The KENYA INSTITUTE for PUBLIC POLICY RESEARCH and ANALYSIS

An Assessment of the Public Expenditure and Financial Accountability – Baringo County

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EXECUTIVE SUMMARY

Background

The purpose of this assessment is to provide greater insights into the practices of public finance management systems, specifically how the processes and the institutions are organized and to what extent they provide an entry point for PFM reform efforts in Baringo County. This PEFA assessment will become a benchmark for the upgrade of the PFM system in Kenya's counties which are still in early stage of development.

The assessment period covered is financial years 2013/14, 2014/15 and 2015/16 depending on the indicator and dimension of assessment. The field work assessment took place in April 2017.

Main Outputs of the Assessment

Fiscal discipline

Overall revenue and expenditure performance were on average in line with budgeted amounts given the equitable shares allocated as national transfers. They account for nearly 95 per cent of the County revenue and they are a factor of stability in financial performance. Conditional grants are consistently over-budgted, whereas the own source revenue forecasts were realistic in the last two fiscal years except at the inception (the first year after the Devolution) when they were over projected. Generally, deviations in all budget categories were more pronounced in 2013/14 which was the first year of County operation and was affected by unrealistic projections. Slow procurement process and shortage of technical staff to supervise projects were also a cause for deviations. Particular measures have been taken by the County to improve collection and increase the own source revenue streams.

The budget is prepared in accordance with National Treasury guidelines which require budget proposals to be presented using administrative, economic and the programme based approach. However, no information about revenue outside financial reports is produced. The County Treasury uses IFMIS to facilitate transaction processes and reporting. IFMIS users have passwords and the system maintains a log of users together with their functions. Any changes to reports must be approved by departmental heads to enhance financial data integrity. Budget documents such as the CFSP, CBROPs, annual development plans (ADPs) and budgets are prepared in a timely manner. Quarterly budget reports are also availed for the public, but not in good time and they do not cover all public resources and expenditure. In addition, in-year reports do not present budget execution along with all the data with which they should be compared, which hampers the efficient follow-up of services delivery.

Financial reports for budgetary units are prepared annually and budget implementation reports are prepared each quarter. Coverage and classification of data allows direct comparison to the original budget for the main administrative headings. They include information on revenue, expenditures, and cash balances.

The County of Baringo is yet to develop systems to monitor the newly established public corporations, as well as to develop procedures and selection criteria for public investment. Currently, there are no standard procedures and rules for project selection, implementation and monitoring, Contingent liabilities (related to car loan and mortgage scheme) are well managed and most of them are presented in financial reports, but the debt inherited from the defunct authority is not recognised and disclosed.

The County has not developed standard operating procedures for disposal of assets because the counties were prohibited from disposing public assets until full transition is effected. Debt management capacity of the County Government is weak because of lack of a debt management unit and strategy.

The County of Baringo operated a well-managed automated payroll control system i.e. the integrated payroll and personnel data (IPPD) which integrates personnel database and payroll. Changes to the personnel records and payroll are updated at least monthly, in time for the following month's payments. Staff hiring and promotion is controlled by a list of approved staff positions and usually subject to payroll audit carried out only once during the period of assessment. Only the County Public Service Board and the County Assembly Service Board are allowed to change personnel records and payroll for County Executive and County Assembly through written approval of the County Secretary and the Clerk respectively.

The procurement at the County of Baringo does not achieve value for money service. The information on the procurement plans and the contracts awarded are not made public services. Reportedly, 80% of procurement is done according to competitive methods, but no evidence corroborated this fact. A major area of weakness in procurement is that procurement plans, contract awards, data on resolution of procurement complaints and annual procurement statistics are not made available to the public. Independent procurement complaints body exists at the National level and it is the one that can resolve procurement cases.

Strategic resource allocation

Budget preparation process is based on a comprehensive and clear budget circular. Ceilings are established during the CFSP preparation but are fixed only after the budget calendar has been issued. Some departments prepare medium-term strategic plans but the budget documents do not present any evidence showing that proposals in the annual budget estimates are aligned with the strategic plans of these departments.

The County Treasury does not prepare its own macroeconomic forecasts but adopts the macroeconomic indicators from the National Government. The County Government prepares forecasts of revenue and expenditure for the budget year and the two following fiscal years, but does not present the underlying assumptions for the forecasts.

Further, no fiscal impact analysis is performed in the County Fiscal Strategy Paper (CFSP). The County Budget Review Outlook Paper (CBROP) briefly explains the reasons for deviation from the objectives and targets set but does not provide an explanation of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget, even at the aggregate level.

There are no procedures to assess the economic impact and viability of projects with regards to public investment. Neither cost-benefit analysis is performed nor is monitoring mechanism for public investment projects in place. Public asset management is not fully established. While records of financial assets are published annually in financial statements, records of non-financial assets are not comprehensive.

Efficient service delivery

The Revenue Unit of Baringo County does not provide taxpayers with clear access to information on the main revenue obligation areas, rights, redress processes and procedures. Also, the County does not have a risk-based approach in the revenue department in order to maximise public revenue collection. In addition, no independent body has been put in place in order to carry out revenue audits and fraud investigations.

Budget execution is well managed and followed with the support of the computerized system integrated financial management information system (IFMIS). Responsibilities are clearly laid down for most key steps and IFMIS is used in all departments for budget execution. However, it was difficult to confirm whether there is compliance with payment rules and procedures due to scarcity of data.

Internal audit applies international professional practice framework (IPPF) as stipulated in the PFM Act, 2012 with a risk analysis approach and covers all the departments in the County Executive. Three levels of reviews are applied before reports are released. It was not possible to verify to what extent the audit plans have been implemented. Responses to internal audit reports are usually provided within one month after the report being issued but again this has not been evidenced by internal audit function at the County.

Hearings on external audit findings are supposed to be conducted in public but no evidence was provided. Committee reports are provided to the full chamber of the County Assembly. They are not published on an official website but are easily accessible to the public. The scrutiny is supposed to be completed over a period of six months but no evidence was provided by the County Assembly.

The County Assembly's reviews budget documents covering fiscal policies, medium-term fiscal forecasts, and medium-term priorities as well as details of expenditure and revenue but cannot follow and issue recommendation on the efficiency of services delivery.

The assessment identified the following as on-going key reforms that are aimed at enhancing governance, administration and decision making for better service delivery at the County level: (i) policy on monitoring and evaluation to enhance project supervision and reporting; (ii) development a framework on citizen participation for prioritization of development projects in all Sub-counties and even ward levels.; (iii) policy on disposal of assets; (iv) framework to roll out education to all residents of Baringo County on their rights and obligations as tax payers; (v) development of a framework on how the public corporations will be monitored and prepare their annual financial reports. There are two major reforms which are relevant to all counties in Kenya and they are related to the integration of IPPD with IFMIS module at national level; and the design of a framework for all county governments to move to accrual-basis IPSAS.

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

PFM Performance Indicator		Scoring Method	Dimension Ratings				Overall rating
			i	ii	iii	iv	
Subnational PEFA indicator HLG-1: Transfers from a higher level of government		M1	D	D	D*		D
Pillar I. Budget reliability							
PI-1	Aggregate expenditure outturn	M1	D				D
PI-2	Expenditure composition outturn	M1	C	D	A		D+
PI-3	Revenue outturn	M1	C	D			D+
Pillar 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
PI-8	Performance information for service delivery	M2	D	A	D*	D	D+
PI-9	Public access to fiscal information	M1	D				D
Pillar 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	D	D	D
PI-12	Public asset management	M2	C	D	D		D+
PI-13	Debt management	M2	D	N/a	D		D
Pillar IV. Policy-based fiscal strategy and budgeting							
PI-14	Macroeconomic and fiscal forecasting	M2	C	C	D		D+
PI-15	Fiscal strategy	M2	D	A	C		C+
PI-16	Medium-term Perspective in expenditure Budgeting	M2	C	D	D	D	D+
PI-17	Budget preparation process	M2	D*	D	C		D+
PI-18	Legislative scrutiny of budgets	M2	A	C	D	C	D+
Pillar V. Predictability and control in budget execution							
PI-19	Revenue administration	M2	D	D	D	D	D
PI-20	Accounting for revenue	M1	A	A	D		D+
PI-21	Predictability of in-year resource allocation	M2	C	C	A	B	B
PI-22	Expenditure arrears	M1	B	C			C+
PI-23	Payroll controls	M1	B	A	A	B	B+
PI-24	Procurement management	M2	B	D*	D*	A	C+
PI-25	Internal controls on non-salary expenditure	M2	A	A	D*		B
PI-26	Internal audit	M1	D*	C	D*	D	D

Pillar VI. Accounting and reporting							
PI-27	Financial data integrity	M2	B	N/A	C	B	B
PI-28	In-year budget reports	M1	C	D*	C		D
PI-29	Annual financial reports	M1	C	C	D		D+
Pillar VII. External scrutiny and audit							
PI-30	External audit	M1	B	D	D	A	D+
PI-31	Legislative scrutiny of audit reports	M1	D*	D*	D*	D*	D

ABBREVIATIONS AND ACRONYMS

CRA	Commission on Revenue Allocation
CoG	Council of Governors
CBIRR	County Governments Budget Implementation Report
CIDPs	County Integrated Development Plans
CBROP	County Budget and Review Outlook Paper
CFSP	County Fiscal Strategy Paper
IFMIS	Integrated Financial Management Information System
IPPD	Integrated Payroll Personnel Data
ITRC	Intergovernmental Technical Relations Committee
IDA	International Development Association
IDRC	International Development Research Centre
IPSAS	International Public-Sector Accounting Standards
KADP	Kenya Accountable Devolution Program
KDSP	Kenya Devolution Support Programme
KSG	Kenya School of Government
MTEF	Medium Term Expenditure Framework
MCAs	Members of the County Assembly
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
OAG	Office of the Auditor General
OCoB	Office of the Controller of Budget
PBB	Programme Based Budgets ,
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMR	Public Financial Management Reforms
PSASB	Public Sector Accounting Standards Board
SIDA	Swedish International Development Assistance

SRC	Salaries and Remuneration Commission
SCOA	Standard Chart of Accounts
SOP	Standard Operating Procedure
TSA	Treasury Single Account

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1. INTRODUCTION

The Sub-National PEFA assessment seeks to ascertain the performance of the 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 carried out in 2017 and report due for completion in 2018. However, this is the first sub-national 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 almost being done concurrently and this is important because both levels of government share the same PFM system implying that evidence-based reform age and can be implemented simultaneously after areas that require improvements are identified. The sub-national assessments, which covered six out of forty-seven counties, have been jointly financed by the World Bank and IDRC through KIPPRA.

1.1 Rationale and Purpose

The main rationale of this assessment is to give a better understanding of how the public finance management systems work, how the processes and the institutions are organised and to what extent they provide an entry point for PFM reform efforts in Baringo County. This assessment will then be used to leverage on existing capacity building efforts, that is, PFMR Strategy, National Capacity Building Framework, World Bank Kenya Accountable Devolution Program (KADP) and the 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 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 PFM reforms 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 which are still in early stage of development. Currently, the fiscal discipline and the efficient allocation of resources according to the priorities of the County of Baringo are viewed as the important prerequisites to deployment of 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 are contained in Section 201 (a) of the Constitution of Kenya 2010. Therefore, the Devolution is a cornerstone not only in the recent government development of Kenya but also a turning point for deployment of sub-national PFM assessment across all counties. This PEFA assessment will provide a baseline of current state of PFM within the County of Baringo and for the entire financial management system and indicate areas that require improvements. National and County PEFA assessments are almost being done concurrently. This is important because both levels of government share similar PFM system implying that evidence-based reform agenda can be implemented simultaneously in areas for which improvements are identified.

1.2 Objectives of the PEFA Assessment

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

a) Assess the state of financial management capacities in the County Government;

b) Identify gaps in terms of capacity, systems, policies and processes in PFM;

c) Provide basis for defining entry points for PFM reform engagements in the Counties of Kenya that will be used to leverage on existing capacity building efforts; and

d) Facilitate and develop a self-assessment capacity at the County level and build capacities of key staff to carry out assessments in the future.

1.3 Assessment Methodology

Coverage of the assessment

This sub-national PEFA assessment covers the County of Baringo and is part of the assessment covering one-eighth of the counties in Kenya which totals to six counties. The main criterion used to select the six counties was voluntary expression of interest in being assessed. Baringo, Kajiado, Makueni, West Pokot, Nakuru and Kakamega expressed their interest in undergoing a PEFA assessment and a commitment to design and implement a reform agenda based on the assessment. An important point to note regarding these selected counties is that the assessment will cover each county and will not provide a comparison between them. Further, the counties that have been selected do not represent a group of counties from which each group will be compared against the other. This PEFA assessment has been financed by the World Bank. The assessment covers the budgetary institutions of the respective County Governments. There is no lower-tier sub-national government.

Time of the assessment

Time period covered in the assessment was three financial years after the introduction of devolved system of government in Kenya. That is, 2013/14, 2014/15 and 2015/16 depending on the indicators and dimensions of the assessment. The field work assessment took place in April 2017 this is the time of assessment for those dimensions that state time period as 'at the time of the assessment'.

The assessment applied the PEFA 2016 methodology and specifically the supplementary version meant for sub-national entities. Sub-national PEFA uses the same indicators as the national one but with some modifications. The main modification is the introduction of "HLG" indicators for assessing transfers and earmarked grants to the Counties by the National Government.

Sources of information:

The main documents that have been used in the assessment are (i) the Constitution; (ii) the Public Finance Management Reforms (PFMR) Strategy 2013-2018 (2016); and (iii) the Public Finance Management (PFM) Act, 2012. The exhaustive list of all documents and materials used and referred to in this PEFA assessment are contained in Annex 3.

2. 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 GDP growth, inflation rates etc. However, the Kenya National Bureau of Statistics (KNBS) has developed county specific statistical abstracts. The National Treasury together with the World Bank are set to undertake compilation of county specific Gross Domestic Products (GDPs).

The Kenyan economy has sustained its robust growth in the past decade supported by significant structural and economic reforms. The economy grew by 5.7 per cent, 5.9 per cent and 4.7 per cent in 2015, 2016 and 2017, respectively. The leading sectors in growth during 2017 included tourism, building & construction, transport and ICT. On the other hand, the agriculture sector declined tremendously to 1.6 per cent from 5.1 per cent the previous year due to drought coupled with pests and diseases.

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

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

2.2 Overview of Baringo County Economy

Baringo is a rural area county which is sparsely populated. The main economic activities include pastoralism, bee keeping, mixed farming and sand harvesting. Table 2.1 gives detailed economic data for Baringo County.

Economic performance data has been included as far as it is available for this County. The World Bank and the National Treasury of Kenya will soon be embarking on developing county gross domestic products (GDPs) data. The data for the following table has been based on World Bank data, the Annual Development Plans and the authors' calculations.

Table 2.1: Basic economic data and indicators for the county of Baringo

Indicator	
Area (Km^2)	11,015
No. of Constituencies	6
Population**	555,561
Population density per Km^2	50
Main economic activities	Pastoralism, bee keeping, mixed farming, sand harvesting
ECDE Centers: Public Private	**880** 708 172
No. of primary schools: Pubic Private	**687** 601 86
No. of secondary schools: Pubic Private	**159** 147 12
No. of health facilities	184
Doctor to population ratio	46,049

Data source: Commission on Revenue Allocation (CRA), CIDP and Baringo County Statistical Abstract, 2015

The Constitution assigns the task of service delivery in key sectors like water, health and agriculture among others to county governments, with the national government's role in some of the sectors being that of policy formulation. The functions which are devolved to the county government are tax collection and administration, transport and regional development, health and education, whereas the functions of defence and overall coordination and oversight as well as external audit and social security are with the national government.

The population of Baringo County is increasingly growing. The last country Census indicates that 555, 561 live in the County and according to the Department of Health data; the population in 2015 was 649,065. There is projection that the population of the County will be 723,411 by 2017. This implies that the County will have to invest in more social and physical infrastructure to match the needs of the growing population. A large number of the population is below 40 years old. Nearly 60% are self-employed and are engaged in small scale farming.

The main challenges for growth and development of Baringo County are defined in the priorities and objectives of the Government as outlined in the First County Integrated Development Plan (CIDP) covering period of four years, 2013-2017 as well as in the Second Medium-Term Plan 2013-2017. Hence the goals of the County are in the development of the social and economic, environmental and transport sectors. The CIDP outlines a number of projects to be undertaken in these areas.

2.3 Fiscal and Budgetary Trends

According to Article 203 (2) of the Constitution of Kenya 2010, a minimum of 15 per cent of total revenue collected by the National Government should be disbursed to county governments every fiscal year. Counties are also supposed to collect their own revenues to fund their operations. Table 2.2 gives an overview of selected fiscal indicators which are currently available.

Table 2.2: Overview of selected fiscal indicators

Budget performance	
Exchequer issues (Ksh millions)	5,136.18
Expenditure to exchequer issues (%) *Recurrent expenditure* *Development expenditure*	 96.5 79.7
Expenditure to budget allocation (absorption rate (%) *Recurrent expenditure* *Development expenditure* *Overall absorption rate*	 96.5 53.9 79.4
Revenue	
Annual target (Ksh millions)	300.00

Actual revenue (Ksh millions)	279.32
Revenue performance (%)	93
Conditional grants	
Annual allocation (Ksh millions)	178.31
Actual receipts (Ksh millions)	150.83
% of actual receipts	84.6
Expenditure by economic classification	
Personal emoluments (%)	48.0
Operations and maintenance (%)	24.8
Development expenditure (%)	27.2

Data source: Office of the Controller of Budget County Governments Budget Implementation Review Report (CBIRR), September 2016

The Division of Revenue Act and County Allocation and Revenue Act provide the amounts which are disbursed to each county every year on the basis of the population rate. The current allocation formula applied by the Commission on Revenue Allocation (CRA) is such that 45 per cent of resources are allocated in accordance with population density. The remaining 55 per cent of resources are allocated in the following manner: geographical size 8 per cent, poverty levels 20 per cent, equal shares 25 per cent and fiscal responsibility 2 per cent.

The available data shows that the County of Baringo is faced with the challenge of budget absorption which is relatively high at 79.4 per cent. As required by the PFM (PFM) Act, 2012 development expenditures should be at least 30 per cent of the budget. In this respect, the County under-performed with 27 per cent of their expenditure spent on development. The process of developing a conditional grant framework is underway to overcome challenges related to budgeting, accounting and reporting these grants at the County level.

Section 132 of the PFM Act, 2012, defines the rules for the submission and consideration of the revenue raising measures in the County Assembly. Each financial year, the County Executive shall pronounce the revenue raising measures. This is formalised by submitting a County Finance Bill to the County Assembly, setting out the revenue raising measures together with a policy statement expounding on those measures. The approved Bill becomes the County Appropriation Act once enacted by the County Assembly and signed by the Governor. Table 2.3 shows aggregate fiscal performance of the County for the last three financial years using economic classification of government expenditure.

Table 2.3: Aggregate fiscal performance data for the last 3 financial years (in % of total revenues)

Economic head	2013/14	2014/15	2015/16
Total county revenue	**100**	**100**	**100**
(i) Exchequer release (transfer from National Government)	93%	93%	93%
(ii) Conditional Grants (domestic and foreign grants)	0%	1%	2%
(iii) Transfers from other governments entities	-	-	-
Other revenue (own source)	6%	6%	5%
Total expenditure	**81%**	**94%**	**78%**
Compensation of employees	40%	47%	38%
Use of goods and services	16%	16%	12%
Acquisition of assets	20%	26%	23%
Interest	-	-	
Subsidies	-	-	
Transfers to other Government Units	-		
Other grants and transfers (scholarships)	5%	4%	6%
Social benefits	-	1%	
Other expenses	-	-	-
Budget surplus	**18%**	**6%**	**22%**

Source: CBROP

Table 2.3 shows that, aggregate fiscal discipline has been respected for the last three years, as the budget present a surplus in two consecutive financial years. The County also inherited a debt from the previous government but it did not generate any debt since its creation. The share of own source revenue is gradually increasing with a shortfall in the last financial year. The share of salaries is also getting lower with time but it is still above the required maximum, whereas the development expenditure is steadily increasing but below the required minimum of 30%.

Allocation of resources

Table 2.4 shows the budget allocation by function for the three fiscal years assessed in this report. The trend of allocating higher budgets for the functions of strategic importance, which the County identified in the CIDP and the MTEF, is not clearly noticeable.

Table 2.4: Budget allocations by function (as a % of total expenditures)

Functional head	2013/14	2014/15	2015/16
County Assembly	15	9	10
County Executive	9	7	6
County Treasury	4	5	7
Transport and Infrastructure	10	10	10
Industry, Commerce and Tourism	5	5	4
Education	7	10	9
Health	30	26	32
Housing and Urban Development	0	4	4
Agriculture	6	9	7
Youth, Gender, Social Security	3	3	3
Water and Irrigation	8	9	8
Environment and Natural Resources	1	1	1
County Public Service Board	1	-	-
Eldama ravine town	1	-	-
Kabarnet town	2	-	-
Total	**100**	**100**	**100**

Source: CBROPs

Table 2.5: Budget allocations by economic classification (as a % of total expenditures)

Economic head	2013/14	2014/15	2015/16
Compensation of employees	49%	50%	48%
Use of goods and services	20%	17%	15%
Consumption of fixed capital	24%	28%	29%
Interest	-	-	-
Subsidies	-	-	-
Grants	6%	5%	-
Social benefits	-	1%	-
Other expenses	-	-	8%
Total expenditure	**100%**	**100%**	**100%**

Source: AFS 2015/16

2.4 Legal and Regulatory Arrangements for PFM

The Constitution introduced significant changes to the political system of governance of Kenya. There are presently two levels of governments namely, national and county governments. The legal and regulatory framework providing support for PFM in the County of Baring is derived from the Constitution, various Acts and Regulations outlined as follows:

a) Chapter 11 and 12 of the Constitution on devolved governments and principles of public Finance respectively. Institutional arrangement for PFM including 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 (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; internal auditing among others. Section 103 creates the County Treasury whose general responsibilities and powers in relation to public finance are spelt 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 County Budget and Review Outlook Paper (CBROP) and thereafter present them to the County Assembly.

c) The PFM Regulations (2015) for County governments. Some highlights include strengthening inter-government fiscal relations; restricting wages to 35% of realised revenue; development budget should be 30% of total budget.

d) The Public Procurement and Asset Disposal Act (2015): The Act provides for procedures for efficient public procurement; procedures for assets disposal by public entities. Regulations are under development.

e) Public Audit Act (2015): provides for the organisation, the functions and the powers of the Office of the Auditor-General (OAG) are spelt 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 a financial year. 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.

Framework for the Devolved System of Government

The Constitution of Kenya 2010 introduced two levels of governments, namely the national and county governments. The legal and regulatory framework providing support for PFM in the County Government of Baringo, 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 fourteen (14) roles and functions of the county governments. They are, namely:

1. Agriculture;
2. County Health Services;
3. Control of air pollution, noise pollution, other public nuisances and outdoor advertising;
4. Cultural activities, public entertainment and public amenities;
5. County transport;
6. Animal control and welfare;
7. Trade development and regulation;
8. County planning and development;
9. Pre-primary education, village polytechnics, home craft centres and child care facilities;
10. Implementation of specific national government policies on natural resources and environmental conservation;
11. County public works and services;
12. Fire fighting services and disaster management;
13. Control of drugs and pornography;
14. Ensuring and coordinating the participation of communities and locations in governance at the local level and assisting communities and locations to develop the administrative capacity for the effective exercise of the functions and powers and participation in governance at the local

The County Governments comprise the Executive, headed by elected Governors and the county assemblies comprising of 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 including 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 (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 the Budget (COB) through IFMIS while external control is performed by the Office of the Auditor General (OAG).

