

# **PFM OVERVIEW IN COUNTIES**

**PRESENTATION BY**

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**COUNTY EXECUTIVE COMMITTEE MEMBER FINANCE AND  
SOCIO-ECONOMIC PLANNING AND FORMER CECM FINANCE  
AND ECONOMIC DEVELOPMENT IN**

**MAKUENI AND NYANDARUA COUNTIES RESPECTIVELY**

# Outline

**1**

**Introduction**

**2**

**Outlook/Process in Counties**

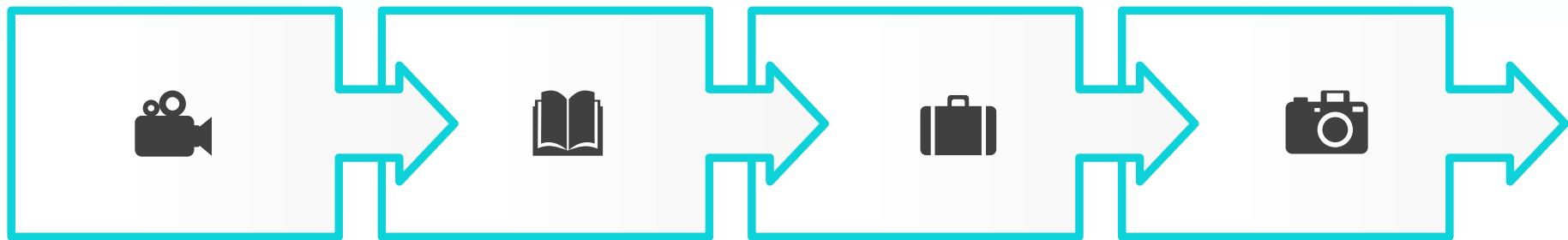
**3**

**Key Reforms**

**4**

**Conclusion and Areas of Improvements**

# PFM Overview in Counties



01

## Planning and Budgeting

- Aligning policy, plans and budgets
- Participatory planning and budgeting

03

## Payment and Accounting

- Payment through IFMIS
- Decentralized accounting process

02

## Implementation Process

- Procurement process (procurement plans)
- Participation of communities through PMCs

04

## Controls and Reporting

- Internal audit process
- Quarterly and annual reporting (plan implementation, budget expenditure, financial statements and audits)

# Summary Key PFM Pillars in Makueni



## **Supportive Leadership**

The county leadership is committed to sound PFM principles



## **Openness and Transparency**

Adoption of open government, open contracting, open data



## **Evidence Informed Decisions**

Strengthening data systems eg CSA, M&E



## **Public Participation**

Comprehensive public participation process



## **Decentralization**

Key PFM roles performed by the line departments and at the Sub County level



## **Automation**

Adoption of technology in revenue, procurement, payment, audit processes



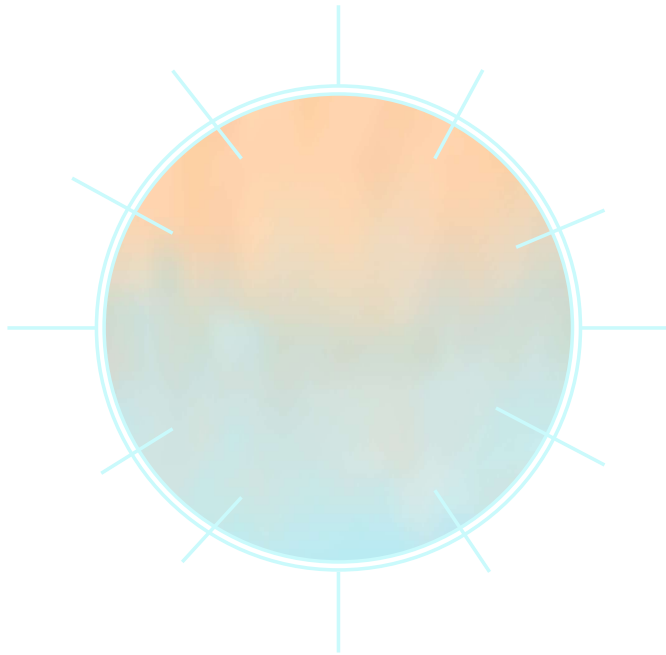
## **Internal Controls**

Internal Audit Unit, Audit committee and internal checklists, Payment Processes and Procedure Manual



