditing
- Web publishing

The combination of above components is referred to as integrated PFMS

Financial Management Information System

IFMIS Layout

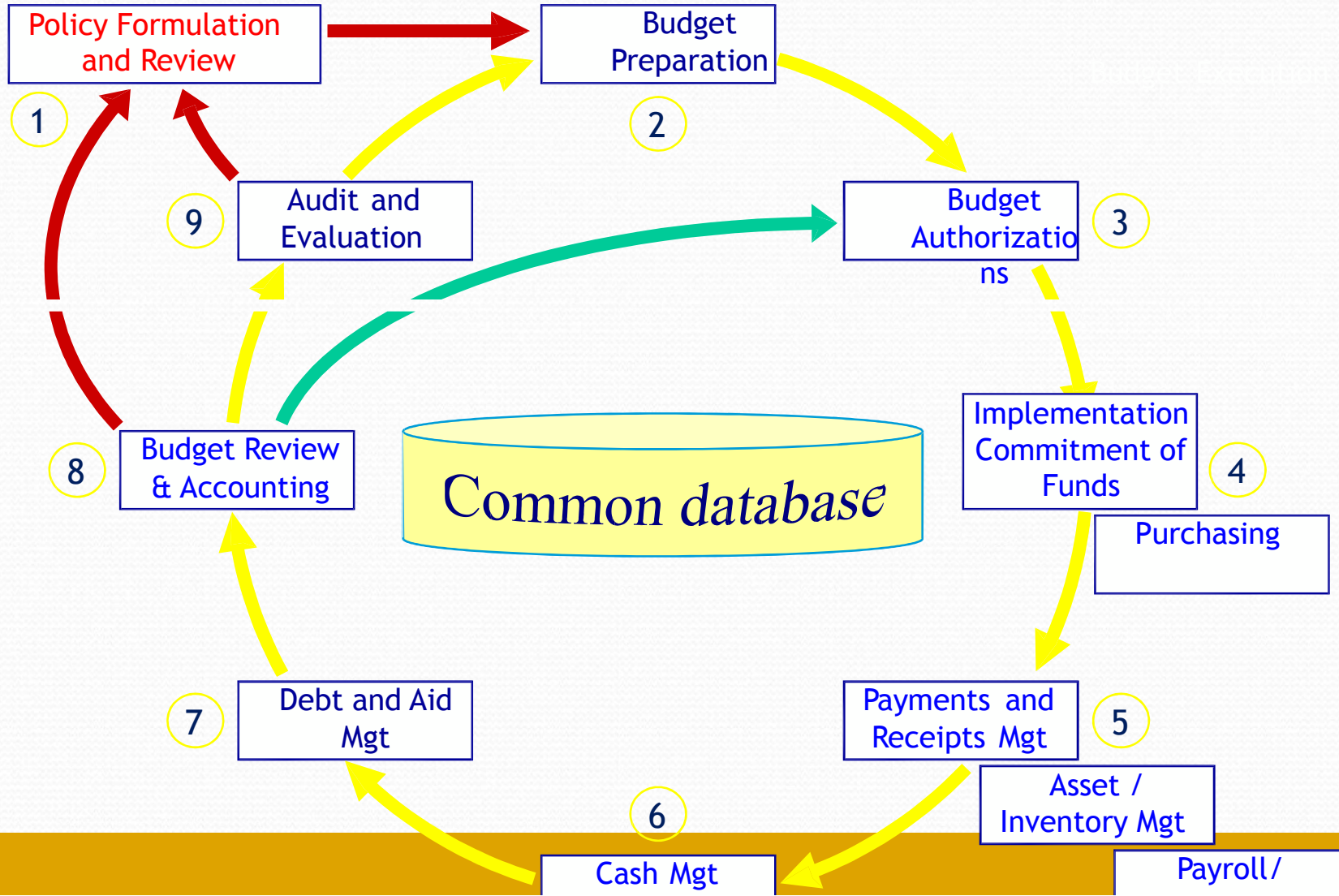
Financial Issues - Without IFMIS

- Poor Control – Overspending
- Unrealistic Budgets – Revenue & Expenditure
- Focus on inputs rather than outputs
- Growing Pending Bills Problem
- Spending Not Aligned to Priorities…. Poverty, etc.
- Fraud, Corruption Lack of Transparency & Good Governance
- Poor Management of transactions/documents
- Lack of effective auditability
- Procurement – Poor Value for Money
- And many more leading to poor delivery of Public Services