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

2.5 Institutional Arrangements for PFM

County Governments

According to the County Government Act, 2012, a county is comprised of the County Executive headed by a Governor and a County Assembly comprising of 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 (CO) 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 COs are the chief 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 has the oversight role over the County Executive in terms of use of public finances. Key public finance documents such as the budgets, CFSP and CBROPs have to be presented by the County Executive for approval. All funds including the Emergency Funds and any other by County Executive must be approved by the County Assembly.

The County Government Act, 2012 also outlines the structure and operation of County governments as comprising Sub-Counties, Wards and Villages. The structure of the public sector and public finances in Baringo County is presented in the following Tables 2.6 and 2.7.

Table 2.6: Structure of the public sector (turnover in Ksh millions) – 2015/16

Year	**Government sub-sector**		**Social security funds****	**Public corporation sub-sector*****	
	Budgetary unit	Extra budgetary units*		Nonfinancial public corporations	Financial public corporations
1st tier sub-national – County Government (12 units)	280-	N/a	N/a	N/a	N/a

Source: AFS 2015/16

**There are a number of extra-budgetary units in the County of Baringo but their financial statements have not been provided (see PI-6)*

*** Social security funds are governed on the level of the National Government*

**** There are two public corporation companies, currently in process of* *establishment, their financial statements are not audited, yet (see PI-10.1).*

Table 2.7: Financial structure of County Government – actual budget (in million Ksh) - 2015/16

2015/16	County government			
	Budgetary unit	Extra budgetary units	Social security funds	Total aggregated
Revenue	4,860	n/a	n/a	4,860
Expenditure	4,804	n/a	4	4,808
Transfers to County Assembly	333	n/a	n/a	233
Liabilities	n/a	n/a	n/a	n/a
Use of Goods and Services	683			683
Acquisition of assets	1,300	n/a	n/a	1,300
Financial assets	2,084	n/a	n/a	2,084

Source: AFS 2015/16

Key Features of internal control

Internal control is performed through IFMIS and reengineering of IFMIS was a major improvement for the reinforcing of the control. Access to IFMIS is now complete at the county levels, but the IFMIS Office is still configuring aspects of IFMIS to meet specific needs for MDAs and the counties. Presently, IFMIS is not comprehensively being used at the county level. According to OAG, manual processes are still being used for preparing and approving local purchase orders and contracts. Also, payments vouchers are being prepared manually and then uploaded into IFMIS, instead of being prepared within IFMIS on the basis of invoices and receipts of goods and services. The Integration of systems within IFMIS have not yet been completed for the following modules: (i) procurement – the module "Procurement to Pay" available at the national level is not used by the county; (ii) revenue – the County has its own IT-based tax administration system to collect some of the revenues which is not integrated with IFMIS; (iii) payroll – the county government uses the Integrated Personnel Payment Database (IPPD) management system to for human resource management which is not integrated with IFMIS, the payroll is prepared in IPPD and then manually extracted.

2.6 Other Important Features of PFM and its Operating Environment

According to Transparency International, bribery remains a challenge in Kenya, affecting most specifically security, administration of justice and land services. The Devolution process is expected to reduce the level of corruption in this domain.

The external audit oversight on budget implementation is exercised by the Office of the Auditor General. It is a national level institution delegating authority to its regional branches, known as hub offices, which cover the respective counties. They hub offices of the OAG perform only audit field work file and store the audit working papers whereas all other audit process activities such as quality review and audit opinion are handled at the external audit headquarter.

Public participation in Kenya is considered a crucial point in the Kenyan Constitution and it is reflected in the legal framework of both national and subnational level. Strengthening public participation is a key focus of Kenya's Devolution. Public is provided with the opportunity to take part in decision making processes in government. Public participation in Kenya is especially important in the following processes: (i) budgeting – consultation is supposed to be held with civil societies on strategic development spending in the county; (ii) legislative – public should have access to legislative scrutiny of the budget and the audit report at the County Assembly; (iii) tendering – public should have access to all information concerning public procurement process. The Kenyan Constitution is supplemented by other Acts demanding inclusive and participatory engagement of citizens in matters of planning and budgeting processes, such as:

a) County Public Participation Bill – in most counties the Bill is still at process of approval, it has not been confirmed what is the status of this Bill at the County of Baringo;

b) PFM Act, section 10, 35, 125, 175 provide for public participation at budget process, in the preparation of the strategic plan and the annual budget estimates.

c) County Government Act, section 87-90 – making public participation in county planning processes compulsory, which includes timely access to information and reasonable access to planning and policy making process, rights to petition.

d) Urban Areas and Cities Act, 2011 - . For that purpose, he or she may publish guidelines for public participation.

e) Public Procurement and Disposal Act 2015 Section 68(3), 125(5), 138, and 179 - emphasising on transparency of the procurement process including requirements for procuring entities to publicly avail procurement records, to publish notices of intention to enter into contract on websites and public notice boards.

In the County of Baringo the civil societies are organised through various social media with the objective to participate in the formulation of the budget and all other County activities designed for public service. To this purpose, working meetings are organised by the County. However, the representatives of the civil societies, who the assessment team met, still see this opportunity only as formality required by the Constitution. The information provided to the public is not comprehensive and easy to follow so that the civil societies can take effectively part in the discussion. Citizen budgets are not prepared and the hearings at the County Assembly have been described as not accessible.

3. ASSESSMENT OF PFM PERFORMANCE

Subnational PEFA Indicator HLG-1: Transfers from a Higher Level of Government

This indicator assesses the extent to which transfers to the sub-national government from a higher-level government are consistent with original approved high-level budgets, and are provided according to acceptable time frames.

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

The transfers constitute the majority revenue fund of the counties in Kenya. They are allocated by the National Treasury on the basis of the county population applying a specific formula.

Each County Government transfer allocation (appear as exchequer releases in budget documentation) is provided to the respective County Revenue Fund, in accordance with a payment schedule approved by the Senate and published in the gazette by the Cabinet Secretary in terms of section 17 of the Public Finance Management Act. The County Governments' allocations are included in the budget estimates of the National Government and are submitted to Parliament for approval. The County Treasury reports on the actual transfers received by the County Government from the National Government.

According to Annual Financial Statements (AFS), the main sources of revenue for the county governments in Kenya are equitable share, conditional grants and own source revenues. The table below presents the breakdown of the estimate equitable shares and the actual transfers to the County from the National Government. The performance of the equitable share was 91%, 85% and 100% for 2013/14, 2014/15 and 2015/16, respectively, with an average of 92% for the three financial years of assessment. The reasons for the deviation are true across most counties and it is the overestimation of budget in all revenue items in the first years after the Devolution.

Table 3.1: Estimate and actual transfers for the last 3 financial years (Ksh millions & %)

	2013/14			2014/15			2015/16		
Economic head	**Budget**	**Actual**	**%**	**Budget**	**Actual**	**%**	**Budget**	**Actual**	**%**
Grants	433	27	6%	97	53	55%	274	138	50%
Equitable share	3,385	3,088	91%	4,659	3,962	85%	5,327	5,327	100%
Total revenue	**3,680**	**2,978**	**81%**	**4,757**	**4,015**	**84%**	**5,601**	**5,465**	**98%**

Source: CBROPs

In 2013/14, the outturn of transfers to Baringo County was 81%, in 2014/15 – 84% and in 2015/16 – 98%. The score is D because the actual transfers have been more than 85% of the total budget estimates only in one year of the assessment.

HLG-1.2. Earmarked grants outturn

In addition to the transfers from the National Government, there are conditional allocations (appear as proceeds from domestic and foreign grants in the budget documentation) from National Government revenue to each County Government to be utilised for specific purposes, including development expenditure, which are outlined in The County Allocation of Revenue Act. The County Treasury reports on the actual conditional grants received by the County Government from the National Government.

Table 3.2:Estimate and actual transfers for the last 3 financial years (Ksh millions & %)

	2013/14			2014/15			2015/16		
Economic head	**Budget**	**Actual**	**%**	**Budget**	**Actual**	**%**	**Budget**	**Actual**	**%**
Grants	433	27	6%	97	53	55%	274	138	50%

Source: CBROPs

The earmarked grants appear as Conditional Grants in the budget documentation of the County. They are provided for specific development spending purpose. The grants were earmarked mainly to development of the health sector and for road construction and rehabilitation. The first financial year 2013/14 the actual grants received were only 6 per cent of the original budget. In the second year 2014/15 the actual received grants were 55 per cent of the budget estimate, and in 2015/16

- 50 per cent. The average outturn for the three years was 37 per cent, thus making a difference between original budget and actual of 63 per cent. The difference between original budget and actual was more than 10 per cent in two of the three years, this justifies score D.

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

According to 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. Then, transfers have been released quarterly across the year through IFMIS. The transfers which constitute the key element of the County revenue are disbursed from the National Treasury evenly across the year in each of the last three years. However, the actual dates of disbursements were not provided. Mass media coverage show that there were delays due to failure of the IFMIS system. The score for the component is D*.

Summary of scores and performance table

Subnational PEFA indicator HLG-1: Transfers from a higher level of government (M1)	D	Brief justification for score
HLG-1.1 Outturn of transfers from higher-level government	D	The transfers have been more than 85% in only in the last year of the assessment
HLG-1.2 Earmarked grants outturn	D	In 2013/14 the grants received were 6% out of original budget, in 2014/15 – 54% and in 2015/16 – 50% The difference between original budget and actual was more than 10% in two of the three years
HLG-1.3 Timeliness of transfers from higher-level government	D*	Actual transfers have been distributed quarterly across the year through IFMIS but actual dates of transfer have not been provided

3.1 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, namely: aggregate expenditure outturn, expenditure composition outturn and revenue outturn were examined for the financial years 2013/14, 2014/15 and 2015/16.

PI-1 Aggregate expenditure outturn

This indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in government budget documentation and fiscal reports. Table 3.1 presents the budgeted and actual total expenditure for the years 2013 to 2015. Total expenditure outturn during the financial years 2013/14, 2014/15 and 2015/16 were 68, 83 and 81 per cent, respectively. This reveals a low absorption rate especially for 2013/14 because it was the first year of implementation of the devolved system of government in Kenya. In addition, the largest share of the variance was emanating from low absorption of the development expenditure. Slow implementation by departments associated with slow procurement process especially those related to bill of quantities (BQs). The main reason being that the County did not have adequate human and technical capacity to design and supervise projects for example in terms of engineers, architects etc.

Table 3.3: Aggregate expenditure outturn (%)

Financial year	Budget	Actual	Total expenditure deviation (%)
2013/14	3,645	2,522	68%
2014/15	4,815	4,013	83%
2015/16	5,901	4,778	81%

Source: CBROPs

Expenditure data for the last three financial years has been made available and is included in the calculation in Table 3.1 and is detailed in the Excel spreadsheet attached in Annex 3A. The score is D.

Summary of scores and performance table

PI-1 Aggregate expenditure outturn (MI)	**D**	**Brief justification for score**
1.1 Aggregate expenditure outturn	D	Aggregate expenditure outturn for the last three financial years ranged between 68% and 83%

PI-2. Expenditure composition outturn

This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. According to the data provided, the variation between the budgeted and the actual expenditures exceeded 10 per cent for the last three financial years.

PI-2.1. Expenditure composition outturn by function

The information on expenditure by administrative classification was obtained from the CBROPs for the respective financial years. According to Table 3.2, variance in expenditure composition by program, administrative or functional classification was 27, 12 and 12 per cent for the 2013/14, 2014/15 and 2015/16, respectively. Low levels of absorption were notable in the departments of education and ICT, agriculture and transport and infrastructure. The score is C.

Table 3.4: Expenditure composition outturn by function (Ksh millions and %)

Functional head	2013/14		2014/15		2015/16	
	Budget	Actual	Budget	Actual	Budget	Actual
County Assembly	552	424	444	376	578	530
Office of the Governor	330	256	350	289	360	307
County public service board	23	13	-	-	-	-
County Treasury	131	107	256	231	404	385
Agriculture, Livestock, Fisheries	230	122	430	308	413	308
Transport and Infrastructure	367	199	465	346	593	361
Health	1,090	1,002	1,257	1,257	1,880	1,658
Industrialization Commerce, Tourism and Enterprise Development	167	79	241	215	208	180
Education and ICT	238	103	496	406	535	405
Water and Irrigation	284	88	457	282	490	321
Lands, Housing and Urban Development	10	16	213	152	220	178
Environment and Natural Resources	34	18	64	52	65	50
Youth, Gender, Labour and Social Services	100	32	142	100	155	95
Eldama ravine town	28	21	-	-	-	-
Kabarnet town	61	40	-	-	-	-
Composition variance (%)	**27**		**12**		**12**	

Source: CBROPs

PI-2.2. Expenditure composition outturn by economic type

The main source of variance was from a reduction in expenditure on consumption of fixed capital and an increase in spending on compensation of employees in 2013/14 and 2014/15. In 2015/16 in addition to the increased spending on compensation of employees, there was a significant increased spending on transfer to other government units. The extent of variance between actual and budgeted expenditures by composition of expenditures is presented in Table 3.3. Actual expenditure deviated from the original budget appropriation by 41, 25 and 28 per cent during the 2013/14, 2014/15 and 2015/16, respectively. The result is heavily influenced by fluctuations in use of goods and services and consumption of fixed capital. The core is D.

Table 3.5: 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	1,208	1,267	2,000	1,995	2,321	2,161
Use of goods and services	575	5245	960	675	859	683
Consumption of fixed capital	1,520	627	2,052	1,126	2,479	1,300
Interest	0	0	0	0	0	0
Subsidies	0	0	0	0	0	0
Grants	342	164	190	190	0	0
Social benefits	0	0	28	28	0	0
Other expenses	0	0	0	0	99	344
Composition variance (%)	**41**		**25**		**28**	

Data source: AFSs

PI-2.3 Expenditure from contingency reserve

Article 206 of the Constitution provides for the establishment of a Contingency Fund at the national level. It enables the legislation and regulations as specified in Sections 19-24 of the PFM Act, 2012. In Kenya, the budgeting and accounting treatment of contingency items relate to exceptional events that cannot be foreseen, such as earthquake, famine, etc. This treatment holds true for both national and sub-national levels.

According Section 110 of the PFM Act, 2012 County Executive Committee Member for Finance can establish Emergency Fund with the approval of the County Assembly. This fund should not exceed 2% of the total County Government revenue of the last Audited Financial Statements of the previous in accordance to Section 113 of PFM Act, 2012. Contingency Fund share of budget expenditure was on average 0.4% for the last three completed financial years and was less than 2% in both 2014/15 and 2015/16. The score is A.

Some reforms being undertaken in this area include freezing of employment to contain wage bill emanating from health sector (about 50%). The County has many health facilities built using CDF and Economic Stimulus Project that were inherited by the County Government. An important development is to use emailing for internal communication in order to cut printing cost.

Summary of scores and performance table

PI-2 Expenditure composition outturn (MI)	D+	Brief justification for score
2.1 Expenditure composition outturn by function	C	Variance in expenditure for 2013/14, 2014/15 and 2015/16 were 27%, 12% and 12% respectively
2.2 Expenditure composition outturn by economic type	D	Variance in expenditure composition by economic classification averaged 32% for the last 3 financial years and was more than 15% for the three years
2.3 Expenditure from contingency reserve	A	Actual expenditure charged to a contingency vote was on average 0.4% for the last 3 financial years

PI-3. Revenue outturn

This indicator measures the change in revenue between the original approved budget and end-of-year outturn. The main sources of revenue for the county governments in Kenya are equitable share, conditional grants and own source revenues. These revenues 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. The allocation should be at least 15% 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 governments share of revenue, either conditionally or unconditionally. Conditional allocations are tied to the implementation of specific national policies with specific objectives by the national government.
- Own Source Revenue: Article 209 of the constitution of Kenya provides that a county may impose: Property rates; 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.

This performance indicator is focused only on the own source revenue being the only revenues collected by sub-national governments directly and retained by them. The equitable shares and the conditional grants are covers in HLG-1 and HLG-2, respectively.

PI-3.1. Aggregate revenue outturn

The overall performance of the revenue outturn for Baringo County Government is as summarized in the following Table 3.4. A comparison of the actual receipts against the budgeted revenues in aggregate budget has not been very successful. In all three years, the actual revenue received was between 92 per cent and 116 per cent only in 2015/16. The County has never exceeded its projections for the last completed fiscal years under this assessment. The performance, though below the threshold, has been improving in both the budgeted and the actual revenue collected. The score is C.

Table 3.6: Aggregate revenue outturn (%)

Financial year	Total Revenue Deviation	Composition variance
2013/14	78%	24%
2014/15	98%	19%
2015/16	93%	32%

Data source: CBROPs

PI-3.2. Revenue composition outturn

The revenue composition performance outturn is shown in the Table 3.5. According to the Constitution and the PFM, Act 2012 all earmarked funds are sent to the County Governments from the National Government. They are not directly provided to the County. The score is D.

Table 3.7: Actual revenue in percentage of initial budget by source (Ksh millions and %)

Source of Revenue	2013/14			2014/15			2015/16		
	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%
Own Source Revenue	260	202	78	256	250	98	300	280	93

Data source: CBROPs

The actual own source revenue was between 92 per cent and 116 per cent of the budgeted revenue in two of the three years. The County achieved 98 per cent and 93 per cent for fiscal years 2014/15 and 2015/16, respectively. The County own source revenue forecasts were realistic in the last two fiscal years except at the inception (the first year after the Devolution) when they were over projected. The reasons for the lower than budgeted own sources revenue are also due to revenue potentials which had not been exploited by the County such as land rates and plot rents as well as uncollected revenue from education establishments.

The following are the recent or ongoing reform activities at the County of Baringo to improve the County's own source revenue:

- Parking charges. The County initially was not charging on parking;
- Automation of collection of all own revenue streams. The County has signed a service agreement with the CBK which they pay 4 per cent of what the County collects.
- Improve tourism revenue – upgrade of roads and tourist attraction points;
- Term of service the revenue collectors have improved and training of the staff;
- The County has initiated discussions with KRA to collect land rates on behalf of the County;
- The County has partnered with County Livestock Management Council to market the livestock.

Summary of scores and performance table

PI-3 Revenue outturn (M2)	D+	Brief justification for score
3.1 Aggregate revenue outturn	C	Actual County revenue for the last three financial years (2013/14, 2014/15 and 2015/16) was 78%, 98% and 93%, respectively The aggregate revenue outturn has been 98% and 93% in two consecutive years
3.2 Revenue composition outturn	D	The County achieved revenue variance composition of 24% in 2013/14, 19% in 2014/15 and 32% in 2015/16, respectively In none of the three years the revenue composition outturn was less than 15%

3.2 Pillar II. Transparency of Public Finances

There are five performance indicators under this pillar: budget classification, budget documentation, central government operations outside financial reports, transfers to sub-national governments, performance information for service delivery and public access to fiscal information. These indicators measure whether the budget and fiscal risks oversights are comprehensive and whether the fiscal and budget information is accessible to the public.

PI-4. Budget classification

This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards.

PI- 4.1. Budget classification

The budget classification system provides the conditions to track County Government spending. Section 164 and 165 of the PFM Act, 2012 requires reporting to be done according to guidelines issued by the Public Accounting Standards Board (PSASB) which has been construed to mean the International Public Sector Accounting Standards (IPSAS) issued by International Federation of Accounts (IFAC).To this end, the government issued standard Chart of Accounts (SCOA) which the county government uses as a guideline in classification of the budget items.

The budgets include the classification of programs such as Health, Agriculture, Education, Administration, Roads etc. These have then been broken down into various expenditure heads within programmes. This means that the County budget classification has been implemented at two levels; programmes and specific units/ projects. The budget classification has further been done in terms of recurrent and development expenditure and according to the functions already highlighted above. The score is C.

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 using 2 level classifications under SCOA which produce consistent documentation comparable with those standards.

PI-5. Budget documentation

This indicator assesses the comprehensiveness of the information provided in the annual budget documentation, as measured against a specified list of basic and additional elements. In assessing this indicator, consideration was made to basic and additional elements of budget documents. Under basic elements, county governments are not permitted to have surplus or deficit budget and thus prepare a balanced budget in accordance with the PFM Act, 2012. Forecast of fiscal deficit/ surplus is provided in the fiscal policy and budget framework within the CFSPs. The PFM Regulation No. 26 of 2015 on county governments provides for the preparation of the CFSP. The PFM Regulation No. 27 of county governments 2015 specifies the contents of the CFSP to include but not limited to updated forecasts for the current budget year and three consecutive years. Quarterly budget implementation reports and CBROPs depict the actual and budgeted expenditure. However, the budget does not have the outturns. While the aggregation of both revenue and expenditure was done according to the main heads of classifications used (including data for the current and previous years as presented in the CFSP and CBROPs), the documents are not attached as part of the budget. The county government complies with the rest of the basic elements as indicated below.

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 fiscal year's budget presented in the same format as the budget proposal. This can be either the revised budget or the estimated outturn.	Yes
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.)	No

Items of financial assets other than cash are not present in the County books. However, cash at bank at the end of the year is incorporated as part of roll over fund for development projects in the budgets. While the County takes note of fiscal pressures and risks in their CFSP, no mention of contingent liabilities is made. These too, are not incorporated in the budgets or in the financial statements. Explanation of budget implications of new policy initiatives and major new public investments is not done as a preview to budget estimates.

The supporting documents are prepared well in advance in accordance to the Budget Circular. All these documents are approved by the County Assembly. The budget is accompanied by the County Revenue Allocation Act, Programme

Based Budgets (PBB), CIDP (a five-year plan), ADP and CFSP which puts a ceiling on the departmental allocation and CBROP analyses previous year's outturns. Thus, the County Government complies with all the elements except provision of macroeconomic assumptions, budget implications of new policy initiatives and quantification of tax expenditure. Deficit financing and debt stock are however not applicable. The score is D.

NB	Additional elements	Criteria
5	Deficit financing, describing its anticipated composition.	NA
6	Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate.	NA
7	Debt stock, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard.	NA
8	Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard.	Yes
9	Summary information of fiscal risks, including contingent liabilities such as guarantees, and contingent obligations embedded in structure financing instruments such as public-private partnership (PPP) contracts, and so on. (In CFSP)	No
10	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
11	Documentation on the medium-term fiscal forecasts.	Yes
12	Quantification of tax expenditures.	No

Summary of scores and performance table

PI-5 Budget documentation (M1)	D	Brief justification for score
5.1 Budget documentation	D	Scored 2 basic elements and 2 additional elements.

PI-6. Central government operations outside financial reports

This indicator measures the extent to which government revenue and expenditure are reported outside County Financial reports. Entities with individual budgets not fully covered by the main budget are considered extra budgetary in accordance with the IMF's GFS Manual 2014.

PI-6.1. Expenditure outside financial reports

The County has a number of entities that according to the performance indicator would be considered extra-budgetary. These are highlighted below;

1. Agricultural Mechanization Services (AMS): This entity was inherited from National Government and offers farmers agricultural services e.g. harrowing at a subsidized rate of Ksh 2500 from the commercial rate of Ksh 3500 per acre. The revenue generated is part of the annual budget under the Department of Agriculture covering operations such as salaries, fuel, repairs etc.

2. Agricultural Training Centre (ATC) based in Eldama Ravine: The Centre was also inherited from the National Government and provides agricultural services including training and conference facilities. It also owns demonstration farms complete with breeding animals and crops. It is based under the County Department of Agriculture. All the related revenues and expenditures are budgeted for and reported in the County's Annual Financial Statements (AFS). This is, therefore, not an extra budgetary item.

3. Water companies: The County Government is in the process of establishing two water companies namely Chemsusu Water and Sanitation Company and Kirandic Water and Sanitation Company. They are yet reflected in the County's budget at the time of assessment.

4. Early Childhood Education (ECD): The Early Childhood Education centres are governed from the County through the Education County Coordinator and each sub county coordinator. The County has had a number of newly built and established units, constructed from budgeted funds alongside the salaries of the teachers paid by the County from budgeted fund under the Department of Education. The ECD education is free and does not earn income for the County.

