



IPSAS WORKSHOP

The benefits, Challenges and way forward of IFMIS in Kenya

MERICA HOTEL – NAKURU

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Outline of Presentation



- Introduction
- 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 Defined



- **What is IFMIS?**

- Integrated Financial Management Information System.
- It is an automated system that is used for public financial management.

- **IFMIS in Kenya**

- The Integrated Financial Management and Information System (IFMIS) system was first launched in 2003 in Kenya.
- This however introduced only limited modules, with other financial management processes

IFMIS Re-engineering



- The first Phase of IFMIS Re-engineering: IFMIS Re-engineering Strategic Plan of (2011-2013)
- The second Phase of IFMIS Re-engineering: IFMIS Re-Engineering Plan of (2013 – 2018)

IFMIS Re-engineered Components



- **Re-engineering for Business Results:** This component reviews the business processes for improved financial Management for Plan to Budget, Procure to Pay, Revenue to Cash and Record to Report
- **Plan to Budget:** A fully integrated process and system that links planning, policy objectives and budget allocation.
- **Procure to Pay:** To develop a fully integrated and automated supply chain management system.

IFMIS Re-engineered Components



- **Revenue to Cash:** Auto-reconciliation of revenue and payments with automatic file generation.
- **Record to Report:** Secure two way interface with CBK for accurate, up to date information on the GOK financial position and the production of statutory reports real time.
- **ICT to Support:** Dedicated IFMIS support functions for software, hardware and infrastructure.
- **Communicate to Change:** IFMIS Academy for capacity building and continuous learning.

IFMIS



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

IFMIS Modules

1. Accounts Payable
2. Accounts Receivable
3. Purchasing Order
4. Fixed Assets
5. General Ledger
6. Cash Management
7. e-Procurement

- 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
- 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

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.....

Benefits – IFMIS implementation



- Enables efficient resource allocation mechanisms;
- Improves management information for decision making;
- Establishes effective links between key players in accounting and financial management;
- Improves financial controls by availing reliable and timely financial information,
- Improves accounting, recording and reporting through timely, accurate financial data provision;
- Accelerates the pace / scope of economic growth;
- Enhances development partners' confidence.

...More benefits



- Enable government reform
- Improve efficiency and controls
- Improve confidence through transparency
- Increase government revenue
- Reduce costs
- Improve budgets, planning and decision making

...More benefits



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

IFMIS Challenges



1. Institutional Challenges

- **Legal framework** – IFMIS must be underpinned by a coherent legal framework governing the overall public finance system.
- **Business processes** – IFMIS generally imply fundamental changes in operating procedures and should be preceded by a detailed functional analysis of processes, procedures, user profiles and requirement that the system will support.
- **Budget and account structure** – Implementing IFMIS requires that many government structures start working with common tools. For the information to be coherent, all administrative units at national, regional and local level need to adopt a common language in the form of unified budget classifications and charts of accounts.
- **Centralized treasury operations** – IFMIS reform is often accompanied by the consolidation of all government financial resources in a single treasury account or a set of linked accounts.

IFMIS Challenges



2. Political Challenges

- People – User Resistance
- Organization with its own unique features
 - Politics
 - Culture
 - Organization Structures
 - Standard Operating Procedures (SOP)

3. Technical Challenges

IFMIS Kenya Challenges



National and County Government

1. People Challenges – User resistance, Skills e.t.c

2. Technology Challenges

- Hardware and software
- Lack of full connectivity
- No connectivity in most of sub-counties in County Government
- Most of the counties cannot handle Revenue Collection using IFMIS
- Hardware and Software

3. Security Challenges: IT Security, Cyber attacks

IFMIS Challenges



- Inadequate planning;
- Poor communication between implementers, donors and government;
- Shortage of management capacity and resources;
- Changes in system design without full agreement of all;
- Poorly implemented trainings.

Integration of IFMIS with other systems



- **Kenya Revenue Authority (KRA)** – Account Receivable – Working with KRA and CBK to operationalize this interface.
- **Commonwealth Secretariat Debt and Resource Management System (CS-DRMS)** – Debt Management System with IFMIS Account Payable and General Ledger – Process of Loan repayment – Dependent on CBK
- **Electronic Project Management Information System (E-PROMIS)** – Work in progress

Integration of IFMIS with other systems



- **Pension Management Information System (PMIS)**
– Work in progress
- **Government Human Resources Information System (GHRIS)** – Work in progress
- **Group Personal Accident (GPA)** with IFMIS Accounts Payable.
- **Note: Now implementing Service Oriented Architecture (SOA)** to manage these integrations

Proposed Ideal Situation



- Have IFMIS for National Government (as it was initially planned to be)
- Design IFMIS for County Governments (County Government have their unique features)
- Integrate the two for monitoring purposes.
- In so doing you ease management and avoid single point of failure

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?



*Thank
you*



Questions?