## **Learning together**

Continuous learning and improvement



# Planning and Budgeting

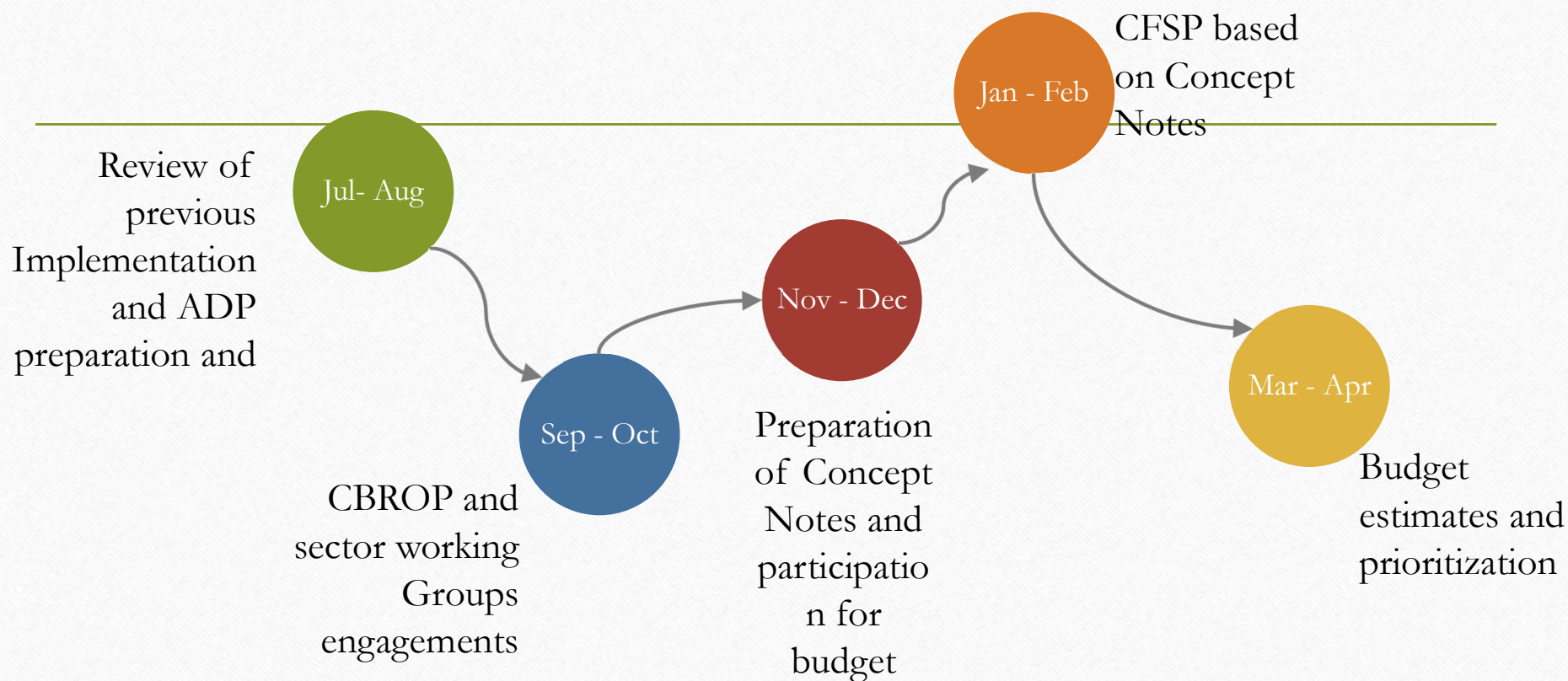
# Overview

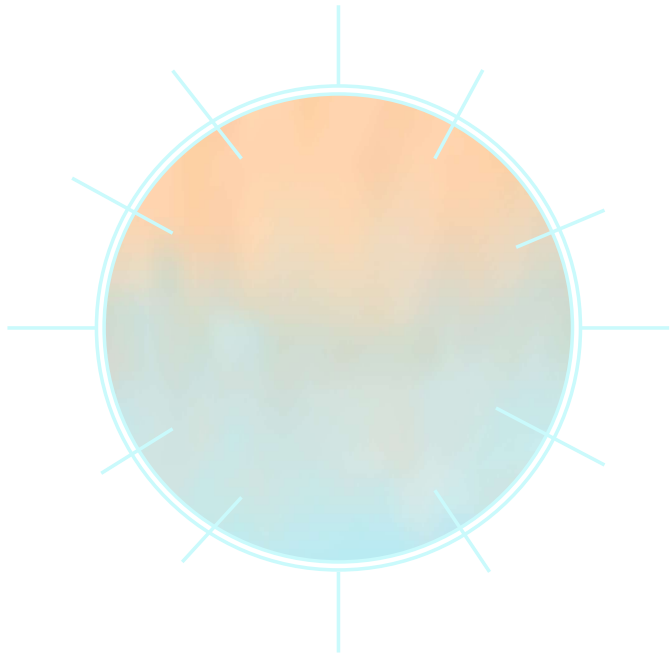
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1. All stakeholders are actively **involved through out the annual development cycle** (Sectoral engagement – interface with Sector Working Groups and Community Public Participation forums)
2. Advocated and supported **strengthened linkage between policies, plans and budgets**
3. Adoption of **whole of government approach** through multisectoral approach – a draft policy paper under consideration



# Annual Planning - Budgeting Cycle





# Financial Accounting



# Financial Accounting



## Sample PMC Report Approving Payment of a Project

KUMONI CBTI COMMITTEE MEETING  