Currently, externally funded projects support health facilities. The donor being DANIDA who appoints a designated project accountant to monitor and report on project related expenditure. All expenditure related to the County budgetary units are contained in the Annual Financial Statements. Evidence was not provided, therefore the score is D*.

PI-6.2. Revenue outside financial reports

Although it was reported that there is no revenue outside the County financial statements, it has not been confirmed and evidenced if the extra budgetary units prepare financial reports and submit them to the County Executive. No data provided, the score is D*.

PI-6.3. Financial reports of extra budgetary units

No financial reports for extra budgetary unit were provided. The score is D*.

Summary of scores and performance table

PI-6 Central government operations outside financial reports (M2)	D	Brief justification for score
6.1 Expenditure outside financial reports	D*	No evidence has been provided for this dimension
6.2 Revenue outside financial reports	D*	No evidence has been provided for this dimension
6.3 Financial reports of extra budgetary units	D*	No information evidence has been provided for this dimension

PI-7. Transfers to subnational governments

This indicator assesses the transparency and timeliness of transfers from county governments to sub-county governments with direct financial relationships to it. It considers the basis for transfers from the County government and whether sub-county governments receive information on their allocations in time to facilitate budget planning. Hence, the system for allocating transfers as well as timeliness of information on transfers are not applicable since there is no lower tier government after the county government. Therefore, there are no transfers from the County Executive to a lower level of government. The County of Baringo has no fiscal relationship with a lower tier of subnational government.

Summary of scores and performance table

PI-7. Transfers to sub county governments (M2)	**N/A**	**Brief justification for score**
7.1 System for allocating transfers	N/A	There are no sub governments under the county level.
7.2 Timeliness of information on transfers	N/A	There are no sub governments under the county level.

PI-8. Performance information for service delivery

This indicator examines the service delivery performance information in the executive's budget proposal or its supporting documentation in year-end reports. It determines whether performance audits or evaluations are carried out and also assesses the extent to which information on resources received by service delivery units is collected and recorded.

PI-8.1. Performance plans for service delivery

The County prepares a programme-based budget annually that specifically outlines programme areas with specific input and output indicators. The programme budget for the next financial year was not provided, nor was it found published on the web site of Baringo County. The score is D.

PI-8.2. Performance achieved for service delivery

The output and outcomes of the budgets are explained in the quarterly reports which give an indication of the funds spent. Performance results are directly linked to the performance objectives stated in annual budget documents. The actual results are consistent with the planned outputs and outcomes and any deviation in actual performance is explained. The Quarterly Budget Implementation Status Reports (four reports) are published for the last 2015/16 (as well as 2016/17 and now 2017/18) on the website of the County. The report states progress achieved and provides recommendations for further steps for all nine ministries. The score is A.

PI-8.3. Resources received by service delivery units

No evidence has been provided to show details on utilisation of funds by service delivery units, therefore the score is D*.

PI-8.4. Performance evaluation for service delivery

Evaluation of the performance is done. The monitoring and evaluation for the effectiveness and efficiency of usage of funds and the project has been performed as well as social audits carried out by Centre for Enhancing Democracy and Governance which is an independent body. While challenges and way forward is enumerated in the project implementation reports and the PPB, this is not done to the program levels as per the budgets and no efficiency ratios are calculated to confirm the usage of funds and even absorption as budgeted for. The score is D.

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	D	The performance plans for service delivery are to appear in the programme based budgeting. The programme-based budget for the next financial year was not found published on the County website.
8.2 Performance achieved for service delivery	A	The County prepares and publishes Quarterly Budget Implementation Status Reports which is published on at the website of the County www.baringo.go.ke The Reports provide information on objectives and outcomes achieved for all ministries This information is not presented by function
8.3 Resources received by service delivery units	D*	No evidence was provided to show if the implementation provides details on utilisation of funds
8.4 Performance evaluation for service delivery	D	No efficiency ratios have been applied to evaluate the performance of service delivery. There are no explanation of variances according to the programme units in line with the budget.

PI-9. Public access to fiscal information

This indicator assesses the comprehensiveness of fiscal information available to the public based on specified elements of information to which public access is considered critical. Article 35 of the Constitution and PFM Act, 2012 emphasise the importance of public access to information. For instance, Article 131 (6) of the PFM Act, 2012 states that "*The County Executive Committee member for finance shall take all reasonably practicable steps to ensure that the approved budget estimates are prepared and published in a form that is clear and easily understood by, and readily accessible to, members of the public*".

In assessing this indicator, there are five basic elements and four additional elements that have been considered. The County publishes approved annual budget law within two weeks of passage of the law. In addition, the County makes available to the public the annual budget execution report by August of each financial year.

NB	Basic elements	Compliance
1	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	The annual budget law approved by the legislature is publicized within two weeks of passage of the law.	Yes
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 fiscal year's end.	Yes.
5	Audited annual financial report, incorporating or accompanied by the external auditor's report. The reports are made available to the public within twelve months of the fiscal year's end.	No

With regards to additional elements, the CFSP presents the broad strategic priorities and policy goals that guide the preparation of the County budget for the next financial year and in the medium term. The CFSP should be prepared by 28th February of every year and published on the website of the County Government.

NB	Additional elements	Compliance
6	Pre-budget Statement. The broad parameter for the executive budget proposal regarding expenditure, planned revenue, and debt is made available to the public at least four months before the start of the fiscal year.	Yes
7	Other external audit reports. All non-confidential reports on government consolidated operations are made available to the public within six months of submission.	No
8	Summary of the budget proposal. A clear, simple summary of the executive budget proposal or the enacted budget accessible to the no 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

The County circulates information in various ways:

1. A quarterly publication namely "Baringo Today" which highlights the achievements of the County Government and planned activities. The initiative started in 2014 and currently is in its 8th edition. However, it is only done in English language yet majority of the local populace speaks Tugen, Iljamus and Pokot.
2. Through public participation forums by ward administrators.
3. Through the County website where a number of documents can be obtained including CBROP, CIDP, ADP and CFSP.

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	Only two basic and one additional element were met

3.3 Pillar III. Management of Assets and Liabilities

Effective management of assets and liabilities is necessary to ensure that public investments provide value for money. This requires that county government assets are clearly recorded and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved, and monitored. There are four indicators under this pillar: fiscal risk reporting, public investment management, public asset management and debt management.

PI-10. Fiscal risk reporting

This indicator measures the extent to which fiscal risks to county government are reported. Fiscal risks can arise from adverse macroeconomic situations, financial positions of sub-county governments or public corporations, and contingent liabilities from the county government's own programs and activities, including extra-budgetary units. They can also arise from other implicit and external risks such as market failure and natural disasters.

Public corporations for the purpose of this indicator are defined in accordance with GFS 2014. In this regard it is possible that certain institutional units that are legally constituted as corporations may not be classified as corporations for statistical purposes if they do not charge economically significant prices. There are no recent or ongoing reform activities in this area.

PI-10.1. Monitoring of public corporations

Public corporations are those established under the laws, control, and ownership of the County Government. Baringo County is in the process of establishing Chemsusu Water and Sanitation Company and Kirandic Water and Sanitation Company. These two new companies do not have audited Annual Financial Statements, yet. Prior to the establishment of the new companies, the Eldama Ravine Water and Sanitation Company (ERAWASCO) has been the one in operation in the County. It, however, provides services in several neighbouring counties as well. The company reports to the Rift Valley Services Board which is a state corporation under the National Government. There is no consolidated reporting on the financial performance of the public corporation sector on annual or any other basis. Monitoring is not performed. The dimension of not applicable.

PI-10.2. Monitoring of subnational governments

This dimension is not applicable because, in Kenya, there are no subnational units under the County Government level.

PI-10.3. Contingent liabilities and other fiscal risks

The Baringo County Government and its various departments quantify most of the contingent liabilities in its financial reports. The contingent liabilities in the County include car loans for the Members of County Assembly (MCAs); car loans for County Executive Committee Members, Chief Officers and car loans and mortgages for some staff members of the County. Other contingent liabilities in the County include social security schemes such as National Social Security Fund (NSSF), National Hospital Insurance Fund (NHIF), Local Authority Provident Fund (LAPFUND), Local Authority Provident Trust (LAPTRUST); and small to medium loans provided to business persons. Some reform initiatives include developing a framework on how Chemsusu Water and Sanitation and Kirandic Water and Sanitation Companies will be monitored and their annual financial reports audited. The score is D*.

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 two public corporations owned by the County are still in process of being established
10.2 Monitoring of sub-national governments	N/A	This dimension is not applicable because there are no sub-national units under the County Government level
10.3 Contingent liabilities and other fiscal risks	D*	The County Government quantifies most significant contingent liabilities in its financial reports There is no evidence what percentage of the contingent liabilities is quantified

PI-11. Public Investment Management

This indicator assesses the economic appraisal, selection, costing, and monitoring of public investment projects by the government, with emphasis on the largest and most significant projects.

PI-11.1. Economic analysis of investment proposals

Baringo County Government does not conduct economic analysis of major investment projects. Currently, some form of analysis is done by the departments without consistency and procedure applied. It has been reported that sometimes, an external entity undertakes the analysis and review. However, no evidence of such analyses, which can be regarded as economic analyses, was provided. The score is D.

PI-11.2. Investment project selection

No standardized criteria exist for project selection. The project selection is guided by the Vision 2030, the Governor's Manifesto and County Integrated Development Plans (CIDP) and Annual Development Plans (ADPs). There are county flagship projects, sub-county projects and ward projects. The score is D.

PI-11.3. Investment project costing

The investment costing in the County only factors capital costs for one year. Recurrent costs are not included in the investment project costing. The County tends to have an overall budget for investment projects without making distinctions on capital and recurrent costs. The score is D.

PI-11.4. Investment project monitoring

There are no standard procedures and rules for project implementation. Monitoring of investment projects in Baringo County has been reported to be carried out by respective departments through engineers, ward administrators, social and county auditors. The implementation progress is published in quarterly reports (last quarter of each fiscal year), mid-term review report and departmental progress reports. There is no formalised procedure for project monitoring in the County. The score is D.

The County of Baringo is undertaking some reform initiatives such as developing a framework for citizen participation and engagement on prioritization of development projects in all sub-counties and ward levels. This will involve having project champions in each sub-county and Ward. The County is also developing a framework in which all Chief Officers, technical staff (engineers, architectures, surveyors,) and feasibility study staff will be retrained on project to ensure that there are no delays in project implementation. The County has developed a policy on Monitoring and Evaluation which is awaiting implementation. Hiring of statisticians will be undertaken to provide precise statistics per administrative ward, for purposes of prioritizing mega projects, resource allocation and for use in cost-benefit-analysis before project implementation.

In terms of reforms, a policy on Monitoring and Evaluation (M&E) had been prepared to enhance project supervision and reporting in the field. Besides, M&E champions have been nominated in every Department and community to assist in project monitoring and reporting.

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	The Baringo County Government does not conduct economic analysis for the major investment projects
11.2 Investment project selection	D	There are no standardized criteria for project selection
11.3 Investment project costing	D	There is no total cost of projects indicated in budget documents.
11.4 Investment project monitoring	D	There are no standard procedures and rules for project implementation and monitoring, though implementation progress can be found in quarterly reports, department progress reports and Mid-Term Review Report

PI-12. Public Asset Management

This indicator assesses the management and monitoring of county government assets and the transparency of asset disposal.

PI-12.1. Financial asset monitoring

The financial assets namely cash and cash equivalent in the bank, cash in hand (petty cash) and outstanding imprests are published annually in the AFS. However, there are no up-to-date records on imprests and arrears. The score is C.

PI-12.2. Non-financial asset monitoring

Baringo County Government maintains a record of assets (especially purchased goods for office use) and buildings from 2013/14, 2014/15, 2015/16 to 2016/17. However, records on land owned by the County are incomplete. There are no records for subsoil assets. The County does not maintain an asset register although they have a record of recently acquired assets such as vehicles. Failure of handover of assets by the defunct local authorities has been a hindrance to effective monitoring of the assets inherited from the same. The County has many redundant, old and unusable assets and had to hire premises to keep in some of these assets that are due for disposal. Table 3.6 provides a list of non-financial assets belonging to Baringo County. The score is D.

Table 3.8: Categories of non-financial assets - 2013/14 to 2015/16

Categories	Subcategories	Where captured	Comments
Fixed assets	Buildings and structures	County Assets database	The information about buildings and structure incomplete
	Machinery and equipment (purchased goods)	County Assets database	The age and model of machinery including ICT equipment are indicated but not the current market value
	Other fixed assets	County Assets database	N/A
Inventories	—	N/A	N/A
Valuables	—		
Nonproduced assets	Land	County Assets database	The database is not complete due to controversy with regards to land ownership in the county.
	Mineral and energy resources	N/A	N/A
	Other naturally occurring assets	N/A	N/A
	Intangible nonproduced assets	N/A	N/A

Source: Baringo County Assets database from Assets Unit at the County Treasury

PI-12.3. Transparency of asset disposal

There are established procedures and rules under the Public Procurement and Assets Disposal Act, 2015 for the transfer or disposal of financial and non-financial which are defined at national level. There are no supplementary procedures established by the sub-national government on asset disposal. It was not reported if any assets have been disposed of during the assessment period. The County is working on a framework and policy to guide its disposal of assets hinged on the Public Procurement and Disposal Act, 2015 as part of reforms. There was no evidence of reports prepared by the County on asset disposal. Asset disposal is not included in any AFS of the County nor is the fact that there have been no disposal of assets recorded in any budget documents. The score is D.

Summary of scores and performance table

PI-12Public asset management (M2)	**D+**	**Brief justification for score**
12.1 Financial asset monitoring	C	The financial assets available include cash and cash equivalent in the bank, petty cash and outstanding imprests There are no up-to-date records Currently, there are no bonds, securities, receivables, sovereign wealth funds, equity in county-owned corporations or private institutions.
12.2 Non-financial asset monitoring	D	The record of non-financial assets is well maintained especially for purchased goods, buildings However, land record is not clear due to controversy of ownership of certain parcels of land The Assets Register does not contain age
12.3 Transparency of asset disposal	D	The County has not disposed of any assets and this is not showing in budget documentation

PI-13. Debt management

This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to establish whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements. Section 123 of PFM Act, 2012 requires county governments to develop a debt management strategy.

PI-13.1. Recording and reporting of debt and guarantees

Counties are allowed to borrow domestically or externally by Article 212 of the Constitution and under Section 140 of the PFM Act, 2012. Borrowing framework is anchored in County PFM Regulation, 2015 (176-196). In addition, Section 140 (d) of PFM Act, 2012 requires county governments to develop a debt management strategy. Borrowing framework exists, however there is currently an administrative moratorium on county borrowing.

Baringo County Government does not have domestic and foreign debts since the County became operational. About Ksh 2.9 million were allocated and approved in the Supplementary Budget for 2016/17 to service debt. However, inherited debt is not recognised because the handover was not done properly according to the County Government. They were not allowed to borrow during the time of assessment, hence there were no debt records. The score is D.

PI-13.2. Approval of debt and guarantees

According to Article 212 of the Constitution on public finance management and devolution, county governments are allowed to borrow only if: (i) guaranteed by National Government; (ii) approved by the County Assembly. According to Article 213 of Constitution, guarantees by National Government must adhere to the following:

- Parliament to enact a law and prescribe how National Government may guarantee loans;
- Within two months of after the end of a fiscal year, National Government to publish a report on all guarantees issued during past year.

As earlier mentioned, the County has a debt management strategy draft which is yet to be approved by the County Assembly and there are no policies and procedures to provide guidance for undertaking borrowing. Even though the Constitution allows the counties to borrow, the National Treasury had barred the counties from borrowing until after August 2017 General Elections. External borrowing must be approved and guaranteed by National Treasury. The counties are not allowed to borrow, therefore this dimension is not applicable

PI-13.3. Debt management strategy

The draft debt management strategy has been developed but has not been approved by the County Assembly. The strategy also does not include risk indicator such as foreign currency risks. The score is D.

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	The Baringo County Government does not have domestic and foreign debts Debt is not recorded and not reported in the financial statement Inherited debt appears in the pending bill (payment to contractors) which is now more than four years old and is cleared as of year-end Debt management function has not been established
13.2 Approval of debt and guarantees	N/A	There is a moratorium on borrowing majority of the debt emanates from expenditure arrears
13.3 Debt management strategy	D	The Debt Management Strategy draft does not include risk indicator such as foreign currency risks The Strategy is yet to be approved by Baringo County Assembly

3.4 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

This indicator measures the ability of a county to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government's capacity to estimate the fiscal impact of potential changes in economic circumstances.

PI-14.1. Macroeconomic forecasts

Section 117 (2) of PFM Act 2012 provides that the County Treasury shall align its CFSP with the national objectives in the budget policy statement. In addition, Section 118 (2) (b), requires that the County Treasury specifies in its CBROP the updated economic and financial forecasts which show changes from the forecasts in the most recent CFSP. The CFSP should be presented to the County Assembly by 28th February of budget year. Section 117 (6) of the PFM Act states that the

County Assembly should in 14 days consider and may adopt it with or without amendments. Further, the County Treasury shall publish and publicise the CFSP after its submission in the County Assembly (Section 117 (8) of the PFM Act). The County uses the national forecasts adopted from the Budget Policy Statement (BPS). Both CFSP and CBROP only provide an overview of the national economic outlook for the main macroeconomic variables but they do not provide macroeconomic forecasts. The CFSP includes a brief outlook on key macroeconomic indicators covering the pervious and current years, whereas the CBROP provides review of the budget year and projections for the two following years. The score is C.

PI-14.2. Fiscal forecasts

The County prepares both revenue and expenditure forecasts for the budget year and the two following years. The County does not provide different scenarios based on different assumptions. Regarding the own source revenue, the County's projections have been realistic except for the 2013/14. The County generally projects their revenue streams by an arbitrary figure of 5 per cent annually. The forecasts for the equitable share and the conditional grants are provided by the National Government in the BPS. The score is C.

PI-14.3. Macrofiscal sensitivity analysis

The County does not prepare fiscal forecast scenarios. This is because it has not set up the macro working group which prepares the macroeconomic framework that is county specific. The score is D.

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 Treasury has no capacity and data to prepare macroeconomic forecasting. It adopts the macroeconomic indicators from the National Government which guide the preparation of CBROP, CFSP and budget estimates. The County Government uses the national government forecasts of key macro indicators for the budget year and the two following years.
14.2 Fiscal forecasts	C	The County prepares the expenditure and revenue forecasts as indicated in the CFSPs and budgets but does not provide assumptions.
14.3 Macrofiscal sensitivity analysis	D	The County does not carry out any sensitivity analysis in relation to own source revenue.

PI-15. Fiscal strategy

This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals.

PI-15.1. Fiscal impact of policy proposals

The PFM Act 2012, Section 132 (3) (c) (e) stipulates that any recommendation on revenue matters should consider the impact of the proposed changes on the composition of tax revenue, and the impact on development, investment, employment and economic growth. The CEC Member of Finance prepares the fiscal policy proposals and submits to the County Assembly. Fiscal impacts of policy proposals should be documented in the CFSP and CBROP but they are not incorporated. No fiscal impact analysis is carried out. The score is D.

PI-15.2. Fiscal strategy adoption

The County has adopted and submitted to the legislature a current fiscal strategy that includes quantitative or qualitative fiscal objectives that are time based. The CFSP captures the budget years and two forward fiscal years. The strategies are published on the County website. The score is A.

PI-15.3. Reporting on fiscal outcomes

According to the Public Financial Management Act, 2012 (section 118), County governments should prepare the County Budget Review and Outlook Paper (CBROP), which presents the recent economic developments and actual fiscal performance and provides an overview of how objectives relate to the actual performance. The CBROP should also include reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time it would take to address the deviations. The County prepares the CBROPs annually stating the deviation from the financial objectives set in the County Fiscal Strategy Paper, however without providing the reasons or proposals to address the deviation. The CBROP is submitted to the County Assembly together with the budget.

In summary, the government has submitted to the legislature along with the annual budget a report that describes progress made against its fiscal strategy but it does not set out specific initiatives to improve the fiscal outcomes. The score is C.

In terms of reforms, the National Treasury has provided for in-year reporting especially on finances which have helped the County to improve the quality of financial reporting. The County has identified champions from each department who facilitate the department on reporting, however the champions needs capacity building to help them improve the quality on reporting.

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 present fiscal impacts of different policy proposals
15.2 Fiscal strategy adoption	A	The CA adopted the CFSP for 2015/16 with quantitative fiscal goals that are time based and is available on the County website The CFSP shows the current financial year and two forward fiscal years
15.3 Reporting on fiscal outcomes	C	The County prepares the CBROPs reports showing the deviation from the set targets in CFSP. It is submitted together with the budget to the CA. The CBROP does not provide specific action plan to address the deviations but generic recommendations.

PI-16. Medium-term perspective in expenditure budgeting

This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans.

PI-16.1. Medium-term expenditure estimates

The County Fiscal Strategy Paper provides estimates for two consecutive year presented by function. The CBROP (submitted to the CA for 2016/17) reviews the actual fiscal performance of the financial year and makes comparison to the budget allocation of the same year providing assumption for the fiscal performance in the next financial year. The score is C.

PI-16.2. Medium-term expenditure ceilings

MTEF expenditure ceilings are not submitted together with the budget circular. The ceilings are firmed up at the point where CFSP is approved. The ceilings of the

County Government are set by the County Treasury considering the submissions of the departmental needs for a given budget. The two forward year projections are not necessarily consistent with the approved budget. The projections of the conditional and unconditional transfers are provided by the National Government in the BPS and firmed up when the Division of Revenue Bill and the County Allocation of Revenue Bill are submitted to the County Assembly for approval. The PBB prepared by the CEC Member in charge of finance for the 2016/17 only captures the current budget and does not include the following two years. The score is D.

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

The County Government of Baringo is guided by the CIDP which is the overarching policy guiding the programmes and projects being implemented. The departments draw their programmes and projects on an annual basis from the CIDP to make an ADP which is usually finalized by the month of August each year. The majority of the departments provide costed submissions to the County Treasury when compiling the ADPs. However, according to the County Treasury officials, new projects are brought on board before the old ones are completed leading to the risk of thinly spreading the funds to many projects. Evidences include CIDP, ADP, PBB and costed submissions from MDAs. The score is D.

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

From the documents provided, there are variations from the forecasted estimates and the final approved budgets. The County analyses the overall budget of the last medium-term budget and the first year of the current medium-term budget at the aggregate level. This is shown in the CBROP, CFSP and the budget estimates provided. The County does not provide explanations of the deviations where they are large. The score is D.

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	C	The budget estimates have the budget year and two subsequent fiscal year allocated by economic and functional classification.

16.2 Medium-term expenditure ceilings	D	MTEF expenditure ceilings are not submitted together with the budget circular. The ceilings are firmed up at the CFSP level.
16.3 Alignment of strategic plans and medium-term budgets	D	The County prepared ADPs and PBBs, however, there were no medium-term strategic plans.
16.4 Consistency of budgets with previous year's estimates	D	The County does not analyse the overall budget of the last medium-term budget and the first year of the current medium-term budget at the aggregate level. There is no consistency between estimates for overlapping MTEF periods

PI-17. Budget preparation process

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely.

PI-17.1 Budget calendar

The budget calendar starts when National Treasury issues Budget Policy Statement. According to Section 25 of the PFM Act, 2012, the National Treasury is required to submit the Budget Policy Statement to Parliament, by the 15th February in each year. The budget guidelines issued by the County Treasury largely mirrors the National Government circular. It has been reported that majority of the departments adhered to the timelines. However, the budget calendar has not been provided. It is not possible to make comparison of deadlines as per PFM Act, 2012 and actual dates of the budget circular, CFSP, CBROP, debt management strategy and county budget for the last financial year. Evidence was not provided, therefore the score is D*.