System Issues -without IFMS

- Fragmented PC Systems and Mainframe system
- Duplication of Data Capture
- Information Locked Away in Systems
- Lack of Real Flexible Reporting – Lack of analysis
- Limited Support to Operations
- Use of Runners to Collect Data Diskettes
- No One Overall System….
- Need for Truly INTEGRATED SYSTEM
- And many more……

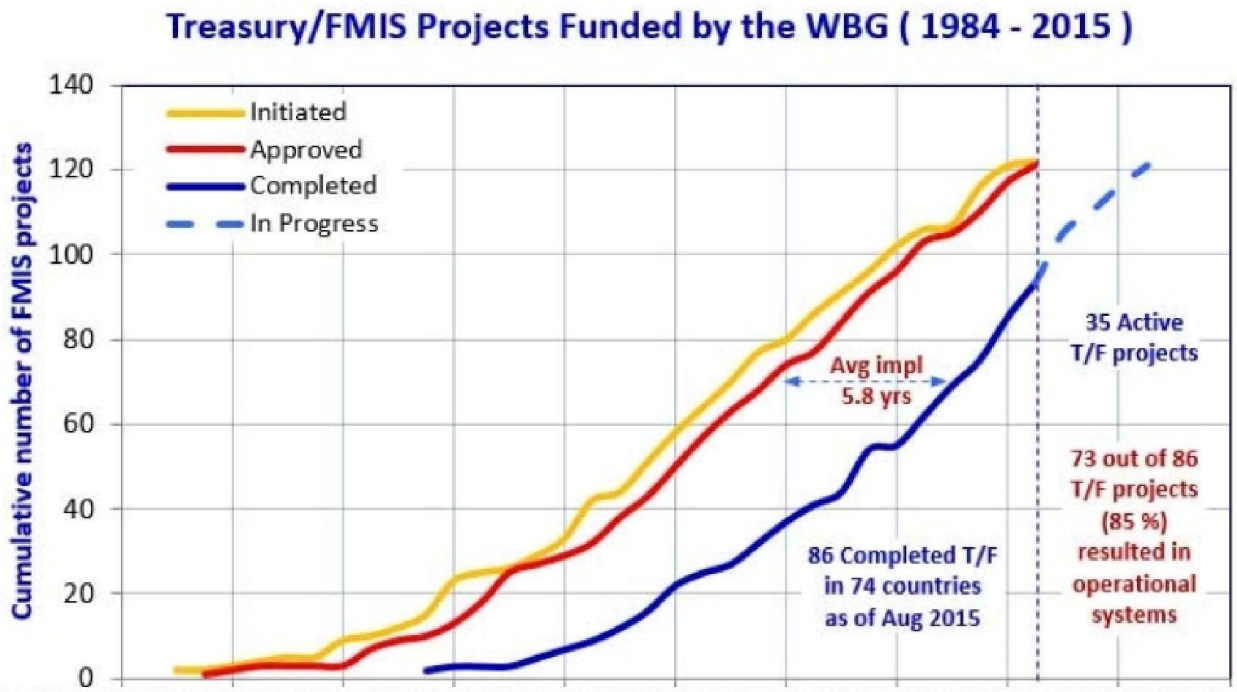
PFM Life Cycle



Adoption of IFMIS globally - WB

The FMISDataMapper provides quick access to 133 World Bank-funded FMIS projects in 74 countries in Google Maps (as of August 2015).

Status of IFMIS global-2015



Since 1984, the Bank has assisted 74 countries in the design and implementation of Treasury and FMIS solutions for country specific PFM reform needs. In particular, the Bank has financed 121 projects, including 86 complete and 35 active, totaling over 3.5 billion USD (as of August 2015).

IFMIS Biz Re-engineering..