AS ON 20-3-2017.

MEMBERS PRESENT.

1 DOMINIC M. MBATHA	<del>ADGallo</del>
2 KYENGO MUSTOKI	<del>KYENGO</del>
3 BENSON MUSAU MUTAABO	<del>MUTAABO</del>
4 KILUNGYA MUTISO	<del>MUTISO</del>
5 ROSE NZYOKI	<del>ROSE</del>
6 CATHERINE GEDDEON	<del>GEDDEON</del>
7 CATHERINE KASANGA	<del>KASANGA</del>
8 FAITH KIOKO	<del>KIOKO</del>
9 MIRIAM MUTUKU V-Admin	<del>MUTUKU</del>
10 BENEDICT NDUNDA W.C.D. & CEO	<del>NDUNDA</del>

AGENDA ONE:

1. Joint inspection of the project and clearing the contractor.

Minute I-20-3-2017.

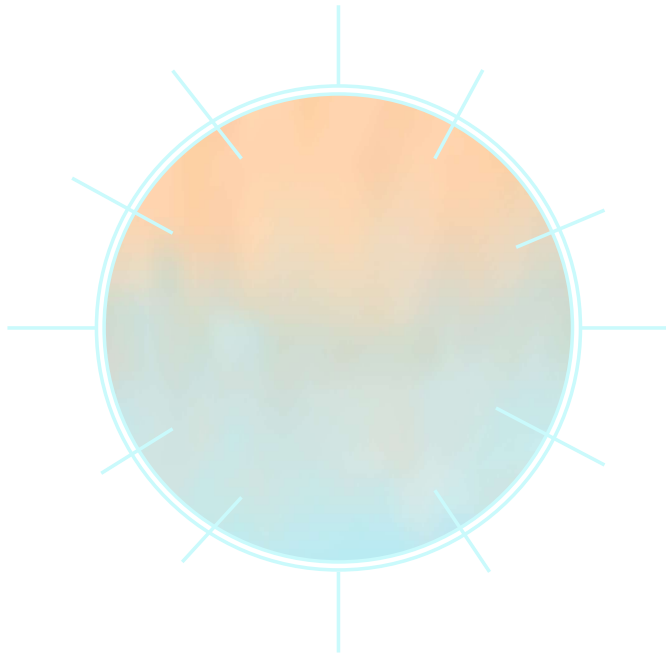
After jointly inspecting the project with the signee, administration and the project committee we leave no objection to clear the contractor to be paid since his work is complete.

Yours faithfully,  
Prisca Nyamoni  
D.H.T.