PI-17.2 Guidance on budget preparation

The County Treasury issued the budget circular on 26th August 2015 as per Section 128 of PFM Act, 2012 which requires that the CEC Member of Finance set out the guidelines not later than 30th August in each year. The circular gives detailed guidelines on how to prepare the budget. It is issued to the budget entities immediately after deliberation by the CEC Member of Finance. However, the guidelines do not provide ceilings to the departments. The score is D.

PI-17.3 Budget submission to the legislature

All the budgets for the last three fiscal years were submitted to the County Assembly and approved as per the timelines given in the budget circulars as evidenced in the transmittal letters provided. The budget estimates for the 2015/16 was submitted on 30th April 2015 and meets the PFM Act, 2012 requirement. The 2014/15 was submitted on 29th April 2014. The County has not provided evidence when the budget for 2013/14 had been submitted. The County Treasury has attached economists to each department to assist them in policy making and budgeting. This has actually improved the quality of the MTEF reports submissions by the departments. Submission date for the first year of assessment was not provided, therefore the score is C.

Summary of scores and performance table

PI-17 Budget preparation process (M2)	**D+**	**Brief justification for score**
17.1 Budget calendar	D*	The County issues budget calendar every beginning of the budget cycle as required by the Constitution and the PFM Act. The County has not provided a copy of the budget calendar.
17.2 Guidance on budget preparation	D	The circulars give detailed guidelines to the departments on how to prepare the MTEF reports and the PBB. However, there are no ceilings in the budget circulars.
17.3 Budget submission to the legislature	C	The budgets for two of the three fiscal years were submitted by the County Treasury to the County Assembly by 30th April of each financial year. Evidence of submission date has not been provided for 2013/14.

PI-18. Legislative scrutiny of budgets

This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinises, debates, and approves the annual budget, including the extent to which the legislature's procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature.

PI-18.1. Scope of budget scrutiny

The County Assembly scrutinises the budget policy documents, that is, the CFSP, CBROP and detailed MTEF budget estimates in accordance to PFM Act, 2012. These documents cover fiscal policies (including revenue and expenditure estimates), medium-term fiscal forecast and medium-term priorities. The County Assembly checks the policy documents following the MTEF period covering the revenues and expenditures. However, the revenues have been having challenges in meeting the targets. The County Assembly departmental committees prepare their reports which are then submitted to the Budget Committee for compilation and considerations. The score is A

PI-18.2. Legislative procedures for budget scrutiny

The Budget Committees in reviewing the budget proposals following the PFM Act, Section 1. The County Assembly does not have specific guidelines to follow other than the standing orders of the respective committees. The Budget and Appropriations Committee of the County Assembly is mandated with the overall responsibility to drive the process of the budget scrutiny. When the Budget Committee receives the budget it is then forwarded to the respective departmental committee to scrutinize and give recommendations to the Budget Committee who will compile all the recommendations from all departmental committees. This is evidenced from the Budget Committee reports provided. Baringo Public Participation Act, 2015 has been passed to guide the Public Participation (PP) exercise. The County has not developed the guidelines for the PP, yet. The score is C.

PI-18.3. Timing of budget approval

The County Assembly approved the budgets as follows:

- 2013/14 - 3rd September 2013,
- 2014/15 – no data provided
- 2015/16 – 23rd June 2015,

There were challenges in implementing 2013/14 budget due to conflicts between County Assembly and the County Executive. The budget was approved in September with amendments. In two of the assessed years the budget was not approve on time, the score is D.

PI-18.4. Rules for budget adjustments by the executive

The County Assembly has not developed any guidelines on budget adjustments. Rules are provided for by the PFM Act 2012 (135) and (154) and the PFM (County Government Regulations, 2015) and they have been applied during 2015/16 when the County Government made only one Supplementary Budget. The existing rules provide for administrative reallocation and expansion of expenditure. The score is C.

Summary of scores and performance table

PI-18 Legislative scrutiny of budgets (M1)	D+	Brief justification for score
18.1 Scope of budget scrutiny	A	The CA scrutinizes the budget to check its consistence with the CIDP, ADP and CFSP which include budgetary priorities and medium-term revenue and expenditure estimates and forecasts.
18.2 Legislative procedures for budget scrutiny	C	The County Assembly committees are guided by the standing committee rules for budget scrutiny which are adhered to. No record of public participation was evidenced
18.3 Timing of budget approval	D	The budget was approved on time in only one of the fiscal years assessed.
18.4 Rules for budget adjustments by the executive	C	Clear rules exist as per PFM Act 2012 and they allow administrative reallocation and expansion of expenditures.

3.5 Pillar V. Predictability and Control in Budget Execution

Indicators of this pillar measures whether the budget is implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended. There are eight indicators under this pillar: revenue administration, accounting for revenue, predictability of in-year resource allocation, expenditure arrears, payroll controls, procurement, internal control on non-salary expenditure and internal audit.

PI-19. Revenue administration

This indicator relates to the entities that administer county government revenues, which may include tax administration, customs administration, and social security contribution administration. It also covers agencies administering revenues from other significant sources such as natural resources extraction. These may include public enterprises that operate as regulators and holding companies for government interests. In such cases, the assessment will require information to be collected from entities outside the government sector. The indicator assesses the procedures used to collect and monitor County government revenues.

PI-19.1. Rights and obligations for revenue measures

Revenue administration and collection for the Baringo County Government is undertaken by the Revenue Unit which falls under the Finance and Economic Planning Sector of the County. The streams of revenue and the applicable rates are supported by the County Finance Act which is passed annually. The revenue collectors disseminate tax revenue information to tax payers in accordance with the Baringo County Finance Act 2015. The County Government does not provide additional comprehensive information in relation to the obligation of tax payers. Taxpayers who have complaints channel them to the sub-county revenue officers and if not satisfactorily addressed, they are escalated to the head of revenue at the County headquarters. If the complaints are not addressed, taxpayer can appeal to the Chief Officer, Finance and Economic Planning which is the final avenue of redress. However, there is no independent body/committee to address tax related complaints. Therefore, the score is D.

Table 3.9 shows the revenue streams for 2015/16. The revenue of the County is collected mostly at the cash points of the County administration.

Table 3.9: Revenue Streams during 2015/16

	Revenue Stream	**Amount**
1	Sales of Agricultural Goods	65,921,984.00
2	Rents	16,744,873.00
3	Other Property Income	1,158,190.00
4	Sales of Market Establishments	37,215,442.00
5	Receipts from Administrative Fees and Charges	38,098,248.00
6	Receipts from Administrative Fees and Charges	2,893,400.00
7	Receipts from Sales by Non-Market Establishments	-
8	Receipts from Veterinary Services	3,930,042.00
9	Receipts from Hospital Revenue	69,475,982.00
10	Other Receipts Not Classified Elsewhere	46,431,538.29
	TOTAL	**281,869,699**

Source: Audited AFS 2015/16

PI-19.2. Revenue risk management

The County Revenue Unit has not put in place a comprehensive, structured and systematic approach for assessing and prioritizing compliance risks. Classification of tax payers into small, medium and large payer categories to effectively and effectively facilitate prioritization of compliance risks and mitigation measures has also not been done. The County has, however, automated revenue collection which has helped in improving revenue collection. All revenue collectors are issued with Point of Sale (PoS) machines. In the field when money is received in cash or cheque, the collector captures the details of the payers and the revenue type in the machine. A receipt is generated by the machine and the transaction is also transmitted to the immediate supervisor and the Head of Revenue at the County Headquarter. There is no system to put in priority revenue related risks, therefore the score is D.

PI-19.3. Revenue audit and investigation

The Revenue Unit of the County Government has not put in place audit and fraud investigation systems documented in a compliance improvement plan. It is, therefore, not easy to identify risks and make follow up to minimise revenue leakages. Further, no audits have been performed at the Revenue Unit. However, revenue audits are included in the annual audits of the entire County carried out by the Internal Audit Unit and the External Auditors. The score is D.

PI-19.4. Revenue arrears monitoring

In the context of County Government of Baringo, revenue arrears refer to revenue payable to the County but still outstanding as at the end of a financial year. Revenue arrears are presented by revenue type such as property rates arrears but not by level of age. The stock of revenue arrears as at the end of the 2015/16 financial year was Ksh 64,575,672. According to the 2015/16 financial statements, total own revenue for the year amounted to Ksh 281,869,699. Thus, the percentage of revenue arrears to total own revenue was 23 per cent. Out of the outstanding arrears of Ksh 64,575,672 arrears amounting to Ksh 52,723,541 were outstanding for over 12 months. Consequently, the percentage of arrears over 12 months to the total arrears was 82 per cent. These arrears date from the time the sub-national structure came to existence and also include inherited arrears from the Defunct Local Authorities. The score is D.

Some reform initiatives by the County include the development of a framework to roll out civic education to all residents of the County on their rights and obligations as tax/revenue payers and also on the obligations of the County government with the revenue collected. The County is also planning to go cashless as far as revenue collection is concerned.

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	Apart from the information from the Finance Act, the County does not use other channels to provide payers with easy access to comprehensive and up-to-date information on the main obligations revenue and procedure. Further the County has not put in place redress system in place to deal with complaints, compliments and appeal.
19.2 Revenue risk management	D	The County Revenue Unit has not put in place a comprehensive, structured and systematic approach for assessing and prioritizing compliance risks.
19.3 Revenue audit and investigation	D	The County Government has not put in place an independent body to carry out revenue audits and fraud investigations
19.4 Revenue arrears monitoring	D	Stock of revenue arrears as at the end of the 2015/16 to total own revenue is 23%. The rate of arrears over 12 months old to the total arrears is 82%.

PI-20. Accounting for revenue

This indicator assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling tax revenue accounts. It covers both tax and non-tax revenues collected by the county government.

PI-20.1. Information on revenue collections

All County revenue from various sources is collected using PoS machines. As collection takes place and data is captured in the machine, the transactions are transmitted such that the Head of Revenue Unit at the headquarters Finance and Economic Planning Department, can view the transactions at the headquarters. At the end of the day, sub-county revenue officers prepare revenue reports and submit them to the Head of Revenue Unit. The sub-county reports are then consolidated on monthly basis. The daily reports and monthly reports are then categorised into revenue types. The reports are prepared as per the revenue types in the annual budgets. Revenue data is compiled on a monthly basis. Monthly revenue reports have been provided by the officers during the field work. A typical monthly report provides (i) all groups of revenue type for the respective sub-county, (ii) the target revenue amount, (iii) the actual collected revenue for the period and (iv) percentage of actual against the target. This is provided from the County Revenue Officer to Chief Officer Treasury. A monthly reconciliation for January 2017 has been reviewed with revenue locations (11 sub-counties) and revenue sources (e.g. game park fees, market fees, plot rents, etc.) for a total amount of actual collected revenue of Ksh 24,063,143 and 75 per cent realization. The report was dated 14th February 2017. The above information justifies score A.

The Head of Revenue Unit has set up a team to review previous weaknesses and embark on reconciliations of revenue collections, arrears and transfers to Treasury controlled accounts. They will be required to ensure that the reconciliations are up-to-date.

PI-20.2. Transfer of revenue collections

Revenue collected from various sources is banked on a daily basis and banking slips surrendered to the Revenue Office at the headquarters. Reconciliations between collections and banking are carried at the end of the month to establish any discrepancy. All revenue collections in various banks are swept in the County Revenue Fund (CRF) account held at the Central Bank of Kenya once in every month. The taxpayers pay their revenue obligations directly at the County administration cash points as well as to the County bank accounts. The score is A.

PI-20.3. Revenue accounts reconciliation

Though it was indicated that revenue reconciliations to Treasury controlled account are carried out monthly, the evidence provided in the form of revenue reconciliation statement did not demonstrate adequate revenue administration in terms of assessments, collections, arrears, and transfers. The evidence was not reliable, therefore the score is D.

Summary of scores and performance table

PI-20 Accounting for revenue (M1)	D+	Brief justification for score
20.1 Information on revenue collections	A	Information on revenue collection is obtained on monthly basis from entities collecting all County revenue. This information is broken down by revenue type and source.
20.2 Transfer of revenue collections	A	Revenue collected from various sources is banked on daily basis and reconciliations between collections and banking are carried at the end of the month. Once in every month, all collections in various banks are swept in the County Revenue Fund account at the CBK
20.3 Revenue accounts reconciliation	D	The evidence provided did not meet the conditions for revenue account reconciliation in terms of assessments, collections, arrears and transfers.

PI-21. Predictability of in-year resource allocation

This indicator assesses the extent to which the central department of finance is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to budgetary units for service delivery.

PI-21.1. Consolidation of cash balances

Section 109 (2) 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 County Revenue Fund (CRF). Baringo County operates a CRF account at the CBK in accordance with the PFM Act 2012. Revenue collections in all the accounts of the County are consolidated and transferred on a monthly basis to the CRF account. However, evidence was not provided to support this. Both the National and County Governments do not operate a Treasury Single Account (TSA). Not all 42 bank accounts are at the Central Bank of Kenya. The County has seventeen accounts at commercial banks which are consolidated on monthly basis through bank reconciliation statements. The score is C.

PI-21.2. Cash forecasting and monitoring

Section 120 of the PFM Act, 2012 provides for the management of cash at the County level. A County Treasury shall manage its cash within a framework established by the County Assembly. Every County Government entity is required to prepare and submit an Annual Cash Flow Plan under the direction of the County Treasury with a copy to the Controller of Budget.

The County prepared cash flow forecast for the 2015/16 fiscal year in compliance with Section 120(2) of the Public Finance Management Act, 2012. No significant updates were made to the cash flow forecast since they were prepared based on realistic revenue projections and expenditure projections supporting the cash inflows. The score is C.

PI-21.3. Information on commitment ceilings

All budgetary units in the County are able to plan and commit their expenditure for at least six months within each fiscal year. This is made possible because the County prepares annual cash flow forecasts based on realistic revenue and expenditure projections. Through the Vote on Account, the departments are able to enter into spending commitments in the beginning of the year, aggregate limits being 50% of the proposed budget (Section 134 of PFM Act, 2012) and PFM Regulations 43 and 44. The budgetary units are provided with reliable information on the actual resources available for commitments. The information is usually gazetted, projection as in the CFSP and the actual requisitions. The budgetary units are able to plan and commit expenditures in accordance with budget appropriations. The score is A.

PI-21.4. Significance of in-year budget adjustments

During the 2015/16 financial year the County Government made only one Supplementary Budget as confirmed in the meetings and per documents provided. Even though the County has not come up with regulations and guidelines, the process of preparations and approval of the Supplementary Budget were done in accordance with Section 135 of the PFM Act, 2012. In-year budget adjustment has been captured in the financial statements for 2015/16 which have been provided. The size of the budget adjustments in the last fiscal year 2015/16 for both recurrent and development expenditure is Ksh 110,514,895 (about 2 per cent of the original budget). Generally all in-year adjustments are gathered in the County Supplementary Budget submitted to the County Assembly for approval. The Supplementary Budget is a request for approval of anticipated reallocations. Reallocations do not occur before the CA approves the Supplementary Budget. The score is B.

Summary of scores and performance table

PI-21 Predictability of in-year resource allocation (M2)	B	Brief justification for score
21.1 Consolidation of cash balances	C	The County consolidates most of its cash balances monthly basis through bank reconciliation statements.
21.2 Cash forecasting and monitoring	C	Cash flows are prepared annual for the fiscal year. Cash flow projections are not updated on the basis of actual cash inflows and outflows.
21.3 Information on commitment ceilings	A	Budgetary units plan and commit expenditure for at least six months in advance based on the budgeted appropriations
21.4 Significance of in-year budget adjustments	B	During the 2015/16 financial year the County Government made only one Supplementary Budget which was done fairly transparent having been subjected to approval by the County Assembly.

PI-22. Expenditure arrears

This indicator measures the extent to which there is a stock of arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control. It contains two dimensions namely stock of expenditure arrears and expenditure arrears monitoring.

PI-22.1. Stock of expenditure arrears

There is no specific legal framework on expenditure arrears. As at close of 2013/14, 2014/15 and 2015/16 financial years, the County had expenditure arrears amounting to Ksh 406,393,880, Ksh 174,023,700 and Ksh 184,522,541, respectively. Total expenditure as at close of the three financial years was Ksh 282,634,271, Ksh 4,013,402,477 and Ksh 4,804,201,934, respectively. IFMIS does not analyse payments, legal and contractual payment deadlines, and invoices, including suspensions and rejections. Reports on expenditure arrears are prepared manually from other underlying accounting records. The reports are prepared by the accountant in charge of financial reporting.

The percentage of stock arrears to total expenditure for the financial years 2013/14, 2014/15 and 2015/16 are 14%, 4% and 4%, respectively. The expenditure arrears include arrears on works, goods and services payable to various contractors and suppliers. The deadline for payment for each supplier or contractor is contained in the individual contracts signed between the suppliers and contractors and the County. The score is B.

PI-22.2. Expenditure arrears monitoring

The County Government prepares expenditure arrears which include the consolidated balance and composition at the end of every financial year for incorporation in the annual financial reports. This has been done consistently as evidenced by disclosures in the Annual Financial Statements and supporting schedules for the last three completed financial years. The generation of data on the stock and composition of expenditure arrears is performed at the end of each financial year during the preparation of the AFS. The reports are, however, not prepared on quarterly basis to facilitate effective monitoring of the arrears but generated once in a year. A report for 2015/16 on expenditure arrears has been provided indicating stock, composition but no age profiles. The score is C.

Summary of scores and performance table

PI-22 Expenditure arrears (M1)	**C+**	**Brief justification for score**
22.1 Stock of expenditure arrears	B	Percentage of stock of expenditure arrears to total expenditure for the last three financial years (2013/14, 2014/15 and 2015/16) is 14%, 4% and 4%, respectively. Out of the three financial years, the percentage of arrears to total expenditure is less than 6% for two financial years.
22.2 Expenditure arrears monitoring	C	The County Government prepares expenditure arrears which includes the consolidated balance and composition at the end of every financial year for incorporation in the annual financial reports. The reports are however not prepared on quarterly basis to facilitate effective monitoring of the arrears and do not cover age analysis.

PI-23. Payroll controls

This indicator is concerned with the payroll for public servants only: how it is managed, how changes are handled, and how consistency with personnel records management is achieved. Wages for casual labour and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls, PI-25.

PI-23.1. Integration of payroll and personnel records

The County Government uses the Integrated Payroll and Personnel Data (IPPD) management system which is used by the National Government. The IPPD system is managed by the Department of Personnel Management of the National Government and the Human Resource Unit of the Baringo County Government. However, the IPPD system is not integrated to the IFMIS which has the budget module. All changes affecting payroll are effected monthly and checked against the previous month's payroll data. Further, staff recruitment is informed by the approved establishment. Approved establishment refers to the optimal staff numbers (levels) for all units of the County departments. This is determined by the departments in charge of County Public Service. No department of the County can employ beyond the approved establishment. The score is B.

PI-23.2. Management of payroll changes

According to the Head of Human Resource, changes to personnel records and payroll are supported by documentation from various authoring officials. Payroll is usually closed on 12th of every month. Adjustment instructions received after 12th day of the month are therefore effected in the following month's payroll. Changes to personnel records and payroll are updated on monthly basis and in time for the following month's payments. In a sampled case, Public Service Board promoted 57 Health staff vide memo Ref. BPSB/IM/193/16 dated 24.08/2016. Comparison of three of promoted staff confirmed that the changes were effected within one month as evidenced by their respective August and September 2016 pay slips.

At the time of assessment, payroll data for February and March 2017 indicated total expenditure of Ksh 164,549,772 and 164,598,585, respectively. Salary arrears for February and March 2017 were Ksh 2,429,180 and 2,922,903, respectively. Therefore, the percentage of arrears to gross salary for the two months is 1.5 per cent and 1.8 per cent, respectively. There are amendments occasioned by changes to employee status such as promotions. Amendments that result to salary changes are reflected in the following month's payroll summary. Every IPPD manager prepares a report to explain the cause of salary variations from the previous month's salary. The above justifies score A.

PI-23.3. Internal control of payroll

Authorisation of records and payroll changes is restricted to County Secretary based on approved authority from County Public Service Board. Changes are only effected by the County Secretary, acting on instructions from the Public Service Board. All changes must be supported by documents from the Public Service Board. Any salary adjustments arising from the changes must be explained in the following month's payroll summary. Audit trail in the form of manual documents was available and verified during the assessment. At the County level a clear audit trail in form of log queries cannot be generated from IPPD. This was due to the fact that the system administrator is based at the National Government level (Department of Personnel Management). It may therefore be necessary to have administrator access rights to the system at the County level to facilitate generation of IPPD log reports. The score is A.

PI-23.4. Payroll audit

During the last three completed financial years, payroll audit was carried out only once. The audit was carried out by the Internal Audit Unit during the 2014/15 financial year as per report dated 10th February, 2015. The report covered all the departments of the County government covering 1st July, 2014 to 31st December, 2014. The audit involved examination of manual payroll records and interviews with key payroll staff. The audit revealed various weaknesses as indicated in the report and made recommendations to address the weaknesses. However, it could not be established at the time of the assessment the actions taken by the management since response to the audit report was not availed. The Human Resource Unit has made a proposal to acquire Human Resources Information System (HRIS) to enhance efficiency in its operations as part of reforms. This proposal has, however, not been implemented due to budgetary constraints. The score is B.

Summary of scores and performance table

PI-23 Payroll controls (M1)	**B+**	**Brief justification for score**
23.1 Integration of payroll and personnel records	B	The County Government uses the Integrated Payroll and Personnel Data (IPPD) management system similar to the system used by the National Government. It integrates personnel database and payroll. However, the IPPD system is not integrated to the IFMIS which has the budget module.
23.2 Management of payroll changes	A	Changes to personnel records and payroll are updated on monthly basis and in time for the following month's payments. Documentation on sampled cases confirmed that in most the cases the process is completed within one month.

23.3 Internal control of payroll	A	Authorisation of changes to personnel records is restricted to the County Secretary supported by the documented approval from the Public Service Board. Payroll changes are authorised by the Head of Human Resource acting on approvals from the Public Service Board.
23.4 Payroll audit	B	During the last three completed financial years, payroll audit was carried only once. The audit was carried out during the 2014/15 financial year as per report dated 10th February 2015. The report covered all the departments of the County Government

PI-24. Procurement

This indicator examines key aspects of procurement management. It focuses on transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements.

PI-24.1. Procurement monitoring

Section 68 of the Public Procurement and Asset Disposal Act, 2015 requires the accounting officer of the procuring entity to keep procurement records. Evidence of procurement monitoring records was provided in the documents "Table 1: List of contracts signed and completed during the period 2015/16 for the County of Baringo". The procurement record maintained provides complete data and cover the following details: (i) procurement method (ii) category – work, service, goods; (iii) description of contract; (iv) value; (v) contract signature date and contract completion date; (vi) supplier/contractor. A detailed procurement plan has also been provided by function/ministry covering also sub-counties and towns.

The County Government of Baringo had prepared an annual procurement report for 2015-16 which has details on data on items procured, value of procurement, name of supplier/contractor that has been awarded, procurement methods, nature of contract. However, the report did not include all data on goods consumed by the County Executive to ascertain the accuracy and completeness for all procurement methods for goods. Besides, the OAG report has found that there are development expenditure project where payment has been made but work was stalled. Example: (i) a project for construction of laboratories at school with the Ministry of Education and ICT; (ii) Kabarnet Dump site – qualified as idle project with the Ministry of Agriculture, Livestock and Fisheries. The score is B.

PI-24.2. Procurement methods

Section 92 of the Public Procurement and Asset Disposal Act, 2015 provides for procurement methods that include: open tender; two-stage tendering; design competition; restricted tendering; direct procurement; request for quotations; electronic reverse auction; low value procurement; force account; competitive negotiations; request for proposals; framework agreements; and any other procurement method and procedure as prescribed in regulations and described in the tender documents.