- Re-engineering for Business Results:
  - Re-engineer business processes for improved financial management
  - **Plan to Budget (P2B):**
  - Provide a structured framework for development and deployment of a fully functional, automated planning and budgeting
  - **Procure to Pay:**
    - Create an end to end automated process starts at devmt of procurement plans, to actual procurement of goods and services, to payment of suppliers for goods or services delivered.
  - **Revenue to Cash:**
  - Provide functionalities for collection, recording and classification and reporting of Government revenue. It involves all activities related to revenue and cash management from generation, collection, recording of revenue and distribution of funds to the ministries.

..further

- **Record to Report:**
  - Encompasses all activities that include the updating and maintenance of the general ledger, the reconciliation of sub ledgers to the general ledger and closing of books. It also includes recording, control and reporting on fixed assets at both National and County level.
- **ICT to Support:**
  - Provide the technical support underpinning effective and efficient automation of all the IFMIS processes. Provides the infrastructure and support required for a fully functional financial management system.
- **Communicate to Change:**
  - Focuses on change management, capacity enhancement, information generation and dispersion, education and effective communication among IFMIS stakeholders

Re-engineering

IFMIS Re-engineering programme adopted a policy direction from “a modular to full cycle end to end framework”.

Moved away from silo based implementation of modules, to an end to end integrated framework in which users would be cognizant of their roles and responsibilities within the entire spectrum of public financial management.

The programme activated additional financial modules-Cash Management, Fixed Assets, and Accounts Receivable in ten pilot ministries.

The functions and operations of the existing financial modules were also stabilized. Approval processes in transaction processing and payments were automated in the system.

An IFMIS Academy was established to enhance capacity of IFMIS users both at the national and county governments.

Online and in Classroom training

A new Single Chart of Accounts (SCOA) was developed and mapped into the IFMIS.

Facilitated the consolidation of both budget and financial information, and incorporated elements that would support programme based budgeting, and facilitate analysis of budgets and expenditure by geography, programmes, projects and donor facilities

Successes – IFMIS implementation

- Strong Audit Trails (for all financial Transactions)

- Visibility of all Transactions…leading to TRANSPARENCY
- Secure, Robust and Reliable Systems
- Best Practice
- Full Expenditure Control at Commitment Level
- Improved Revenue Analyses…Targets, Trends, Improved
- Revenue Management
- Management, Analysis and Control of Pending Bills

Treasury Management, Issuing and Redemption of T' Bills

...More successes

- Support to Procurement Reforms and Effective Procurement
- Support to MTEF – Costing Activities
- Fully Integrated System – More Efficient and Effective High levels of automation - Bank Recs, Expenditure Returns
- Linkages and Information Sharing with Other Systems Flexible Information, Analysis & Reporting – Financial and Process
- TRANSPARENCY, ACCOUNTABILITY, COMPLIANCE GOOD GOVERNANCE

...More success

- Value For Money, Effective Procurement….More Resources Available More effective utilisation of funds
- Spending Aligned to Priorities & Policies Eliminate Un-authorised/Over spending Reduction of Pending Bills
- Effective Flow of Funds.. Districts Improved Delivery of Public Services Reduced Poverty
- Lives Saved

Challenges

- Integration- readiness on the side of the other parties eg KRA, CBK
- Connectivity especially in the Counties- provided various ways to connect to the system
- Book-keeping discrepancies
- Institutional resistance , lack of commitment, suspicion etc Capacity issues (Implementation & Support, IFMIS academy) Human resources
- Technology platforms – Poor data quality from backend systems Constant upgrades required to keep pace with technology
- Maintenance costs
- Centralized corruption
- Cyber security – NYS?
- Disaster recovery

Lessons Learnt

- Institutional factors are far more important than the technical choice in determining the outcome of automation;
- IT should not be the driver of financial reform
- There is no a priori technical reason to favor either an off - the - shelf (OTS) or a custom solution
- Effective project selection and management is a major factor in success of automation;
- Financial and social cost benefit analysis should be undertaken in reviewing a policy of introducing and/or continuing with a custom system or upgrading to an OTS solution.

Way Forward

"Practice the philosophy of continuous improvement. Get a little bit better every single day. "
–Author unknown

Way forward?

Questions?