Dominic Mbatha - Chairperson

KUMONI PRE-SCHOOL  
P.O. BOX 78-90302  
KATUNZWE  
20/3/2017

~~ADGallo~~



# **Procurement and implementation**

# Public Procurement



Adoption of e-procurement



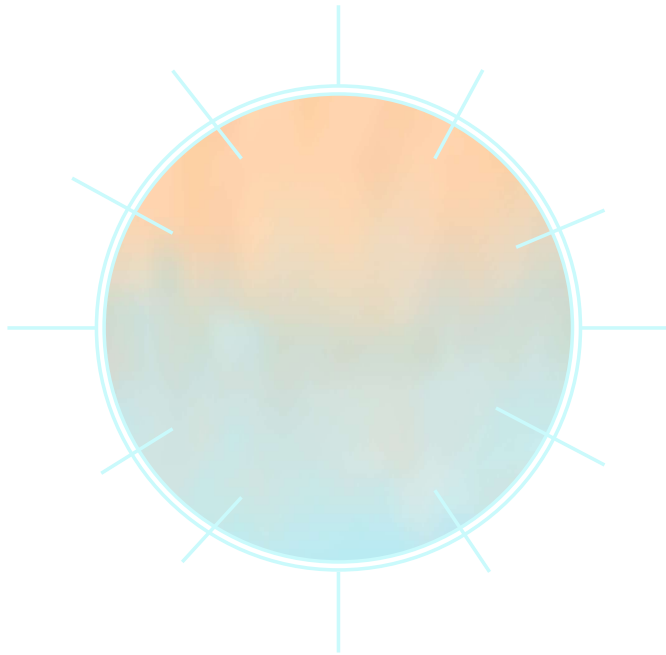
Adoption of open contracting



Decentralized procurement process – departmental level



Promotion of AGPO



# **Own Source Revenue**

# Own Source Revenue for Sustainability – Makueni Case

## Sources of Revenue

The County has two major sources of revenue – National Transfers and County Own Source Revenues

## Performance of OSR

The proportion of the county budget funded by OSR is at 4.5%

## Key Reforms

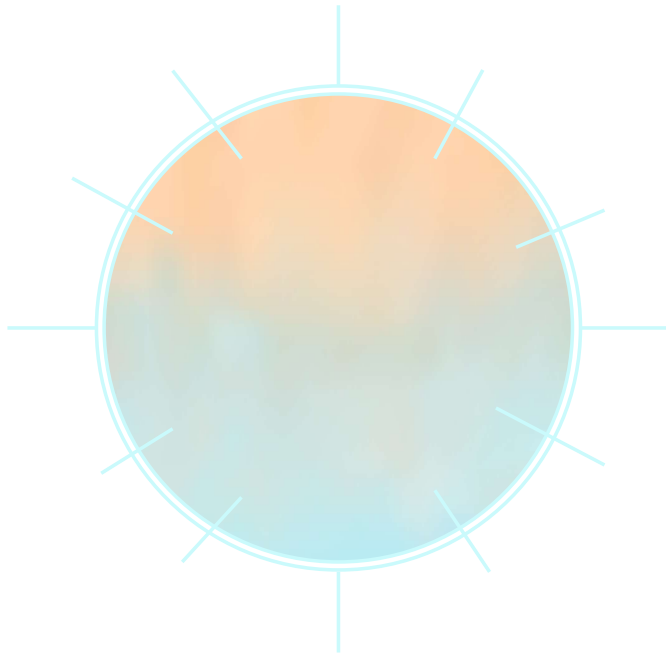
- Revenue automation
- Decentralized revenue administration
- Key policies and legislation
- Enhanced enforcement

## The future

- Every county expenditure treated as an investment that should yield return Eg Use of **Cabinet paper**
- Capital investment should be reflected in increased business growth and economic growth thus broadening the tax base







# **Audit and Internal Controls**

# Auditing

## Internal Audit/Controls

1. The Counties should have an internal audit directorate
2. The Counties should have Audit Committees in place

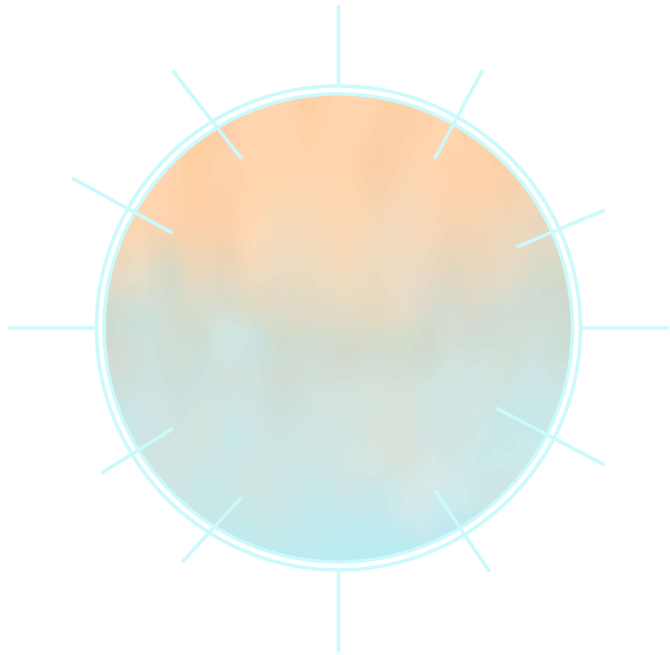
## Post Examination Unit

1. Confirm completeness of documents after payment
2. Confirm tax remittances
3. Ensuring completeness and proper filling system in registry