According to the annual procurement report, Baringo County used five procurement methods, namely: (i) open tender, (ii) request for proposals (RFP), (iii) request for quotation (RFQ), (iv) restricted tender and (v) direct procurement. There was no information on the proportion of contracts procured by competitive versus noncompetitive method. Therefore, the score is D*.

Restricted tender is defined in the PPAD Act in Article 102. This is usually a tender open to restricted prequalified tenderers.

PI-24.3. Public access to procurement information

Legal and regulatory framework for procurement: The County Government in an effort to make the underpinning legal framework available to the public has conducted a number of sensitization workshops targeting all contractors in the County for the 2015/16. Further, Public Procurement and Asset Disposal Act 2015 is available on PPRA website.

Government procurement plans: The County Government prepared the 2015-16 procurement plan in line with the needs of each department. However, this plan was not availed to the public.

Bidding opportunities: were posted on County Government official website vide: *http://baringo.go.ke/index.php?option=com_content&view=article&id=3&Itemid=111*. Further, these bidding opportunities were posted in leading print media and put on notices on strategic positions to see.

Contract awards (purpose, contractor and value): Although bidding opportunities were made public, successful and unsuccessful contractors were not made public with associated reasons.

Data on resolution of procurement complaints: The County had not put in place a clear mechanism to resolve complaints. However, it was reported that no formal complaints had been forwarded to the County. Section 27 (1) creates a Public Procurement Administrative Review Board which is to address complaints brought to its attention from national and county governments. In the Public Procurement and Asset Disposal Act 2015, Section 167 provides for a redress mechanism that a procurement candidate or tenderer is aggrieved.

Annual procurement statistics: Statistics from market survey for products not available. The procurement department indicated that plans were underway by the PPRA to conduct a regional market survey which had delayed. However, the procurement department was considering conducting a County specific market survey.

Any procurement complaints are addressed through the Public Procurement and Administrative Review Board. Data on resolution of procurement complaints are available on the PPOA (independent board under the Public Procurement Oversight Authority) website. Clear guidelines on the process followed for any conflict are published and available online on the web site *www.ppoa.go.ke*. The decisions of the Board are binding to all parties involved. The table below provides a summary on public access to procurement information in Baringo County.

In summary, three of the key procurement information elements are complete and reliable for government units, however, it was not possible to ascertain the materiality showing for how many procurement operations this was true. The score is D*.

Public access to procurement information

Key procurement information to be made available to the public:	Compliance (Y/N)
1. legal and regulatory framework for procurement	Y
2. government procurement plans	N
3. bidding opportunities	Y
4. contract awards (purpose, contractor and value)	N
5. data on resolution of procurement complaints	Y
6. annual procurement statistics	N

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 - ref to component (1). Section 27 of PPADA establishes an independent Public Administrative Review Board to ensure the proper and effective performance of the functions of the PPRA. There are clear guidelines on the process followed in case of complaints. The decisions of the PPARB are binding to all parties involved – ref. to (6). 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". There is a fee payable by the party filing complaints – ref to (2). The schedule of fees can be extracted from the Public Procurement and Disposal Regulations, 2013. However, it was observed that the complaints filed with the Board are getting more and more each year which may imply that the fee is not so material to prohibit access.

The PPARB follows processes for submission and resolution of complaints that are clearly defined and publicly available the process for submission and resolution of complaints is clearly provided for in the PPADA (Section 27) which is publicly available. The PPARB exercises the authority to suspend the procurement process – ref to (4). The PPADA provides grounds for debarment of a person from participating in procurement or asset disposal proceedings.

The decisions are issued within the timeframe specified in rules – ref to (5): the PPADA requires the PPARB to make a decision within thirty days of the date of submission of an application for review. The PPARB report for 2015/16 states that all cases filed were heard and determined within an average of 22.5 days. The score is A.

Compliance of complaints reviewed by an independent body in accordance with the PEFA criteria is summarized in table below.

Procurement complaints management

Complaints are reviewed by a body which:		Compliance (Y/N)
1.	is not involved in any capacity in procurement transactions or in the process leading to contract award decisions	Yes
2.	does not charge fees that prohibit access by concerned parties	Yes
3.	follows processes for submission and resolution of complaints that are clearly defined and publicly available	Yes
4.	exercises the authority to suspend the procurement process	Yes
5.	issues decisions within the timeframe specified in the rules/ regulations	Yes
6.	issues decisions that are binding on every party (without precluding subsequent access to an external higher authority)	Yes

Some of the reform efforts by the County include the sensitization of contractors and department on procurement procedures. In addition, the introduction of fuelling cards and not bulk buying of fuel. Already, two departments, that is Health and Agriculture and Livestock have already signed contracts with an oil dealer sourced competitively.

Summary of scores and performance table

PI-24 Procurement (M2)	C+	Brief justification for score
24.1 Procurement monitoring	B	Comprehensive data is maintained on what has been procured, value and procurement method for most procurement methods.
24.2 Procurement methods	D*	Over 80% of procurement has allegedly been done competitively. No evidence has been provided to support this information.
24.3 Public access to procurement information	D*	Only three elements of the six were met by the County but the materiality could not be ascertained.
24.4 Procurement complaints management	A	The procurement complaint system meets all criteria.

PI-25. Internal controls on non-salary expenditure

This indicator measures the effectiveness of general internal controls for non-salary expenditures. Specific expenditure controls on public service salaries are considered in PI-23.

PI-25.1. Segregation of duties

The County has a clear segregation of duties throughout the expenditure process. The responsibilities are clearly specified even though there is no standard operating procedure (SOP) for finance. The process is as follows:

- Receipt of an invoice
- Authority to incur expenditure (AIE) holders authorize payments
- Authorization goes to vote book check to verify whether there are funds
- Examination
- Commitment is made through the IFMIS system
- County Treasury
- CO-Finance
- Invoicing in the system
- Validation
- AIE holder

- Validation
- Payment
- Internet Banking (IB) where there are two levels of approval.

Documents for IFMIS rights and vouchers with different approvals were provided as evidence. The score is A.

PI-25.2. Effectiveness of expenditure commitment controls

The IFMIS system does not allow commitment of funds where a vote does not have funds. Internet banking gives actual balance for utilization. This implies that payment cannot be made if there are no funds. Departments prepare procurement plans based on cash-flow projections. Departments prepare quarterly work plans, quarterly and monthly cash-flow projections. This is sufficient to effectively limit commitments to projected cash availability and approved budget allocations because once the budget is approved, it is uploaded in IFMIS. Commitment controls exist when all County entities are prevented from incurring unauthorized commitments through system controls, regulations and procedures. No evidence of unauthorised commitments was obtained. Priority payments are salaries and essential services and including statutory deductions. The score is A.

PI-25.3. Compliance with payment rules and procedures

Generally, the County complies with the payment procedures having all transfers carried out through the IFMIS. All payment requisitions are made through a specific form that is sent to the financial control. The OAG report for 2013/14 ascertained 'unsupported compensation of employees expenses' however supporting documents had not been provided to calculate materiality. The 2014/15 OAG report was with adverse opinion based on increased unbudgeted costs including such related to employees' expenditures. Reliable evidence was not provided, therefore the score is D*.

Summary of scores and performance table

PI-25 Internal controls on non-salary expenditure (M2)	**B**	**Brief justification for score**
25.1 Segregation of duties	A	There is segregation of duties along the expenditure as evidence by signed payment vouchers and right to IFMIS and Internet banking

25.2 Effectiveness of expenditure commitment controls	A	The County Government has a cash-flow projection prepared for the whole year guided by requisitions. Expenditure commitment controls exist limiting commitments to approved budget allocations for most types of expenditure.
25.3 Compliance with payment rules and procedures	D*	The majority of payments have been claimed to be compliant with regular payment procedures. No data was provided to verify how much of the payments made are compliant with regular payment procedures.

PI-26. Internal audit

This indicator assesses the standards and procedures applied in internal audit.

PI-26.1. Coverage of internal audit

The legal framework defining the background for internal audit consists of Section 155 of PFM Act, 2012 and PFM Regulation No. 153 of 2015 for the county governments. The PFM Regulation specifies the mandate of the internal auditors which states as follows:

- Review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in county government entities, including County Assembly;
- Have a duty to give reasonable assurance through the audit committee on the state of risk management, control and governance within the organization; and
- Review the effectiveness of the financial and non-financial performance management systems of the entities.

The County Internal Audit Department covers all the departments in the County Executive. The High risk areas identified, for example revenue and cash, cut across all the County departments. The percentage of the County entities which were subject to internal audit over the last three financial years has been reported to be 75%. However, no evidence has been provided to justify this calculation. Therefore the score is D*.

PI-26.2. Nature of audits and standards applied

The Internal Audit Department applies International Professional Practice

Framework (IPPF) as stipulated in law. There are three levels of review before reports are released. Risk assessment is made in order to define the audit subject and object. The types of audits performed in the last 3 fiscal years are value for money audit, financial audit and system audit. There is no formalised quality assurance procedure in place. The score is C.

PI-26.3. Implementation of internal audits and reporting

The reports released have been matched to the Audit Plan to ensure that planned audits are undertaken. However, no evidence on how much of the Annual Audit Plans had been implemented over the last three financial years. The score is D*.

PI-26.4. Response to internal audits

Responses to the Internal Audit reports are provided within one month of the report being issued. The Internal Audit Department follows up to ensure implementation. Documentary evidence of management response to internal audit recommendations was not provided. Responses to internal audit reports for the years 2014/15 and 2015/16 were provided within one month of the report being issued. However, there were no responses to the Internal Audit report for 2013/14. The score is D.

Summary of scores and performance table

PI-26 Internal audit (M1)	D	Brief justification for score
26.1 Coverage of internal audit	D*	The County Internal covers all the departments in the County Executive. The percentage of the County entities which were subject to internal audit over the last three financial years is 75%. No evidence was provided to justify the percentage of audited county entities.
26.2 Nature of audits and standards applied	C	The Internal Audit Department applies International Professional Practice Framework (IPPF) as stipulated in the law in Kenya. No formalised quality assurance.
26.3 Implementation of internal audits and reporting	D*	It has not been evidenced how much of the Annual Audit Plans have been implemented over the last three financial years
26.4 Response to internal audits	D	In 2014/15 and 2015/16 responses to the Internal audit reports are provided within one month of the report being issued. Documentary evidence of management response to internal audit recommendations has not been provided. However for 2013/14, there were no responses to internal audit reports.

3.6 Pillar VI. Accounting and Reporting

Indicators under this pillar measure whether accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs. There are three indicators under this pillar: financial data integrity, in-year budget reports and annual financial reports.

PI-27. Financial data integrity

This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data.

PI-27.1. Bank account reconciliation

PFM Act, 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 10th of the subsequent month. Any discrepancy noted during reconciliation should be investigated immediately.

The County Government prepares monthly bank reconciliations for all active bank accounts. These include the key accounts held in the CBK as well as the others in commercial banks. These are bank accounts of budgetary and extra-budgetary units. Different fund accounts e.g. SME have their own administrators who prepare monthly bank reconciliations. Copies of the monthly bank reconciliations are provided to the OAG within the required deadline. The score is B.

PI-27.2. Suspense accounts

County Treasury does not have suspense accounts. They are not required by law to have a suspense account. The PFM Act Section 107(2b) states that “to account for revenue and expenditure transactions in clearance /suspense accounts, the accounting officer shall ensure that monthly reconciliations are performed to confirm the balance of each account”. This dimension is not applicable.

PI-27.3. Advance accounts

County has two types of imprests: (i) Temporary Imprest which is advanced to officers going for official trips and is accounted for in 7 Days after returning to duty station and (ii) Standing Imprest which is advanced to authority to incur expenditure (AIE) holders and is replenished upon retirement and surrender. Outstanding imprests are deducted immediately in the subsequent month following close of financial year. Imprest account is reconciled annually and presented in the Annual Financial Statement. Section 93(8) of PFM Act, 2012 clarifies that a second imprest should not be given to an officer before the first one is settled. The score is C.

PI-27.4. Financial data integrity processes

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

The County Treasury uses IFMIS and Internet banking to record and process budget data. Access and changes are restricted to system users who have rights (password) to the system. Rights to the system are assigned from the National Treasury upon request by the County through a letter. The system records all processes and they are traceable in an audit trail. There is restricted IFMIS through segregation of duties and login passwords. However, there is no operational unit to verifying financial data integrity. The score is B.

Summary of scores and performance table

PI-27 Financial data integrity (M2)	**B**	**Brief justification for score**
27.1 Bank account reconciliation	B	The active bank accounts of the County are reconciled to the cash books once monthly.
27.2 Suspense accounts	N/A	The County does not have any suspense accounts
27.3 Advance accounts	C	The accounts are reconciled annually as a note to the AFS (Note 13) but they are cleared more than two months after the year end.
27.4 Financial data integrity processes	B	The County uses IFMIS and Internet banking to record and process budget data. Both systems have phases of verification and approval to enhance data integrity. A copy of schedule showing the stages of processes and approver's obtained. Change of system users is done by the National Treasury. Copies of letters requesting passwords for new system users obtained. However, there is no operational unit to verify financial data integrity.

PI-28. In-year budget reports

This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution. In year budget reports must be consistent with budget coverage and classifications to allow monitoring of budget performance and, if necessary, timely use of corrective measures.

PI-28.1. Coverage and comparability of reports

The PFM Act, 2012 requires budget execution monthly financial statement and non-financial 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 give comparison between budget estimates and actual expenditures among all departments of the County Executive and the County Assembly.

Quarterly Budget Implementation Status Reports show departmental budget implementation analysis comparison between the approved budget estimates and actual expenditures in the County Assembly and County Executive services for the main administrative headings. Quarterly Budget Implementation reports show:

- Departmental budget implementation analysis comparison between the approved budget estimates and actual expenditures in the County Assembly and County Executive services (analysed per department under County Executive).
- Expenditure analysis-comparisons between approved budget estimates and actual expenditures outlining the absorption rates.

The score is 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.

Quarterly budget execution reports are submitted to CRA and the National Treasury but the actual dates of these submission have not been provided. The Annual Financial Statements are prepared annually and submitted to the OAG by 30th September each year. Information on expenditures is captured at payment stage. The score is D.

PI-28.3. Accuracy of in-year budget reports

The annual budget estimates, CBROP, CSFP and quarterly budget implementation status reports give status of all budget items per line ministry. The County uses IFMIS to record budget reports. Changes to these reports must be sought from the National Treasury IFMIS Department. There is no analysis of budget execution by the respective budget classification on half-yearly basis. Information on expenditure which is covered at both commitment and payment stages can be produced at any given time in IFMIS. The score is C.

Summary of scores and performance table

PI-28 In-year budget reports (M1)	D	Brief justification for score
28.1 Coverage and comparability of reports	C	Quarterly Budget Implementation Status Reports show departmental budget implementation analysis comparison between the approved budget estimates and actual expenditures in the County Assembly and County Executive services for the main administrative headings
28.2 Timing of in-year budget reports	D*	Quarterly budget implementation status reports are submitted to the required institutions, however the submission dates have not been provided.
28.3 Accuracy of in-year budget reports	C	Analysis of payment and commitment is done through IFMIS (vote book balances). Expenditure is captured at payment stage only. There is no budget execution analysis on a half-yearly basis.

PI-29. Annual financial reports

This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system.

***PI*-29.1. Completeness of annual financial reports**

The County is applying IPSAS cash disclosing in the AFS revenue, expenditure and cash balances, however there are no assets and liabilities. The County AFS include a summary statement of appropriation with the original budget and the adjustments which are comparable with the actuals for a given financial year. There are no assets and liabilities disclosed in the AFS, this justifies score C.

PI-29.2. Submission of reports for external audit

Section 68, of the PFM Act, 2012 requires that all entities prepare Annual Financial Statements 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 consolidated set should be submitted within 4 months after the end of a financial year, i.e. by end of October.

The Annual Financial Statements are supposed to be submitted within 3 months after year end on 30th June, i.e. by 30th September. The Annual Financial Statements are prepared annually and are usually submitted by 30th September every year. This is in line with the PFM Act, 2012. The date on the submitted AFS for 2013/14 and 2014/15 show 30th September with the exception of 2015/16 when the AFS were prepared in January 2017 and submitted only on 5th May 2017 (evidence - a stamp "Received" at OAG showing on the audited AFS). The OAG has reported that the practice of returning the (submitted within formal deadline) AFS is very common due to errors. Since the AFS for 2015/16 were returned by OAG for correction, they were actually submitted more than six months later. The score is C.

PI-29.3. Accounting standards

The Public-Sector Accounting Standards Board (PSASB) adopted International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standards (IFRS) for use by public sector entities in July 2014. Retrospective application for the year ended June 2014 was encouraged by PSASB. The use of IFRS and IPSAS was, therefore, formally adopted and applied for the first year in the year ending 30th June 2014. Financial Year 2015/16 is the third year of implementation of the standards as prescribed by the PSASB in 2014. The county governments and their respective entities apply IPSAS Cash based standard.

The County prepares AFS as per the IPSAS Cash based standards according to the requirements of the Public-Sector Accounting Standards Board. The Cash-basis IPSAS enhances comprehensive and transparent financial reporting of the cash receipts, cash payments, and cash balances of the County Government. Application of IPSAS Cash based standards imply comparability of the government's financial statements.

The OAG states in the Annual Audit Report 'the financial statements are prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and applicable government legislations and regulations. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.'. The standards used in the preparation of the AFS are not disclosed in notes, therefore the score is D

As regards reforms, Public Sector Accounting Standards Board in Kenya is designing a framework for all County Governments to move to accrual-basis IPSAS.

Summary of scores and performance table

PI-29 Annual financial reports (M1)	**D**	**Brief justification for score**
29.1 Completeness of annual financial reports	C	The County applies IPSAS Cash showing disclosure of revenue, expenditure and cash, but no assets and liabilities in the AFS.
29.2 Submission of reports for external audit	C	The Annual Financial Statements were submitted by 30th September for 2013/14 and 2014/15 but more than six months after deadline for 2015/16
29.3 Accounting standards	D	The County prepares AFS as per the IPSAS Cash based standards according to the requirements of the Public-Sector Accounting Standards Board. The standards used in the preparation of the statements are not disclosed and do not appear as notes in the AFS. Variations between international and national standards are not discussed and gaps are not explained in the reports of the OAG.

3.7 Pillar VII. External Scrutiny and Audit

There are two indicators under this pillar, namely, external audit and legislative scrutiny of audit reports. These indicators assess the arrangements for scrutiny of public finances and follow-up on the implementation of recommendations by the executive.

PI-30 External audit

This indicator examines the characteristics of external audit.

PI-30.1 Audit coverage and standards

The audits are conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) by the Office of the Auditor General. The maintenance of effective control measures and compliance with laws and regulations are the responsibility of the management. The responsibility of the Auditor General is to report on the weaknesses that were identified in the course of the external audit. The types of audits performed are financial audit of the county entities such as providing an opinion on the financial statements and compliance audit activities, ensuring regularity and propriety of transactions, and the functioning of internal control and procurement system. The Office of the Auditor General employs quality assurance system to assess whether its audits adhere to the adopted audit standards. These reviews are performed by independent, peer reviews or via the professional organisation of the African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E). It is assisted in the development of a Quality Assurance Manual, whereas the Quality Control Manual has been developed by the OAG. The AFROSAI-E made its first peer review in 2003, then in 2009, 2012, 2014, and 2016. Independent quality assurance reports are prepared by the reviewers.

The audit reports that cover the period of 1st July 2013 to 30th June 2014 and 1st July 2014 to 30 June 2015 have been made available. 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 for the period 1st July 2015 to 30th June 2016 was outstanding at the time of assessment (April 2017) and was released by the OAG only in August 2017. All County budget entities have been audited in the last three completed financial years with the exception of the public corporations as discussed in PI-10.2 which do not appear in the AFS. The score is B.

PI 30.2 Submission of audit reports to legislature

The PFM Act, 2012 notes that it is not the responsibility of the County Executive to forward the Audit Reports to the County Assembly and to the Senate (for oversight) but should be done directly by the OAG. The Act specifies that the financial audit reports should be completed by end of December, thus allowing the OAG to carry out the external audit within three months. Very often this deadline is not respected for the simple fact that the submitted financial statements are often returned to the Executive to adjust errors which prevents the OAG from conducting a reliable audit. So, it is a common practice that the already submitted financial statements are amended after the end of September. Table 3.7 summarises when the reports were submitted to the OAG and received at the County Assembly of Baringo for scrutiny, as well as when they were submitted by the OAG to the County Assembly. The audited AFS for 2013/14 and 2014/15 show the date when the AFS were issued by the County Executive which is 30th September. There is no stamp when they were received at the OAG. Since the OAG audited the financial statement dated 30th September, it was assumed they were considered complete by the external auditor. The audited AFS for 2015/16 show a stamp ‘Received’ at OAG 5th May

2017, therefore the assumption is they were returned to the County Executive for corrections and this delayed the audit. Otherwise, the audit was completed within the six-month deadline.

Table 3.10: Submission of audit reports to the legislature

Financial year	Date annual financial statement submitted to OAG	Date received at County Assembly	Date submitted by OAG
2015/16	5th May 2017	Not provided	30th August 2017
2014/15	30th September 2015	Not provided	17th October 2016
2013/14	30th September 2016	Not provided	18th August 2015

Source: OAG

The Audit Report for financial year 2015/16 was completed by the OAG in August 2017. The Audit Report discussed as of the time of assessment at the Senate is the one for financial year 2014/15. There are various reasons for the long delays among which are (i) submission of erroneous and non-auditable Annual Financial Statements that the County Executive tend to revise after the end-September legal deadline for submitting them to OAG, this seems to be the practice at national level as well as in other counties; (ii) limited capacity of the OAG – only 800 audit staff; (iii) delayed funding to OAG from the Treasury; (iv) no risk-based audit approach employed at OAG. The score is D.

PI 30.3 External audit follow-up

The audit opinions and summary findings of the external audits of both year 2013/14 and 2014/15 have been provided. County government's responses to these findings were obtained during the assessment. The delay in timely response to audit issues is brought about by delays in audit completion. The previous Public Audit Act, 2003 did not provide for external audit follow-up. The latest edition of the Public Audit Act, December 2015 explicitly covers the audit process, including response to audit findings and follow-up. In this regard, the Public-Sector Accounting Standards Board has prepared a template to formalise the response to the audit findings but it is still early to assess its effectiveness.

The audit processes and types are prescribed in Section 31 of Part IV of the Public Audit Act, 2015. It is required that the OAG has an inception meeting with the auditee to discuss the scope of audit and to check that the previous year audit recommendation contained in the previous year's Management Letter are implemented. The Accounting Officer of the audited budget entity is supposed to submit a response to the Auditor General within 14 days, indicating remedial actions that have been taken in response to the issues raised in the Letter. If no response is received, the Auditor General finalises the Letter.

Since the revised Public Audit Act came into force in January 2016, the follow-up process has become more formalised. The Public-Sector Accounting Standards Board, established in sections 192-195 of the PFM Act, 2012, prepared a template in 2015/16 for preparing annual financial statements. This template provides for monitoring of the actions taken by the audited budget entity in response to the recommendations of the audit reports. The template came into effect during 2016/17 financial year and the audit process is still on-going. Thus, its effectiveness cannot be determined. As is the case for the Internal Auditor General's Office, OAG uses TeamMate as a tool for documenting its audit activities. The score is D.

PI 30.4 Supreme Audit Institution Independence

This dimension assesses whether 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, and the approval and execution of the SAI's budget. This independence is supposed to be assured by law and the SAI has unrestricted and timely access to records, documentation and information.

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 appointment and removal of the head of the OAG, the planning of audit engagements, arrangements for publicising 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 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 formalised. The Public-Sector Accounting Standards Board (established in sections 192-195 of the PFM Act, 2012) and elaborated on under Financial Regulation 111 of 2015. The Board is in the National Treasury prepared a template in 2015/16 for preparing annual financial statements. Section 27 of the template (available on 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 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 2016/17. The audit process is still on-going, so it is not possible to assess how well this new process has worked.

The nature of the Auditor General's functions requires guaranteed independence. This aspect has been recognized by the International Organization of Supreme Audit Institutions (INTOSAI), in the so called Mexico Declaration on SAI Independence, recognizing eight core principles. The essential requirements for proper public sector auditing have been adopted in Kenya. It is worth noting that OAG's budget is negotiated with officials of the National Treasury. This has not resulted in pressure of making changes or withholding funds.

The OAG has unrestricted and timely access to records and documentation but the fact that its budget is submitted first to the MoF may endanger its financial autonomy. Anyway, the score A for its other attributes and for consistency with the National PEFA assessment. The score is A.

Summary of scores and performance table

PI-30 External audit (M1)	**D+**	**Brief justification for score**
30.1 Audit coverage and standards	B	Since 2011 Office of the Auditor General have been employing ISSAIs on all external audits of National and County Governments. The percentage of the audited County Government entities over the last three completed financial years has not been reported by the OAG. However, the audit reports show that all County budgetary units have been audited with the exception of the public corporations
30.2 Submission of audit reports to the legislature	D	The Audit Reports for the three financial years 2013/14, 2014/15 and 2015/16 were submitted to the legislature with significant delay.
30.3 External audit follow-up	D	Summary of external audit findings implementation and follow up report for the years 2013/14 and 2014/15 have been obtained. The delay in timely response to audit issues has been brought about by delays in audit completion.
30.4 Supreme Audit Institution (SAI) independence	A	The external audits of the County are executed by Office of the Auditor General, which is an independent constitutional body with its own systems and procedures hence independent of the County.

PI-31. Legislative scrutiny of audit reports

This indicator focuses on legislative scrutiny of the audited financial reports of county government, including institutional units, to the extent that either (a) they are required by law to submit audit reports to the legislature or (b) their parent or controlling unit must answer questions and take action on their behalf. Evidence was not provided, therefore the score is D*.

PI-31.1. Timing of audit report scrutiny

The audit scrutiny was completed in six months but no evidence was availed. The score is D*.

PI-31.2. Hearings on audit findings

The County confirmed that in-depth hearings on key findings of audit reports take place regularly with responsible officers from all audited entities which received a qualified or adverse audit opinion or a disclaimer. Once the audit report is received from the Auditor General, it is tabled in the County Assembly and submitted to the relevant committees. Once the CA committee has the report, they summon the relevant parties. Within 2-4 weeks of submission to relevant committees, follow up should be made and a final report prepared for submission to the assembly. The final report is then discussed and adopted. No records have been provided to show evidence of hearings on audit findings. The score is D*

PI-31.3. Recommendations on audit by the legislature

The audit reports usually contain recommendations to the County Executive for implementation. These reports are also used by the County Assembly for follow up.

PI-31.4. Transparency of legislative scrutiny of audit reports

The hearings are held in public. The committee proceedings are open to the public unless in exceptional circumstances, where the County Assembly has determined that there are justifiable reasons for the exclusion of the public. Further, audit reports are discussed in the full chamber of the house. The committee reports are however not published on official website(s). Besides, it is not clear whether the County Assembly has a library where the public can access these reports. There is neither data on the number of hearings on the audit reports for the last three completed years nor records on hearings conducted in public. The score is D*.

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*	Reportedly, the scrutiny of the Audit Report is completed over a period of six months. No evidence has been provided to support such practice.
31.2 Hearings on audit findings	D*	Reportedly, in-depth hearings are carried out on the audit findings. No evidence has been provided to support such practice.
31.3 Recommendations on audit by the legislature	D*	The Audit Reports usually contain recommendations to the Executive for implementation. The County Assembly use them for follow up. No evidence has been provided on recommendations issued by the legislature to the Executive
31.4 Transparency of legislative scrutiny of audit reports	D*	Reportedly, the hearings are held in public. No evidence has been provided that the public is aware that the hearing sessions are open.

4. CONCLUSIONS OF THE ANALYSIS OF PFM SYSTEMS

4.1 Integrated Assessment of PFM Performance

Pillar I: Budget reliability

Budget reliability is affected by a low rate of budget execution and high level of reallocation. Variance in expenditure composition by economic classification was more than 15% over the three-year period. Aggregate expenditure outturn was below 85% of the approved aggregate budgeted expenditure in the last three years. Actual revenue was close to target and actually achieved budget surplus over the three years of assessment, but with significant revenue composition reallocations.

The aggregate budget outturn (PI-1) shows deviation of the actual aggregate expenditure from the original. Even though disbursements were made in time, the aggregate expenditure outturn ranged between 68 per cent and 83 per cent. Such a fiscal result undermines discipline and limits the ability of the County Government to control the total budget and to manage risk. This also affects the County Governments' ability to effectively plan and allocate resources to strategic policy priorities.

The variance in expenditure composition by economic classification averaged 32 per cent for the three financial years. This variance can be largely attributed to use of goods and services and consumption of fixed capital. The overall score is low due to the huge variance in expenditure composition although the County did not charge any expenditure to contingency vote.

The revenue outturn (PI-3) shows that the change in revenue between the original approved budget and end-of-year outturn was due to overly optimistic revenue forecasts. This leads to allocations that would eventually require either in-year budget review with reallocation since borrowing was not an option for counties in Kenya. Accurate revenue forecasts are a prerequisite for preparation of a credible budget. However, the County Government of Baringo is not in a position to prepare such budgets due to the fact that macroeconomic forecasts (discussed in PI-14), which are crucial inputs to revenue projections, are not prepared and the forecast of the main sources of revenues are overstated.

Thus, the County Government budget still does not provide a reliable basis for policy implementation for the following reasons: (a) over-optimistic and unreliable budget expenditure and revenue estimates; (b) external factors such as local natural disasters (especially draughts) as well as any adverse regional economic condition do affect the budget stability of the County, which is still not mature and well provisioned for economic shocks and political turmoil. Such factors affect the budget reliability and trigger extra pressure on the newly devolved sub-national structure and capacity of Baringo County.

Pillar II: Transparency of public finances

Budget formulation, execution, and reporting are based on administrative and economic classification using GFS standards. Budget documentation that is transferred to the County Assembly contains: forecast of the fiscal deficit/surplus; previous and revised budget in the same format as the budget proposal in the budget estimates and; aggregated budget data for both revenue and expenditure. Medium-term fiscal forecasts are established, but there are no survey estimates of the resources received by service delivery units. There is no information related to performance achieved for service delivery

The transparency of public finances is not comprehensive, consistent, and accessible to the public. The budget classification (PI-4) of government budget and accounts is consistent with international standards but is not sufficient (Level 2). This is because it does not allow transactions to be tracked throughout the budget's formulation, execution, and reporting cycle according to administrative, economic, or functional classification. The transparency of government revenue and expenditure is reduced because there are no reports on the operation of the extra budgetary units. The published information on service delivery performance and budget documentation is not readily accessible. Low transparency deprives the public of the information they need to hold the County Executive accountable for their budget policy decisions and for the management of public funds.

The Budget documentation (PI-5) prepared by the County does not cover enough elements to comprehensively assess information provided in the annual budget documentation. The set of documents provided by the County Executive do not sufficiently allow a complete picture of the County Government fiscal forecasts, budget proposals, and outturn of the current and previous fiscal years.

There are revenues and expenditures (PI-6) not reported in the County Government financials. Extra budgetary units do not report on their performance. This contributes to lower transparency of government operations and hence a gap in the analysis. Information on service delivery performance is not collected and recorded (PI-8). Operational efficiency in public service delivery is a core objective of the PFM system. The inclusion of performance information in budgetary documentation strengthens the accountability of the Executive for the planned and achieved outputs and outcomes of County Government programmes and services. The lack of performance analysis of planned economic activity as well as key performance indicators with estimated output and outcome prevent the County Assembly to make thorough and justified consideration of the County Executive's budget proposal.

Public access to fiscal information is not easily provided (PI-9). Only Audit Reports are published within 12 months of the fiscal's year end. Civil society can gain access to information on budget proposals only hours before the day open for public discussion. Information on planned investment activities is not published.

Pillar III: Management of assets and liabilities

There is no effective management of assets and liabilities. This is because risks are not identified and monitored; the public investments has not been embarked upon yet; and no financial investment has been made. The asset maintenance practice was inherited from the previous local government structures while asset disposal has not been effected yet, even though clear rules exist. There is no debt management function and the associated fiscal risks are not adequately monitored.

With regards to public investment (PI-11), there are no procedures to assess the economic impact and viability of projects. In addition to this, no cost-benefit analysis is performed and there is lack of monitoring practice for public investment projects. Thus, it cannot be ascertained if the projects undertaken by the County would support the County Government's social and economic development objectives.

Public asset management (PI-12) is not fully established. While records of financial assets are published annually in financial statements; records of non-financial assets are not comprehensive. However, the County maintains recently acquired assets such as vehicles, computers and office furniture. Reports on disposal of non-financial assets are not available since the County is yet to dispose of any. The assets that the County of Baringo keeps record of is (i) cash in hand at the bank and (ii) tangible fixed assets mostly inherited from the preceding local government structure that are not subject to age analysis and depreciation. The County has only inherited domestic debt (matured pending bills) and under the current legislation is not eligible to borrow.

Pillar IV: Policy based fiscal strategy and budgeting

The County prepares expenditure and revenue forecasts as evident in the CFSP and budget although they do not present scenarios based on varied assumptions. The budget preparation process is based on a comprehensive and clear budget circular. The County Government prepares forecasts of revenue and expenditure for the budget year and the two following fiscal years, but does not present the underlying assumptions for the forecasts. Ceilings are firmed up at the point where the CFSP is approved.

The County Government prepares forecasts of revenue and expenditure for the budget year and the two following fiscal years, but does not present the underlying assumptions for the forecasts. The County Executive does not prepare its own macroeconomic forecasts or carry out any sensitivity analysis with assumptions. No fiscal impact analysis is performed in the CFSP, which is presented in February to the County Assembly, in order to explain the potential impact of policy decisions. Ceilings are established during the CFSP preparation but are fixed only after the budget calendar has been issued.

The CBROP briefly explains the reasons for deviation from the objectives and targets set but do not provide an explanation of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget, even at the aggregate level. Majority of the departments adhere to the budget calendar.

The County Assembly review covers fiscal policies, medium-term fiscal forecasts, and medium-term priorities as well as details of expenditure and revenue, following well defined procedures that include specialized review committees, technical support, and negotiation procedures with the civil societies.

Pillar V: Predictability and control in budget execution

Budget execution is still not well controlled though good practices exist in revenue accounting and internal control of non-salary expenditure. Effective management of policy and programme implementation requires predictability in the availability of resources when they are needed, and control do not sufficiently ensure that policies, regulations, and laws are complied with during the process of budget execution.

The County is not well organised to collect revenue (PI-19) which is an essential component of the PFM system. However, there are no multiple channels of how the tax payers are informed about their rights and obligations and no clear understanding what procedures are to be followed in seeking redress. The entities collecting most revenue have been reported to undertake audits and fraud investigations but this has not been documented in compliance with the established procedures. It cannot be assessed if instances of non-compliance are revealed, reported and rectified.

The information on revenue arrears over 12 months show total arrears of 82%. These arrears date from the time the subnational structure came to existence and also include inherited arrears from the defunct local authorities.

Revenue accounting is better managed (PI-20). There are procedures for recording and reporting revenue collections, consolidating revenues collected and reconciliation of revenue accounts. This indicates compliance with tax laws and strengthens the fiscal discipline and the administrative capacity to allocate budget resources to strategic priorities. However, reconciliation of arrears has not been done so far. It is not monitored i.e. The difference between what is due and what has been paid in. Therefore, the collection and transfer system functions are as intended but it is not assured that the level of arrears are monitored and minimized. Accumulation of arrears may disrupt the well-furnished revenue administration system and practice by endangering the reliability of the revenue planning process.

The directorate of revenue obtains data at least weekly from all entities collecting all revenues. This information is consolidated into a report and revenue collections are transferred weekly to the Treasury. However, payers do not have sufficient access to information on their rights and obligations. Further, there are no systematic approaches for assessing and prioritizing compliance risks for revenue streams. Also, no audit of revenue from any of the sources has been undertaken. The stock of revenue arrears (PI-19 is 23% of the total revenue collection, while the stock of expenditure arrears (PI-22) averages 6 per cent of total expenditure.

Payroll controls (PI-23) have been demonstrated to be good. The County uses the Integrated Payroll and Personnel Data (IPPD) management system which is not integrated to the IFMIS which has the budget module. Changes to personnel records and payroll are updated on monthly basis and in time for the following month's payments. The lack of retroactive adjustment and the existence of internal control on the payroll seem to ensure certain degree of data integrity and audit trail.

The procurement at the County of Baringo does not achieve value for money service (PI-24). The transparency of the public procurement arrangements is far from being satisfactory. Information on the County procurement plans and the contracts awarded are not made public. It has not been made clear during the assessment which selection procurement method prevails. A not well-functioning procurement system cannot ensure that money is used effectively and if value for money is achieved in government spending for programs and services. Lack of transparency in procurement affects severely and most noticeably the public at large.

The effectiveness of general internal controls for non-salary expenditures is good

(PI-25). The segregation of duties is formalised and adhered to. The majority of payments are compliant with regular payment procedures. Expenditure commitment controls are generally in place and mostly limit commitments to projected cash availability, nonetheless expenditures arrears do occur even with the current controls.

There is regular feedback to management about the performance of the internal control systems (PI-26) through an internal audit function but it has been found to be not sufficiently adequate. The Internal Audit function does not use risk based approach and does not keep record of data on the percentage of audited budget entities in terms of total planned expenditure and revenue. In the public sector, the function is primarily focused on compliance audit and not so much assuring the adequacy and effectiveness of internal controls. The focus of audit, the standard audit preparation and audit process documentation need improvement. Quality assurance is not applied. The internal audit is not sufficient to ensure sound functioning of the internal control environment.

Pillar VI: Accounting and reporting

The financial data integrity (PI-27) is relatively sound. The key Treasury accounts are reconciled at different times, however not all are cleared as of the end of the year, thus making the data not fully reliable. The accounting processes in place support integrity of financial data through the IFMIS where data is processed and verified against documents. The financial data is reviewed by internal audit but the audit process is not developed to ensure that areas vulnerable to risk are covered by annual scrutiny. This may negatively affect the internal control system.

The budget execution reports (PI-28) are generally comprehensive and accurate while the information on budget execution is prepared in good time, reporting on commitments and payments is prepared separately and it is not part of the in-year budget reporting. Information on budget execution including revenue and expenditure data exists but is not presented in the format of the budget document. This does not facilitate performance monitoring and makes comparison between budgeted and actual data less traceable. Deviations from budgets go through an adjustment process after the approval of the decision makers adjusting budget execution to better meet objectives and achieve desired outcomes.

The AFSs (PI-29) are generally complete, timely, and consistent with generally accepted accounting principles and standards and reports on revenues, expenditure, assets and liabilities and a cash flow. The AFS also provide a record of how resources were obtained and used as well as.

Pillar VII: External scrutiny and audit

The external audit and scrutiny by the legislature is not good enough to hold the County Government accountable for its fiscal and expenditure policies and their implementation. The public finances are independently reviewed but the external follow-up on the implementation of recommendations for improvement by the Executive remains inefficient. The independence of the OAG is guaranteed by the constitution and the Public Audit Act, 2015. However, there are delays in release of Audit Reports hence late scrutiny. No evidence was provided to the effect that recommendations on audits by the County Assembly were considered and acted upon by the county executive. Further, no evidence was provided that audit report scrutiny by the County Assembly are held in public.

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. (i) the execution of operations in an orderly, ethical, economical, efficient and effective manner; (ii) fulfilment of accountability obligations; (iii) compliance with applicable laws and regulations; and (iv) safeguarding resources against loss, misuse and damage. National level Internal Control framework is to a large extent indicative for the County operation due to the fact that the subnational functions and operations mirror in regulation and practice the establishment on 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 (Chapter 3).

Risk assessment

Risk

The County decisions do not appear to be driven by risk assessment and management activities. Risks facing the county at different stages of PFM system are analysed as follows:

- *Pillar 1*: Budget reliability: Low expenditure and revenue outturn reduces the credibility of the budget.

- *Pillar 2*: Transparency of public finances: Extra budgetary entities owned by the County do not prepare financial statements (PI-6). This creates the risk of misuse of funds and poor service delivery to the public. There are no service delivery performance reports from various departments/units, hence making it difficult for the public to hold the county executive to account (PI-8).
- *Pillar 3*: Management of assets and liabilities: The risks with regards to contingent liabilities e.g. those associated with car loans and mortgages are low given that they are insured (PI-10). There is little guarantee of value for money because there is no economic analysis of investment proposals (PI-11), costing of investment and written procedures for monitoring of the investment performance public investment. There is a risk of the public losing some of the assets because the asset register is incomplete and contains only those that have been acquired since the inception of the county (PI-12).
- *Pillar 4*: Policy based fiscal strategy and budgeting: Lack of macroeconomic & fiscal forecasts and sensitivity analysis in budgeting creates the risk of having budgets that are prone to amendments (PI-14).
- *Pillar 5*: Predictability and control in budget execution: The revenue administration practice does not have an integrated revenue management system in place to detect and prevent potential revenue risks and to manage arrears (PI-19). The County does not keep proper accounting of expenditure arrears thus creates a risk of accumulation (PI-22). The approved staff establishment is not linked to the Integrated Payroll and Personnel Database (IPPD), which is also not linked to IFMIS (PI-23). This creates a risk of ghost workers, otherwise the payment controls are formalised and applied. Procurement practice shows that non-competitive selection methods are mostly applied, which creates the risk of favouritism, reduced control on the quality of procured services or works, misuse of funds, hence poor public service delivery (PI-24). There is clear segregation of duties between salary and non-salary expenditures. Non-salary expenditures are electronically set up in 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 IFMIS (PI-25).

Control activities

Internal control in the county appears to be reasonably well developed. Use of IFMIS with clear control of payment rules for all operations for budget execution enhances transparency and accountability. The county has an operational internal audit department although with limited human capacity required to audit all functions of the county. In addition, the OAG undertakes regular audits though most of the times limited to the annual financial statements. There is room for improving the county register of assets and liabilities given that it is currently incomplete (it does not include assets such as land and buildings, their age and current market values.

Information and communication

The PFM information such as budgets, CIDPs, CFSPs, CBROPs and ADPs are available on the county website. Nonetheless, there are gaps in what is published on the website. For instance, procurement statistics, internal audit reports, OAG reports, audit hearing findings from the County Assembly are not available in the website. All budget related documents undergo public scrutiny through public participation forums. The County has legislation on public participation which will sets the rules for interaction with the public at all stages of budget formulation and service delivery.

Monitoring

Monitoring in Committee of Sponsoring Organizations (COSO) terms means the process of assessing the quality of internal control performance over time. Performance monitoring at the County of Baringo is weak, the main tool of budget utilization monitoring being the quarterly reports and the budget execution reports. The county does not have an operational M&E department. 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 as described having in place only isolated control activities is not efficient to ensure against irregularities and errors.

4.3 PFM Strengths and Weaknesses

1. Aggregate fiscal discipline

The annual budget presents estimates of expenditure for the budget year and the two following fiscal years allocated by administrative, economic and programme classification, which together with the medium-term priorities are reviewed by the County Assembly. Budget credibility is hampered by large deviations in expenditure composition outturn by function and economic classification as well as the variance in revenue outturn composition. This is aggravated by the inability of the County to capture expenditure and revenue outside financial reports.

The medium-term perspective in expenditure budgeting is undermined by lack of macroeconomic forecasts, fiscal impact analysis and inability to link policy formulation and programming of activities to budget estimates. The County does not keep proper accounting records of expenditure arrears with ageing analysis for effective monitoring.

Risk management framework is not applied on matters related to revenue collection. However, revenue is collected and banked daily in most cases and consolidated monthly. Personnel records and payroll management is satisfactory as it is automated using IPPD and any change is recorded and leaves an audit trail.

The County uses IFMIS to facilitate transaction processes and report with clear segregation of duties throughout the expenditure process. There are separate levels of approval of different stages of payment. The system users have passwords and the system maintains audit trail.

2. Strategic allocation of resources

The County has a CIDP which is implemented through ADPs which are linked to annual budgets. However, the departments have not developed their own strategic plans. This implies that the CIDP, ADPs, strategic plan and the budgets are not linked. Resources and expenditure are allocated within a medium-term expenditure framework with established budget ceilings. The county adopts national macroeconomic forecasts without underlying assumptions in their forecast of revenue and expenditure. This has implications on the accuracy of revenue and expenditure forecasts. There are no established standards for managing public investment through proper selection of viable projects and performance reporting. Thus, the key indicators which are recognised by development strategy and are not incorporated in the budgets. Identification of projects to be implemented in the Wards through public participation forums ensures that there is proper prioritization of projects according the needs of the people.

3. Efficient use of resources for service delivery

The County does not undertake any economic analysis of investment projects implying that public investments can be made with socio-economic benefits to the people. There is no central planning unit in the county to prioritize and cost public investment projects. In addition, the county does not have an M&E department to monitor implementation of development projects. Even though the County prepares programme-based budgets, achievement of key performance indicators of departments is not tracked over time.

There is an Internal Audit Department which is able to audit most of the activities undertaken by the County Executive. Implementation of internal audit and OAG reports should enhance efficiency and effectiveness of public service delivery.

While a database of procured contracts does not keep track on percentage of procurement methods applied for the selection of contractors. However, no procurement statistics is performed and the public has limited access to information. Only tender bids are announced in the website, whereas information on the County procurement plans, annual procurement statistics and details of contracts awarded are not made public. An important drawback in the procurement is the fact that the complaint procedure is handled at national level and fees are charged for consideration of claims. Such arrangement is not designed to serve the public. There is no electronic portal for information on public procurement.

The County Assembly has not been active in its oversight role in the use of public funds. There is no sufficient evidence that public hearings and interrogations on budgetary matters in the county executive is conducted satisfactorily. Nonetheless, the civil society groups in the County plays an oversight role on public investments and undertake social audit of such projects.

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 and has elaborated the subsequent long-term reforms in Vision 2030. The current PFM reform strategy is elaborated in the Strategy for Public Finance Management Reforms in Kenya 2013-2018. The overall goal of this Reform 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: (i) Macro-economic management and resource mobilization, (ii) Strategic planning and resource allocation, (iii) Budget execution, accounting and reporting and review, (iv) Independent audit and oversight, (v) Fiscal decentralization and intergovernmental fiscal relations, (vi) Legal and institutional framework and (vii) IFMIS and other PFM Systems.

IFMIS has been implemented at the national and the county levels in order to reinforce accountability, but still has room for improvement in terms of offering solutions to procurement-related challenges. At the county level, there is need for a better appropriation and reinforced controls. More operations are by-pass IFMIS at the county level than at the national level. The implementation of a single treasury account should ensure the national and county governments perform better monitoring the movement of funds. The PFM Act allows for the establishment of a committee to check on the use of funds and disciplinary measures that can be taken in the event of misappropriation. However, proper monitoring of public resources would be possible if IFMIS is fully used at the county level a Business Intelligence layers is implemented to facilitate data analysis and visualisation.

5.2 Recent and On-Going Reform Actions

The key reforms which are still outstanding and are relevant to this PEFA assessment are:

- A policy on monitoring and evaluation had been prepared to enhance project supervision and reporting in the field.