## External Audit

1. For effective management of the external audits, counties should Form **secretariats** to support the external audit process - coordinating provision of the required documents and information.
2. The team also coordinates the preparation of the responses to the audit queries.
3. **Involvement of the key county management** in the audit process i.e. the county executives should be fully involved in the audit process.
4. Governor, Deputy Governor, CS, CECMs and Cos should attend External entry and exit meetings



# **Key PFM Reforms**

# Public Expenditure and Financial Accountability Assessment (PEFA)

1. Makueni county volunteered for PEFA assessment among seven (7) other counties in 2016
2. The process highlighted strengths and weaknesses of the PFM system and process. This led to PFM reform process.
3. Makueni, Nyandarua and Kericho County Assembly were the first three government entities in Kenya to have a clean audit report (unqualified report)
4. Improved reliability of budget, revenue administration and forecasting.
5. Improved fiscal discipline and strategic allocation of resources for efficient service delivery
6. Improved linkage between policy, planning and budgeting process

# Credit Worthiness Rating for Makueni County

1. The transfers from the national government have been reducing and there was a need to diversify to other means of resource mobilization for development
2. The county volunteered for Credit Worthiness assessment among three (3) other counties (Kisumu, Bungoma and Makueni) in 2018.
3. The county scored B same as Country's B rating, (short term) and AAA (Long term) this indicates we are credit worth and can access credit for development through various instruments as County



# International Standards

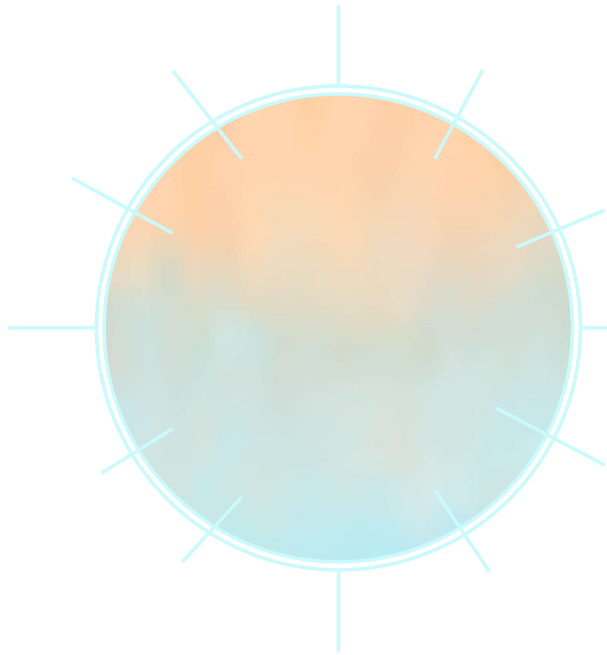
## TADAT Assessment

1. Makueni county is among three counties (Kilifi, Kisumu and Makueni) currently undergoing TADAT assessment by IMF.
2. The outcome of the process is improved tax/revenue administration systems

## SDGs Localization

1. The county is committed to accelerating the achievement of SDGs.
2. An institutional framework and mechanism has been established to fasttrack the achievement of SDGs in the county by 2030





# Public Participation

# Public Participation Overview

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1. Public participation in Makueni is entrenched through the County Public Participation framework with the **CBEF as the apex body in the process**
2. Through the process, CBEF ensures that needs and priorities by the various constituents are considered in county plans and budgets.
3. Paradigm shift from identification of projects to needs identification and formulating strategies to meet the community needs.



# Innovation in participatory development in Makueni

Theme: Community driven development for socio-economic prosperity

## Equity in Development

1. Equity within Wards (Every Village Cluster to have a project)
2. Equitable distribution of Flagships (HQ projects)

## Local Community Led Development

1. Operationalize Village Cluster Action Plans
2. Promote local community led development

## Community Volunteerism in Development (Mwethya wa Maendeeoyo)

1. Agriculture extension
2. Community Health Workers
3. Community water volunteers
4. Community road volunteers

# Equity in Development – Makueni County

1. Economic growth is not enough, there is no meaningful development without equity and social inclusion.
2. The county adopted a development framework aligned to the national framework to share resources to counties
3. The county allocated Kshs 18.5 Million to each Ward for direct participation by the citizens; this was reviewed to Kshs 33 Million per ward in FY 2016/17.