- Nomination of M&E champions in every department and community to assist in project monitoring and reporting.
- Baringo County is in the process of developing a framework on how Chemsusu Water and Sanitation Company and Kirandic Water and Sanitation will be monitored and auditing their annual financial reports. Plans are also underway to have Eldama Ravine Water and Sanitation Company (ERAWASCO) report directly to the County Government of Baringo.
- The County is currently developing a framework in citizen participation and engagement on prioritization of development projects in all Sub-counties and even ward levels. This will involve having project champions in every Sub-county and Ward. The County also is developing a framework in which all Chief Officers, Technical staff (Engineers, architectures, Surveyors,) and feasibility study staffs are retrained on project implementation cycles from budgeting to implementation to ensure that there are no delays in project implementation
- The County is also planning to hire its own statisticians who will be providing precise statistics per ward to assist in prioritization of mega projects, resource allocations and also assist in cost benefit analysis before project implementation.
- The County is working on a framework and policy to guide its disposal of assets hinged on the Public Procurement and Disposal Act (2016). The County has many redundant, old and unusable assets and has had to hire premises to keep in some of these assets that are due for disposal.
- The Revenue Office is developing a framework to roll out civic education to all residents of Baringo County on their rights and obligations as tax/revenue payers and also on the obligations of the County Government towards them after the county has collected revenue from them. The County is also planning to go cashless as far as revenue collection is concerned.
- Sensitization of contractors and department on procurement procedures.
- Use of fuelling cards and not bulk buying of fuel. Two departments, that is Health and Agriculture and Livestock have already signed contracts with an oil dealer sourced competitively.
- The Revenue Office is developing a framework to roll out civic education to all residents of Baringo County on their rights and obligations as tax/revenue payers and also on the obligations of the County Government towards them after the county has collected revenue from them. The County is also planning to go cashless as far as revenue collection is concerned.

5.3 Institutional Considerations

The Kenya Devolution process is still young and the county still needs to improve the efficiency of public expenditures, while improving domestic resource mobilization. The county heavily relies on equitable transfers and grants. Focus, however, is to be on improving expenditure efficiency. The preceding analysis of Baringo County PFM system indicates that to improve its performance, enhancement of own source revenues is necessary. Further, establishing predictable flow of central government grants (conditional and unconditional) is also necessary to enable preparation of realistic medium-term fiscal plans.

Annex 1: Performance indicator summary

This annex provides a summary table of the performance indicators. The table specifies the scores with a brief explanation for the scoring for each indicator and dimension of the current 2017 PEFA assessment.

COUNTY NAME: BARINGO				
			Current assessment	
Pillar	**Indicator/Dimension**		**Score**	**Description of requirements met**
	Sub-national PEFA indicator		D	
HLG-1: Transfers from a higher level of government (M1)	HLG-1.1. Outturn of transfers from higher-level government		D	The transfers have been at least 90% in two of the assessed financial years.
	HLG-1.2. Earmarked grants outturn		D	The difference between original budget and actual was more than 10% in two of the three years.
	HLG-1.3. Timeliness of transfers from higher-level government		D*	Actual dates of transfer have not been provided
Budget Reliability	**PI-1**	**Aggregate expenditure outturn**	**D**	Aggregate expenditure outturn for the last three financial years ranged between 68% and 83%
	PI-2	**Expenditure composition outturn**	**D+**	
		(i) Expenditure composition outturn by function	C	Variance in expenditure for 2013/14, 2014/15 and 2015/16 were 27%, 12% and 12% respectively.
		(ii) Expenditure composition outturn by economic type	D	Variance in expenditure composition by economic classification averaged 32% for the last 3 financial years
		(iii) Expenditure from contingency reserves.	A	Actual expenditure charged to a contingency vote was on average 0.4% for the last 3 financial years.
	PI-3	**Revenue outturn**	**D+**	
		(i) Aggregate revenue outturn	C	The aggregate revenue outturn has been 98% and 93% in two consecutive years
		(ii) Revenue composition outturn	D	In none of the three years the revenue composition outturn was less than 15%
Transparency of Public Finances	**PI-4**	**Budget Classification**	**C**	Budget formulation, execution, and reporting are based on administrative and economic classification using 2 level classifications.
	PI-5	**Budget Documentation**	**D**	Scored 2 basic elements and 2 additional elements.

Transparency of Public Finances	**PI-6**	**Central government operations outside financial reports**	**D**	
		(i) Expenditure outside financial reports	D*	No evidence has been provided
		(ii) Revenue outside financial reports	D*	No evidence has been provided
		(iii) Financial reports of extra-budgetary units	D*	No evidence has been provided
	PI-7	**Transfers to subnational governments**	**N/A**	
		(i) System for allocating transfers	N/A	There is no sub-government under this level
		(ii) Timeliness of information on transfers	N/A	There is no sub-government under this level
	PI-8	**Performance information for service delivery**	**D+**	
		(i) Performance plans for service delivery	D	The programme-based budget for the next financial year was not found published on the County website.
		(ii) Performance achieved for service delivery	A	The County prepares and publishes Quarterly Budget Implementation Status Reports which is published on at the website of the County www.baringo.go.ke
		(iii) Resources received by service delivery units	D*	No evidence was provided
		(iv)Performance evaluation for service delivery	D	No explanation of variances according to the programme units in line with the budget.
	PI-9	**Public access to information**	**D**	Only two basic and one additional element were met.
Management of assets and liabilities	**PI-10**	**Fiscal risk reporting**	**D**	
		(i) Monitoring of public corporations	N/A	The two public corporations owned by the County are still in process of being established.
		(ii) Monitoring of sub-national government (SNG)	N/A	No sub-national units under the County Government level
		(iii) Contingent liabilities and other fiscal risks	D*	There is no evidence what percentage of the contingent liabilities is quantified.
	PI-11	**Public investment management**	**D**	
		(i) Economic analysis of investment proposals	D	Does not conduct economic analysis for the major investment projects

Management of assets and liabilities		(ii) Investment project selection	D	There are no standardized criteria for project selection
		(iii) Investment project costing	D	There is no total cost of projects indicated in budget documents.
		(iv) Investment project monitoring	D	There are no standard procedures and rules for project implementation and monitoring
	PI-12	**Public asset management**	**D+**	
		(i) Financial asset monitoring	C	The financial assets available include cash and cash equivalent in the bank, petty cash and outstanding imprests. There are no up-to-date records.
		(ii) Nonfinancial asset monitoring	D	Land record is not clear due to controversy of ownership of certain parcels of land
		(iii) Transparency of asset disposal	D	There was no evidence that the County prepares any reports on asset disposal.
	PI-13	**Debt management**	**D**	
		(i) Recording and reporting of debt and guarantees	D	Debt is not recorded and not reported in the Financial Statement.
		(ii) Approval of debt and guarantees	N/a	Borrowing is to be approved by the National Government
		(iii) Debt management strategy	D	The debt management strategy draft does not include risk indicator such as foreign currency risks.
Policy-based fiscal strategy and budgeting	**PI-14**	**Macroeconomic and fiscal forecasting**	**D+**	
		(i) Macroeconomic forecasts	C	The County Government uses the national government forecasts of key macro indicators for the budget year and the two following years
		(ii) Fiscal forecasts	C	The County prepares the expenditure and revenue forecasts as indicated in the CFSPs and budgets but does not provide assumptions.
		(iii) Macro-fiscal sensitivity analysis	D	The County does not carry out any sensitivity analysis in relation to own source revenue.
	PI-15	**Fiscal strategy**	**C+**	
		(i) Fiscal impact of policy proposals	D	The County does not present fiscal impacts of different policy proposals.
		(ii) Fiscal strategy adoption	A	The CA adopted the CFSP for 2015/16 with quantitative fiscal goals that are time based and is available on the County website.
		(iii) Reporting on fiscal outcomes	C	The CBROP does not provide specific action plan to address the deviations but generic recommendations.

Policy-based fiscal strategy and budgeting	**PI-16**	**Medium term perspective in expenditure budgeting**	**D+**	
		(i) Medium-term expenditure estimates	C	The budget estimates have the budget year and two subsequent fiscal year allocated by economic and functional classification.
		(ii) Medium-term expenditure ceilings	D	MTEF expenditure ceilings are not submitted together with the budget circular. The ceilings are firmed up at the CFSP level.
		(iii) Alignment of strategic plans and medium-term budgets	D	The County prepared ADPs and PBBs, however, there were no medium-term strategic plans.
		(iv) Consistency of budgets with previous year estimates	D	The County does not analyse the overall budget of the last medium-term budget and the first year of the current medium-term budget at the aggregate level.
	PI-17	**Budget preparation process**	**D+**	
		(i) Budget calendar	D*	There is no copy of the budget calendar.
		(ii) Guidance on budget preparation	D	There are no ceilings in the budget circulars.
		(iii) Budget submission to the legislature	C	Evidence of submission date has not been provided for 2013/14.
	PI-18	**Legislative scrutiny of budgets**	**D+**	
		(i) Scope of budget scrutiny	A	The CA scrutinizes the budget to check its consistence with the CIDP, ADP and CFSP which include budgetary priorities and medium-term revenue and expenditure estimates and forecasts.
		(ii) Legislative procedures for budget scrutiny	C	The County Assembly committees are guided by the standing committee rules for budget scrutiny which are adhered to. No record of public participation was evidenced
		(iii) Timing of budget approval	D	The budget was approved on time in only one of the fiscal years assessed.
		(iv) Rules for budget adjustments by the executive	C	Clear rules exist as per PFM Act 2012 and they allow administrative reallocation and expansion of expenditures.
Predictability and control in budget execution	**PI-19**	**Revenue administration**	D	
		(i) Rights and obligations for revenue measures	D	The County has not put in place redress system in place to deal with complaints, compliments and appeal.
		(ii) Revenue risk management	D	No systematic approach for assessing and prioritizing compliance risks.
		(iii) Revenue audit and investigation	D	No independent body to carry out revenue audits and fraud investigations

Predictability and control in budget execution		(iv) Revenue arrears monitoring	D	The rate of arrears over 12 months old to the total arrears is 82%.
	PI-20	**Accounting for revenues**	**D+**	
		(i) Information on revenue collections	A	Information on revenue collection is obtained on monthly basis from entities collecting all County revenue.
		(ii) Transfer of revenue collections	A	Revenue collected from various sources is banked on daily basis and reconciliations between collections and banking are carried at the end of the month.
		(iii) Revenue accounts reconciliation	D	The evidence provided did not meet the conditions for revenue account reconciliation in terms of assessments, collections, arrears, and transfers.
	PI-21	**Predictability of in-year resource allocation**	**B**	
		(i) Consolidation of cash balances	C	The County consolidates most of its cash balances monthly basis through bank reconciliation statements.
		(ii) Cash forecasting and monitoring	C	Cash flow projections are not updated on the basis of actual cash inflows and outflows.
		(iii) Information on commitment ceilings	A	Budgetary units plan and commit expenditure for at least six months in advance based on the budgeted appropriations
		(iv) Significance of in-year budget adjustments	B	During the 2015/16 financial year the County Government made only one Supplementary Budget.
	PI-22	**Expenditure arrears**	**C+**	
		(i) Stock of expenditure arrears	B	The percentage of arrears to total expenditure is less than 6% for two financial years.
		(ii) Expenditure arrears monitoring	C	The reports on expenditure arrears are not prepared on quarterly basis to facilitate effective monitoring of the arrears and do not cover age analysis.
	PI-23	**Payroll controls**	**B+**	
		(i) Integration of payroll and personnel records	B	The County Government uses the Integrated Payroll and Personnel Data (IPPD) management system similar to the system used by the National Government. It integrates personnel database and payroll.
		(ii) Management of payroll changes	A	Changes to personnel records and payroll are updated on monthly basis and in time for the following month's payments.

Predictability and control in budget execution		(iii) Internal control of payroll	A	Payroll changes are authorised by the Head of Human Resource acting on approvals from the Public Service Board.
		(iv) Payroll audit	B	During the last three completed financial years, payroll audit was carried only once.
	PI-24	**Procurement**	**C+**	
		(i) Procurement monitoring	B	Comprehensive data is maintained on what has been procured, value and procurement method for most procurement methods.
		(ii) Procurement methods	D*	Over 80% of procurement has allegedly been done competitively. No evidence has been provided to support this information.
		(iii) Public access to procurement information	D*	Only three elements of the six were met by the County representing but it could not be ascertained for how many procurement operations it
		(iv) Procurement complaints management	A	The procurement complaint system meets all criteria
	PI-25	**Internal controls on non-salary expenditure**	**B**	
		(i) Segregation of duties	A	There is segregation of duties along the expenditure as evidence by signed payment vouchers and right to IFMIS and Internet banking
		(ii) Effectiveness of expenditure commitment controls	A	The County Government has a cash-flow projection prepared for the whole year guided by requisitions.
		(iii) Compliance with payment rules and procedures	D*	No data was provided to verify how much of the payments made are compliant with regular payment procedures
	PI-26	**Internal audit effectiveness**	**D**	
		(i) Coverage of internal audit	D*	No evidence was provided to justify the percentage of audited county entities.
		(ii) Nature of audits and standards applied	C	International Professional Practice Framework (IPPF) is applied but there is no formalised quality assurance.
		(iii) Implementation of internal audits and reporting	D*	It has not been evidenced how much of the Annual Audit Plans have been implemented over the last three financial years
		(iv) Response to internal audits	D	For 2013/14, there were no responses to internal audit reports.

Accounting and Reporting	**PI-27**	**Financial data integrity**	**B**	
		(i)Bank account reconciliation	B	The active bank accounts of the County are reconciled to the cash books once monthly.
		(ii) Suspense accounts	N/A	The County does not have any suspense accounts
		(iii) Advance accounts	C	The accounts are cleared more than two months after the year end.
		(iv) Financial data integrity processes	B	The County uses IFMIS and Internet banking to record and process budget data.
	PI-28	**In-year budget reports**	**D**	
		(i)Coverage and comparability of reports	C	Quarterly Budget Implementation Status Reports show departmental budget implementation analysis comparison between the approved budget estimates and actual expenditures in the County Assembly and County Executive services for the main administrative headings
		(ii) Timing of in-year budget reports	D*	Quarterly budget implementation status reports are submitted to the required institutions, however the submission dates have not been provided.
		(iii)Accuracy of in-year budget reports	C	There is no budget execution analysis on a half-yearly basis
	PI-29	**Annual financial reports**	**D**	
		(i)Completeness of annual financial reports	C	The County applies IPSAS Cash showing disclosure of revenue, expenditure and cash, but no assets and liabilities in the AFS.
		(ii) Submission of reports for external audit	C	The Annual Financial Statements were submitted in time for 2013/14 and 2014/15 but more than six months after deadline for 2015/16
		(iii) Accounting standards	D	Variations between international and national standards are not discussed and gaps are not explained in the reports of the OAG.
External scrutiny and audit	**PI-30**	**External audit**	**D+**	
		(i)Audit coverage and standards	B	The audit reports show that all County budgetary units have been audited with the exception of the public corporations
		(ii) Submission of audit reports to the legislature	D	The Audit Reports for the three financial years 2013/14, 2014/15 and 2015/16 were submitted to the legislature with significant delay.

External scrutiny and audit		(iii) External audit follow-up	D	The delay in timely response to audit issues has been brought about by delays in audit completion.
		(iv)Supreme Audit Institution (SAI) independence	A	The external audits of the County are executed by Office of the Auditor General, which is an independent constitutional body with its own systems and procedures hence independent of the County.
	PI-31	**Legislative scrutiny of audit reports**	D	
		(i)Timing of audit report scrutiny	D*	No evidence has been provided to support such practice.
		(ii) Hearings on audit findings	D*	No evidence has been provided to support such practice.
		(iii) Recommendations on audit by the legislature	D*	No evidence has been provided on recommendations issued by the legislature to the Executive
		(iv)Transparency of legislative scrutiny of audit reports	D*	No evidence has been provided that the public is aware that the hearing sessions are open.

Annex 2: Summary of observations on the internal control framework

Internal control components and elements	Summary of observations
1. Control environment	There is a strong regulatory framework in the County which governs both the National and County Government. The Kenya Constitution- 2010, The Public Financial Management Act 2012 and the PFM Regulations 2015. Government circulars are issued periodically to ensure compliance with the laws. There are internal audit function set up for the County Governments and the annual external audit are carried out by an Internal Audit Unit and the independent office of the Audit General. The audit reports are submitted to the County Assembly upon completed. There are, however, noted delays in completion of the external audits.
1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organisation	Chapter Six 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 internalised by the management and staff. The assessment team was not aware of any reported ethical and integrity issues.
1.2. Commitment to competence	No information available from the PEFA assessment. However, from our general understanding of the County, the senior level staff have necessary academic qualification and experience.
1.3. The "tone at the top" (i.e. management's philosophy and operating style)	The PFM Act, 2012 paragraph 104- states that management must ensure proper management and control of, and accounting for the finances of the County Government and its entities in order to promote efficient and effective use of the county's budgetary resources. This responsibility rest squarely with the County leadership. The tone at the top may not be adequate judging from the work of external auditors where audit findings are not acted upon. The County Assembly which is a key institution of control has not also played its oversight role effectively.
1.4. Organisational structure	The County has an organisation structure with reporting lines and hierarchy.
1.5. Human resource policies and practices	The County organisation policies are management by the County Public Service Board. The Board is responsible for recruitment, staff development and discipline. 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 mandate of this Commission is to investigate, monitor and evaluate the organization, administration and personnel practices of the public service including the County Government.

2. Risk assessment	The PFM Regulation 165 sets out role of the Accounting Officer in risk management. It requires the Accounting Officer to develop: - (a) risk management strategies, which include fraud prevention mechanism; (b) a system of risk management and internal control that builds robust business operations. However, the County does not have a risk management policy and a risk register.
2.1 Risk identification	Several PIs are related to the extent to which risks are identified, notably: 11.1 Economic analysis of investment proposals - proposed capital investment projects are not submitted for economic appraisal before approval; 13.3 Debt management strategy - three-year medium term debt strategy are not updated annually with associated risk, exchange rate and interest rate factors; 21.2 Cash forecasting and monitoring - as cash flow forecasts are updated quarterly on a rolling basis, based on actual cash flows 19.2 Revenue risk management – this is rated D as currently not carried out.
2.2 Risk assessment (significance and likelihood)	This has not been put into consideration. One example of a risk assessment would be the work in preparing a medium term debt strategy, updated annually and providing clear targets with associated risks.
2.3 Risk evaluation	Risk-based annual audit plans are approved by the entity's Audit Committees (and copied to the Accounting Officer), and are designed to progressively secure key risks in the control environment in a timely manner.
2.4 Risk appetite assessment	No information available from the PEFA assessment.
2.5 Responses to risk (transfer, tolerance, treatment or termination)	No information available from the PEFA assessment.
3. Control activities	The various functions of departments are set out in the PFM Regulations. In PI-25, internal control was examined. All functions are properly segregated but there are no formalised activities in place to control the risks of the County operations.
3.1 Authorization and approval procedures	The Government Accounting Manual sets out the systems of authorization, policies, standards, and accounting procedures and reports used by the agencies to control operations and resources and enable the various units to meet their objectives. These procedures or activities are implemented in order to achieve the control objectives of safeguarding resources, ensuring the accuracy of data and enabling adherence to laws, policies, rules and regulations. There is also a Standard Chart of Accounts used by all County departments.

3.2 Segregation of duties (authorizing, processing, recording, reviewing)	Segregation of duties is rated A in PI-25.1 -Appropriate segregation of duties exists, in accordance with SCOA, IFMIS and government circulars, which specifies clear responsibilities.
3.3 Controls over access to resources and records	PI-25.3 Compliance with payment rules and procedures which is rated A. The degree of compliance is good. Actual transfer is carried out through IFMIS. PI-27.4 Financial data integrity processes which is rated B. Access to records are restricted by password and changes are recorded and result in audit trail. Internet banking via IFMIS is used to record and process budget data.
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. The verification procedures should be built-in in every transaction. This is an internal checking procedure to avoid errors or fraud.
3.5 Reconciliations	PI-27.1, bank account reconciliation, was rated B. Monthly bank reconciliation statements are prescribed per law and such are prepared by the County.
3.6 Reviews of operating performance	No information available from the PEFA assessment.
3.7 Reviews of operations, processes and activities	PI-13.3 Debt management strategy which is rated D. There is no debt management review practice. There is a draft debt management strategy that does not include risk indicator such as foreign currency risks.
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 Controller of Budget, the Office of Auditor General 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 that Audit Plans are largely completed, but with delays.
5.1 Ongoing monitoring	Ongoing monitoring in the County Government involves checking the completeness of transaction documents and reports. Transaction documentation has to be complete in order to substantiate the transaction. Operational and financial reports are tools for monitoring performance, subsequent planning, and decision-making.

5.2 Evaluations	Example of the evaluations that take place are found in the following PIs: 8.4 Performance evaluation for service delivery is rated 'D' 11.2 Investment project selection which is rated 'D'. Major investment projects are not evaluated before they are included in the budget
5.3 Management responses	PI-26.4 examined response to internal audits. Internal audit reports provide recommendations that are presented by the head of the audited unit. Documentary evidence of management response to internal audit recommendations has not been provided. Due the lack of an audit committee and inadequate senior management support, there is no clear follow up of the management actions.

Annex 3: Sources of information by indicator

The data on aggregate budgeted expenditure was obtained from the original budget. To confirm that the budget was approved the estimate was compared against the amounts in the respective Appropriation Act. The information on expenditure has been obtained from the economic classifications in the annual financial statement, more specifically the statement of receipts and payments. The shortcoming of comparing budgeted expenditure to actual expenditure by economic classification is that the classification in the approved budget does not match those reported in the financial statements because the financial statements have been prepared based on IPSAS cash.

Indicator/dimension	Data Sources
1. Budget reliability	
Sub-national PEFA indicator	
HLG-1.1. Outturn of transfers from higher-level government	• Annual budget estimates approved by the legislature; • Annual budget execution report or annual financial statements. • AFS for the three financial years
HLG-1.2. Earmarked grants outturn	
HLG-1.3. Timeliness of transfers from higher-level government	
PI-1. Aggregate expenditure outturn 1.1 Aggregate expenditure outturn	• Annual budget estimates approved by the legislature; • Annual budget execution report
PI-2. Expenditure composition outturn	• Annual budget estimates approved by the legislature; • Annual budget execution report or annual financial statements. • AFS for the three financial years
2.1. Expenditure composition outturn by function	
2.2. Expenditure composition outturn by economic type	
2.3. Expenditure from contingency reserves	
PI-3. Revenue outturn	• Annual budget estimates approved by the legislature; • Annual budget execution report or annual financial statements. • AFS for the three financial years
3.1 Aggregate revenue outturn	
3.2 Revenue composition outturn	
2. Transparency of public finances	
PI-4. Budget classification 4.1 Budget classification	• Annual budget document for 2015/16 • GFS Codes • Copy of a standard chart of accounts

PI-5. Budget documentation 5.1 Budget documentation	• Last annual budget estimates and approved budget for 2015/16. • County Fiscal Strategy Paper for 2015/16 • Annual Development Plan 2013-14, 2015-15, 2015 -2016 , 2016-17
PI-6. Central government operations outside financial reports	• Information from Treasury
6.1 Expenditure outside financial reports	
6.2 Revenue outside financial reports	
6.3 Financial reports of extra-budgetary units	
PI-7. Transfers to sub-national governments	N/A
7.1 System for allocating transfers	
7.2 Timeliness of information on transfers	
PI-8. Performance information for service delivery	• Annual financial statements; • In-year budget execution reports • CFSP • The National Treasury
8.1 Performance plans for service delivery	
8.2 Performance achieved for service delivery	
8.3 Resources received by service delivery units	
8.4 Performance evaluation for service delivery	
PI- 9 Public access to fiscal information	• Baringo Today 8th edition; • Baringo County Report; • Baringo Press Release
9.1 Public access to fiscal information	
3. Management of assets and liabilities	
PI- 10 Fiscal risk reporting	• The National Treasury • Annual financial statements • Budget execution reports
10.1 Monitoring of public corporations	
10.2 Monitoring of sub-national government (SNG)	
10.3 Contingent liabilities and other fiscal risks	
PI- 11: Public investment management	• Baringo Annual Development Plan 2014/15 and 2015/16; • Baringo CFSP 2014/15 and 2015/16
11.1 Economic analysis of investment proposals	
11.2 Investment project selection	
11.3 Investment project costing	
11.4 Investment project monitoring	

PI-12: Public asset management	• Consolidated financial statements 2015/16, including notes relating to the holdings of financial assets. • Asset Register of Baringo County
12.1 Financial asset monitoring	
12.2 Non-financial asset monitoring	
12.3 Transparency of asset disposal.	
PI-13: Debt management	• Baringo County Debt Strategy • Debt Management Unit
13.1 Recording and reporting of debt and guarantees	
13.2 Approval of debt and guarantees	
13.3 Debt management strategy	
4. Policy-based fiscal strategy and budgeting	
PI-14: Macroeconomic and fiscal forecasting	• Annual Development Plans for three financial years; • CBROP 2014/15 and 2015/16; • County Fiscal Strategy Paper for three financial years • Quarterly Budget Implementation Reports for three financial years
14.1 Macroeconomic forecasts	
14.2 Fiscal forecasts	
14.3 Macro-fiscal sensitivity analysis	
PI-15 Fiscal strategy	• MoF • County Fiscal Strategy Paper for 2014/15, 2015/16 and 2016/17
15.1 Fiscal impact of policy proposals	
15.2 Fiscal strategy adoption	
15.3 Reporting on fiscal outcomes	
PI-16 Medium-term perspective in expenditure budgeting	• Annual budget estimates • Annual budget documents
16.1 Medium-term expenditure estimates	
16.2 Medium-term expenditure ceilings	
16.3 Alignment of strategic plans and medium-term budgets	
16.4 Consistency of budgets with previous year's estimates	
PI-17: Budget preparation process	• 2016 CBROP • MoF, Treasury
17.1 Budget calendar.	
17.2 Guidance on budget preparation	
17.3 Budget submission to the legislature	
PI-18: Legislative scrutiny of budgets	• County Assembly • PFM Act
18.1 Scope of budget scrutiny.	
18.2 Legislative procedures for budget scrutiny.	
18.3 Timing of budget approval.	
18.4 Rules for budget adjustments by the executive.	