Item/FY	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
Total Budget (Executive)	4,138.79	6,455.29	8,745.70	9,948.45	8,978.49	9,804.27	9,923.01	8,711.02
Dev Budget	1,836.15	1,912.36	2,885.46	2,621.12	2,689.84	3,306.33	3,300.53	2,945.88
Ward Budget	557	557	558	630	990	990	990	990
Ward Budget as % of total	30%	29%	19%	24%	37%	30%	30%	34%

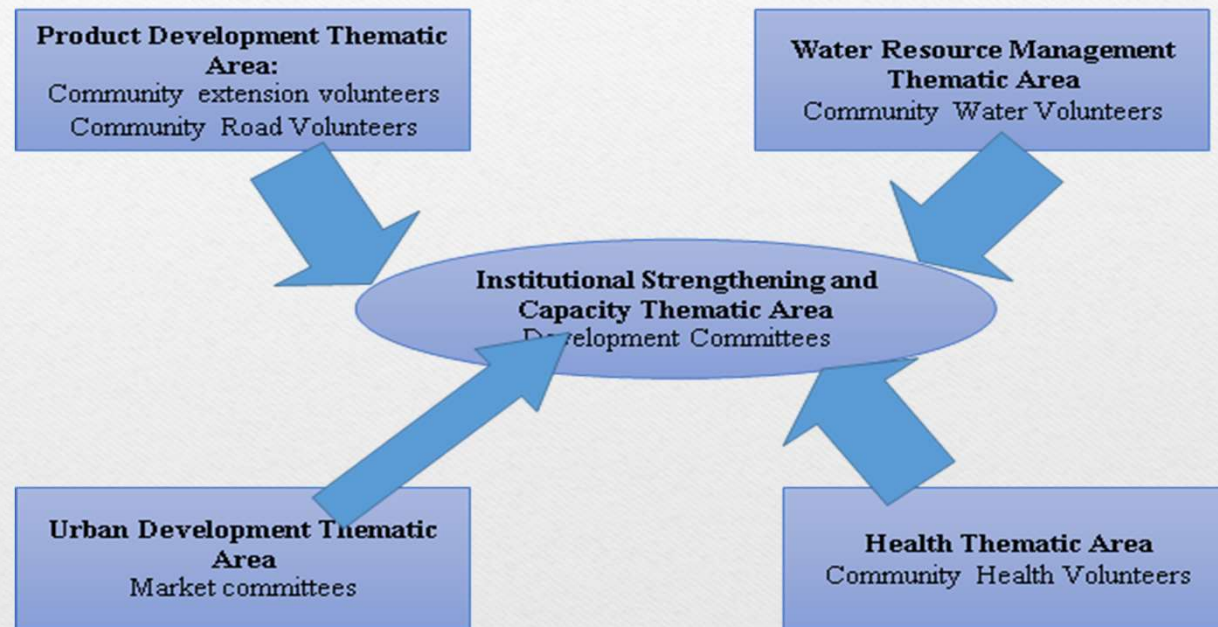


# Community Led Development – Inclusive Development

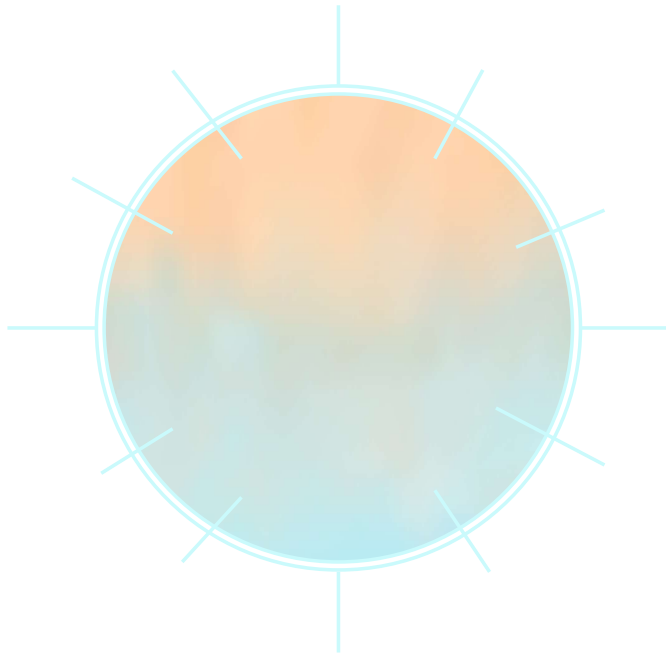
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1. The shift is [premised on the Public Procurement Regulations 2020](#), which provide for community participation in procurement process
2. The development projects will be managed by the community members
3. Resources to be accessed through project proposals prepared by the Village Cluster aligned to the Village Cluster Action Plan and the five County Thematic Areas.
4. The Financing to address inequality (focus on the Village Clusters which have never been funded since FY 2013/14)
5. Resources allocated through a resource sharing formula/criterion based on socio-economic parameters i.e. population, poverty levels, access to basic services such as clean water, electricity, education and roads.

## Community Participation in Development (*Mwethya wa Maendeeyo*)







# **Areas of Improvement**

# Areas of Improvement



## **ERM**

Strengthening  
Enterprise Risk  
Management  
Process



## **Integrated Automation**

Fully automating  
county processes  
and integrating them  
(project  
management, data  
systems etc.)



## **Fully operationalizing decentralized treasuries**

Fully make operation  
Sub County Treasury  
Services (revenue,  
procurement,  
payments and  
reporting)



## **Maximizing OSR Potential**

Improving OSR  
performance and full  
potential. Target by 2025  
OSR to fund at least 10% of  
the county annual budget

# General Challenges

- Accounting for different forms of Assets eg Murram Roads;
- Inherited assets not formally transferred and their valuation yet to happen;
- Limitation of cash basis of accounting eg managing debtors and pending bills;
- Staff capacity in IFMIS also not qualified accountants to do the Job;
- Late disbursements Vis-à-vis accounting for Cash in Hand;
- Poor valuation of investments leading to incomplete projects;
- Low uptake of E-procurement;

# Proposed Solutions

- **Accounting for different forms of Assets eg Murram Roads**

The Assets Classification Policies should be prepared in conjunction with the relevant State Agencies and the Council of Governors;

- **Inherited assets not formally transferred and their valuation yet to happen**

Fast track the transfer and valuation processes so that the Assets can be properly valued and the Financial Statements to reflect the true position of Assets held at the Counties;

## Proposed Solutions Contd.

- **Limitation of cash basis of accounting eg managing debtors and pending bills**

The Pending bills are recognized as a disclosure in the financial reports and which hinders proper accounting of the liabilities that an entity holds. The cash basis recognizes Imprests due but not surrendered as the only obligations owed to the entity which is erroneous. These need to be changed so that the true Counties financial positions are well documented and accounted for.

- **Staff capacity in IFMIS also not qualified accountants to do the Job**

This is a key challenge for most of the Counties. It is imperative that the appropriately technical staff are recruited for Devolution to achieve the desired objective. We propose that this is handled in consultation with the National Government, SRC and COG so an amicable solution is arrived at.

## Proposed Solutions Contd

- **Late disbursements Vis-à-vis accounting for Cash in Hand**

Timely disbursements should be done and what is received in July should be forward as unspent balances. The same should not be used to calculation the absorption levels. The National Treasury and the Controller of Budget should agree on this asap.

- **Poor valuation of investments leading to incomplete projects**

The proper planning cycle should be adopted. The technical departments to carry out their mandates in a timely manner e.g. the Public Works Directorates should prepare the Bills of Quantities (BQs) and the Building Plans well before the finalization of the Itemized Budgets.



## Proposed Solutions Contd.

- Low uptake of E-procurement

E-procurement is a very effective mode of procurement. To safeguard Public Funds, no manual procurement should be used unless in very special and urgent circumstances. Training of the procurement staff is crucial for improving the uptake.

# Conclusion

- The County Treasuries are the blood of the Counties. Professionalism, effectiveness and efficiency are crucial for the success of the Counties.
- The Leaders in the County Treasuries must be Role Models. Integrity is the Corner Stone for Devolutions success.
- Let us appreciate the crucial role the County Treasuries play in the success of the respective Counties performance. We must follow the laws but at the same time, reduce the impending bureaucracies.



**Thank you**