5. Predictability and control in budget execution	
PI-19 Revenue administration	• Revenue arrears as at end June 2016
19.1 Rights and obligations for revenue measures	
19.2 Revenue risk management	
19.3 Revenue audit and investigation	
19.4 Revenue arrears monitoring	
PI-20 Accounting for Revenues	• Monthly Revenue Report Feb 2017
20.1 Information on revenue collections	
20.2 Transfer of revenue collections	
20.3 Revenue accounts reconciliation.	
PI-21 Predictability of in-year resource allocation	• Treasury;
21.1 Consolidation of cash balances.	
21.2 Cash forecasting and monitoring.	
21.3 Information on commitment ceilings.	
21.4 Significance of in-year budget adjustments.	
PI-22 Expenditure arrears	• Expenditure arrears 2014/15 and 2015/16
22.1 Stock of expenditure arrears.	
22.2 Expenditure arrears monitoring	
PI-23 Payroll controls	• Payroll Audit Report dated 10th February 2015
23.1 Integration of payroll and personnel records.	
23.2 Management of payroll changes.	
23.3 Internal control of payroll.	
23.4 Payroll audit.	
PI-24 Procurement	• Procurement plan; • Procurement Monitoring Report; • Website - Public procurement and administrative review board • Public procurement and asset disposal act 2015
24.1 Procurement monitoring.	
24.2 Procurement methods.	
24.3 Public access to procurement information.	
24.4 Procurement complaints management.	
PI-25 Internal controls on non-salary expenditure	• IFMIS modules and segregation of duties; • Cash projections; • Procurement and payment module
25.1 Segregation of duties.	
25.2 Effectiveness of expenditure commitment controls.	
25.3 Compliance with payment rules and procedures.	

PI-26 Internal audit	• Internal Audit Questionnaire
26.1 Coverage of internal audit.	
26.2 Nature of audits and standards applied	
26.3 Implementation of internal audits and reporting.	
26.4 Response to internal audits.	
6. Accounting and reporting	
PI-27 Financial data integrity	• Treasury • Accounting directorate
27.1 Bank account reconciliation.	
27.2 Suspense accounts.	
27.3 Advance accounts.	
27.4 Financial data integrity processes	
PI-28 In-year budget reports	• Annual expenditure reports 2015/16; • Expenditure reports; • Quarterly financial reports;
28.1 Coverage and comparability of reports.	
28.2 Timing of in-year budget reports.	
28.3 Accuracy of in-year budget reports	
PI-29 Annual financial reports	• Annual Financial Reports 2013/14, 2014/15, 2015/16
29.1 Completeness of annual financial reports.	
29.2 Submission of the reports for external audit.	
29.3 Accounting standards.	
7. External scrutiny and audit	
PI-30 External audit	• SAI – OAG Audit Reports 2013/14, 2014/15, 2015/16 • Legislation on SAI • SAI • External scrutiny reports for three financial years
30.1 Audit coverage and standards.	
30.2 Submission of audit reports to the legislature	
30.3 External audit follow up.	
30.4 Supreme Audit Institution independence.	
PI-31 Legislative scrutiny of audit reports	• SAI
31.1 Timing of audit report scrutiny	
31.2 Hearings on audit findings.	
31.3 Recommendations on audit by the legislature.	
31.4 Transparency of legislative scrutiny of audit reports.	

Other documents and materials that have been used in the assessment include the following:

1. Constitution of Kenya, 2010.
2. Government of Kenya Review of the Public Finance Management Reforms (PFMR Strategy) 2013-2018 report (2016).
3. 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).
4. National Treasury 2015 Budget Review and Outlook Paper.
5. County Budget Review and Outlook Papers.
6. County Fiscal Strategy Papers.
7. World Bank Public Expenditure Review of 2015.
8. World Bank Kenya Economic Updates of 2015 and 2016.
9. World Bank Country Economic Memorandum 2016.
10. Government of Kenya National Capacity Building Framework Progress and Implementation Reports.
11. Kenya Economic Survey 2016.
12. 2016 Budget Policy Statement.
13. Budget Summary for the 2016/17 and Supporting Information.
14. Division of Revenue and County Allocation of Revenue Acts 2014, 2015 and 2016.
15. Revenue Books.
16. Quarterly Economic and Budgetary Reviews 2015/16.
17. Controller of Budget quarterly, bi-annual and annual reports.
18. Auditor General Reports.
19. Public Finance Management (PFM) Act, 2012 and related amendments.
20. Estimates of Revenues, Grants and Loans Book for 2016/17.
22. 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 2014/15. (June, 2016).

23. Integrated Fiduciary Assessment Report. Program for Results for the Kenya Devolution Support Operation (KDSP). December 21, 2015.
24. PEFA (2016a). Framework for assessing public financial management.
25. PEFA (2016b).Supplementary guidance for sub-national PEFA assessment.
26. KIPPRA Kenya Economic Report 2016.

Annex 3A: Lists of persons interviewed and provided information

No.	Function
1	Economist
2	County Treasury
3	County Treasury
4	County Treasury
5	Economic Planning
6	Account, Assets Management
7	Director of Water Department
8	Principal Accountant - County Assembly
9	Clerk to the Assembly
10	Budget Member
11	Principal Budget Offier
12	Head of Revenue
13	Head of Human Resource
14	HR/Payroll
15	Head of Supply Management
16	Senior Supply Manager
17	Principal Procurement Officer, County Assembly
18	Accounts-Financial Reporting.
19	Accounts-Treasury
20	Head of Internal Audit-County Assembly
23	Baringo County Assembly
24	Clerk Assistant-Budget & Appropriation Public Accounts Committee
25	Principal Clerk Assistant

Annex 4: Sub-national government profile

The sub-national government structure of Baringo, just like all other counties, is governed and guided to a large extent by the National Government legislation. The national legal framework relevant for PFM was amended and enforced over the last 3-4 years and was meant to cover all national and sub-national structures. Due to the fact that the Devolution in Kenya was deployed only in 2013, the sub-national government structures were developed by mirroring the establishment of the higher level national government.

The administrative structures of Baringo consist of; (i) Office of the Governor; (ii) County Assembly and (iii) County Government (Executive). The County Assembly is involved in the approval of the budget of the executive by its budget committees, however it has no role in the monitoring process. The budget monitoring is performed by the Budget Controller at the County Executive administration.

The main responsibilities of the County Assembly are to enact laws and oversight over the County Executive. County Assembly receives and approves plans and policies for management of the county's financial resources. Members of the County Assembly (MCAs) are elected by voters at the Wards and some are nominated by political parties. The Governor as well the members of the Assembly are independently elected in county elections. The County Government has not yet developed specific legal framework for its own structures.

The economic activity is mainly bee keeping, mixed farming and sand harvesting. The County of Baringo serve a population of 555,561 spread over 6 constituencies on total 11,015 km^2 with population density of 50 per km^2.

The Devolution of year 2010 established a lower sub-national government level with all national level legislation being mirrored in the county environment. That is, there are no laws developed or reforms undertaken in the County of Baringo as of the time of this assessment.

The total expenditure as of end 2016 is 10,799 million Ksh, the expenditure per capita is 6503 Ksh and the own-source revenue 515,019,231 Ksh or only 5% of total revenue in financial year 2016.

Table A. Overview of sub-national governance structure in Baringo County

Government level or administrative tier	Local

Corporate body	Yes
Own political leadership	Yes
Approves own budget	Yes
Number of jurisdictions	1
Average population	555,561
Percentage of public expenditure/total revenue	125
Percentage of public revenues	25
Percentage funded by transfers	100

Main Functional Responsibilities of the Sub-national Government

The Constitution of Kenya, 2010 in the Fourth Schedule assigns functions between the national and count governments. The Constitution assigns the task of service delivery in key sectors like water, health and agriculture among others to county governments, with the national government's role in some of the sectors being that of policy formulation

The structure of the Government (Executive) of the County of Baringo is as follows:

I. Department of Agriculture, Livestock Development and Fisheries
II. Department of Environment, Natural Resources, Tourism, Wildlife
III. Department of Health Services
IV. Department of Lands, Housing, Urban Development
V. Department of Industry, Commerce, Enterprise and Corporate Development
VI. Department of Finance and Economic Planning
VII. Department of Transport, Public Works and Infrastructure
VIII. Department of Water and Irrigation, Education, Sports, Culture, Social Services
IX. Department of Devolution, Public Service Management and Administration, Youth, ICT and E-government

These functions are entirely devolved with the sub-national government, whereas the functions of defence and overall coordination and oversight as well as external audit are with the national government.

Schedule 4 of the Constitution clearly lists the distinct functions of the national and county governments. The National Government shall pass legislations and implement policies to support the Devolution process as well as provide adequate support to county government to perform their functions while the county governments will be responsible for service delivery at the county level in addition to other functions.

Subnational Budgetary Systems

The National Government laws and regulations guide to a high degree the subnational budget cycle.

The Central Bank of Kenya is the banker for the national and county governments thus monitoring to ensure the institutions aren't at risk of overdraft, and also advises the institutions on financial matters.

The County of Baringo and its entities are supposed to hold and manage their own bank accounts in the Central Bank of Kenya, however many counties in Kenya violate this rule and deposit cash in commercial banks. The PFM Act obliges all counties to hold their account at CBK except for imprest *bank accounts* for petty cash which can be in commercial banks.

The sub-national government have its own budget, adopted by its own approval body (by the County Assembly) and this process does not require subsequent review or modification by the national government.

The County possess the authority to procure its own supplies and capital infrastructure within the context of applicable procurement legislation which is the Public Procurement and Asset Disposal Act, 2015 relevant for both national and sub-national level. The Procurement Directorate of the County Executive is in charge of the entire supply chain management. They prepare annually a Project Implementation Status Report providing information on value of procurement and the awarded contracts. However, the procurement complaints are handled at national level by a Public Procurement Administrative Review Board which is an external higher authority which is not involved in the procurement process.

Sub-national Fiscal Systems

The composition of financial resources collected and received by the County of Baringo is similar to all sources of revenue for the county governments in Kenya and they are equitable share, conditional grants and own source revenues.

The Constitution of Kenya (Article 209) provides that a county may impose: property rates; entertainment taxes and any other charges for the services they provide. The main tax revenue source of Baringo County is from various charges related to business permits, wildlife parks and market fees, cess, livestock sale fees. The collection of own source revenue has been improving over the three years of assessment. The transfers constitute the majority revenue fund of the counties in Kenya. They are allocated by the National Treasury on the basis of the county population applying a specific formula. The main transfers are the equitable shares and the earmarked grants transferred from the National Government to the counties which constitute nearly 95% of the County revenue of Baringo. These transfers are distributed quarterly across the year through IFMIS. However, there are no transfers to any lower sub-national administrative structure than the County Government.

Counties are allowed to borrow domestically or externally by Article 212 of the Constitution and under Section 140 of the PFM Act, 2012. Although the legislation provides for deficit financing through borrowing, the County governments were restrained from borrowing in the absence of a clear borrowing framework over the three financial years of assessment. Thus, the County of Baringo has not accumulated debts this far but it has inherited debt from the defunct local authorities and it supposed to set up a debt management function and to prepare a debt management strategy. These, however, have not been established yet.

Table B: Overview of sub-national government finances for 2016/17

Item	Total value	Value per capita	Per cent of total
	Ksh	Ksh	%
Wage and salary expenditure	2,160,560,980	3,889	0.0002%
Non-wage recurrent administrative expenditure	1,026,679,951	1,848	0.0002%
Capital expenditure	1,299,943,951	2,340	0.0002%
Total expenditure	**4,487,184,882**	**8,077**	**0.0002%**
Own revenue	279,736,551	504	0.0002%
Intergovernmental fiscal transfers	5,327,000,000	9,589	0.0002%
Other revenue sources	138,000	0	0.0002%
Total revenue	**5,606,736,551**	**10,092**	**0.0002%**
Borrowing	NA	NA	NA

Subnational Institutional (Political and Administrative) Structures

The County Assembly is directly elected by the citizens of the County independently from any higher level participation. The elected County Assembly is responsible for approving the budget and monitoring the finances.

The County political leadership and executive are able to appoint their own officers independent from the higher level national administration and control. The only PFM function which is still exercised by a national level institution is the external audit organised by OAG. Nevertheless, the OAG has established a local decentralised hubs of audit teams who perform the audits of a particular country but report to the headquarter at national level.

Annex 5: Calculation sheet templates for Pi-1, Pi-2 and Pi-3

Calculation Sheet for PFM Performance Indicators PI-1, PI-2.1 and PI-2.3

Table 1 - Fiscal years for assessment

Year 1 =	2013/14
Year 2 =	2014/15
Year 3 =	2015/16

Table 2: Data for year 2013/14 (Ksh & %)

Functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	%
County Assembly	552,462,772	423,895,422	382,269,184	41,626,238	41,626,238	11
Office of the Governor	329,595,267	255,825,800	228,059,012	27,766,788	27,766,788	12
County public service board	22,640,249	13,323,375	15,665,616	-2,342,241	2,342,241	15
County Treasury	131,102,193	107,498,200	90,714,399	16,783,801	16,783,801	19
Agriculture, Livestock and Fisheries	230,020,375	122,426,739	159,159,505	-36,732,766	36,732,766	23
Health	1,090,295,637	1,002,126,363	754,415,402	247,710,961	247,710,961	33
Education and ICT	238,184,527	102,967,405	164,808,580	-61,841,175	61,841,175	38
Transport and Infrastructure	366,580,784	198,930,024	253,650,643	-54,720,619	54,720,619	22
Water and Irrigation	283,915,921	88,349,089	196,451,803	-108,102,714	108,102,714	55
Environment and Natural Resources	33,856,507	18,293,997	23,426,555	-5,132,558	5,132,558	22
Industrialization	167,315,734	79,457,487	115,771,872	-36,314,385	36,314,385	31

Youth, Gender, Labour and Social Services	100,212,446	31,819,730	69,340,654	-37,520,924	37,520,924	54
Lands, Housing and Urban Development	9,649,779	16,102,205	6,677,035	9,425,170	9,425,170	141
Eldama ravine town	28,137,284	20,721,739	19,469,215	1,252,524	1,252,524	6
Kabarnet town	60,968,365	40,328,139	42,186,240	-1,858,101	1,858,101	4
allocated expenditure	3,644,937,840	2,522,065,714	2,522,065,714	0	689,130,964	
Interests	-	-				
Contingency	44,000,000					
total expenditure	3,688,937,840	2,522,065,714				
aggregate outturn (PI-1)						68
composition (PI-2) variance						27
contingency share of budget						0

Table 3: Data for year 2014/15 (Ksh & %)

Functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	%
County Assembly	444,042,178	375,670,025	370,100,105	5,569,920	5,569,920	2
Office of the Governor	349,893,309	289,286,538	291,628,941	-2,342,403	2,342,403	1
County Treasury	256,399,916	230,715,936	213,704,104	17,011,832	17,011,832	8
Agriculture, Livestock and Fisheries	430,454,236	307,641,749	358,774,832	-51,133,083	51,133,083	14
Health	1,256,900,322	1,256,900,322	1,047,600,800	209,299,522	209,299,522	20
Education and ICT	496,008,578	406,074,290	413,413,040	-7,338,750	7,338,750	2
Transport and Infrastructure	464,830,531	346,467,310	387,426,773	-40,959,463	40,959,463	11
Water and Irrigation	456,533,372	281,699,488	380,511,260	-98,811,772	98,811,772	26
Environment and Natural Resources	63,910,080	51,951,304	53,267,749	-1,316,445	1,316,445	2
Industrialization, Commerce, Tourism and Enterprise Development	241,130,412	215,104,637	200,977,284	14,127,353	14,127,353	7
Youth, Gender, Sports, Culture and Social Services	142,080,377	99,727,320	118,421,098	-18,693,778	18,693,778	16
Lands, Housing and Urban Development	213,054,388	152,163,557	177,576,490	-25,412,933	25,412,933	14
allocated expenditure	4,815,237,699	4,013,402,476	4,013,402,476	0	492,017,256	
Interests	-	-				
Contingency	37,663,906	19,773,064				
Total expenditure	**4,852,901,605**	**4,033,175,540**				
Aggregate outturn (PI-1)						83
Composition (PI-2) variance						12
Contingency share of budget						0

Table 4: Data for year 2015/16 (Ksh & %)

Functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	%
County Assembly	577,869,962	529,827,497	467,903,676	61,923,821	61,923,821	13
Governor/County Executive Services	360,139,363	307,023,468	291,606,318	15,417,150	15,417,150	5
County Treasury Services	403,989,058	384,722,735	327,111,595	57,611,140	57,611,140	18
Transport and Infrastructure	593,321,184	361,324,935	480,414,594	-119,089,659	119,089,659	25
Industrialization, Commerce and Tourism	207,774,865	180,414,687	168,236,159	12,178,528	12,178,528	7
Education and ICT	534,771,897	405,385,258	433,006,996	-27,621,738	27,621,738	6
Health	1,879,822,658	1,658,146,296	1,522,100,108	136,046,188	136,046,188	9
Lands, Housing and Urban Development	220,108,643	178,096,785	178,222,870	-126,085	126,085	0
Agriculture, Livestock, Fisheries and Marketing	412,999,313	307,826,173	334,407,236	-26,581,063	26,581,063	8
Youth, Gender and Social Security Services	154,925,090	94,558,718	125,443,480	-30,884,762	30,884,762	25
Water and Irrigation	489,841,137	321,189,298	396,626,376	-75,437,078	75,437,078	19
Environment and Natural Resources	65,412,812	49,528,579	52,965,022	-3,436,443	3,436,443	6
allocated expenditure	5,900,975,982	4,778,044,429	4,778,044,429	0	566,353,654	
Interests	-	-				
Contingency	76,537,263	40,386,912				
Total expenditure	**5,977,513,245**	**4,818,431,341**				
Aggregate outturn (PI-1)						81
Composition (PI-2) variance						12
Contingency share of budget						1

Table 5: Results

	for PI-1	for PI-2.1	for PI-2.3
Year	total exp. deviation	Composition variance	Contingency share
2013/14	68.4%	27.3%	0.4%
2014/15	83.1%	12.3%	
2015/16	80.6%	11.9%	

Calculation Sheet for Expenditure by Economic Classification Variance PI-2.2

Table 1: Fiscal years for assessment

Year 1 =	2013/14
Year 2 =	2014/15
Year 3 =	2015/16

Table 2: Date for year 2013/14 (Ksh & %)

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	%
Compensation of employees	1,208,183,884	1,266,745,130	856,075,605	410,669,525	410,669,525	48
Use of goods and services	575,139,835	524,496,770	407,523,382	116,973,389	116,973,389	29
Consumption of fixed capital	1,520,005,543	627,412,692	1,077,021,207	-449,608,515	449,608,515	42
Interest	0	0	0	0	0	0
Subsidies	0	0	0	0	0	0
Grants	341,608,579	164,017,142	242,051,541	-78,034,399	78,034,399	32
Social benefits	0	0	0	0	0	0
Other expenses	0	0	0	0	0	0
Total expenditure	**3,644,937,841**	**2,582,671,735**	**2,582,671,735**	**0**	**1,055,285,827**	
Composition variance	0	0				41

Table 3: Data for year 2014/15 (Ksh & %)

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	%
Compensation of employees	2,000,424,346	1,994,569,955	1,534,935,294	459,634,662	459,634,662	30
Use of goods and services	960,151,439	675,009,606	736,728,851	-61,719,245	61,719,245	8
Consumption of fixed capital	2,051,765,651	1,125,645,476	1,574,329,726	-448,684,250	448,684,250	29
Interest	0	0	0	0	0	0
Subsidies	0	0	0	0	0	0
Grants	190,474,396	190,474,396	146,151,927	44,322,469	44,322,469	30
Social benefits	27,703,042	27,703,043	21,256,678	6,446,364	6,446,364	30
Other expenses	0	0	0	0	0	0
Total expenditure	**5,230,518,874**	**4,013,402,476**	**4,013,402,476**	**0**	**1,020,806,990**	
Composition variance						25

Table 4: Data for year 2015/16 (Ksh & %)

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	%
Compensation of employees	2,321,459,177	2,160,560,980	1,808,711,188	351,849,792	351,849,792	19
Use of goods and services	858,810,938	683,079,424	669,122,666	13,956,758	13,956,758	2
Consumption of fixed capital	2,479,483,332	1,299,943,951	1,931,832,051	-631,888,100	631,888,100	33
Interest	0	0	0	0	0	0
Subsidies	0	0	0	0	0	0
Grants	0	0	0	0	0	0
Social benefits	0	0	0	0	0	0
Other expenses+transfer to other government units	99,494,681	343,600,527	77,518,978	266,081,549	266,081,549	343
Total expenditure	**5,759,248,128**	**4,487,184,882**	**4,487,184,882**	**0**	**1,263,776,200**	
Composition variance						28

Table 5: Results Matrix

Year	Composition variance
2013/14	40.9%
2014/15	25.4%
2015/16	28.2%

Calculation Sheet for PFM Performance Indicators PI-3: Revenue composition outturn

Table 1: Fiscal years for assessment

Year 1 =	2013/14
Year 2 =	2014/15
Year 3 =	2015/16

Table 2: Data for year 2013/14 (Ksh & %)

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	%
Own source revenue						
Game Park Fees	101,000,000	69,456,838	82,140,572	-12,683,734	12,683,734	15
Animal Stock Sale Fees	14,000,000	7,497,705	11,385,822	-3,888,117	3,888,117	34
Produce & Other Cess	20,000,000	18,374,372	16,265,460	2,108,912	2,108,912	13
Single Business Permit	25,000,000	31,737,095	20,331,825	11,405,270	11,405,270	56
Plot Rent/ Rates	23,000,000	15,127,880	18,705,279	-3,577,399	3,577,399	19
Market Fees & Others	27,000,000	29,184,504	21,958,371	7,226,133	7,226,133	33
Public Health	0	570,900	0	570,900	570,900	0
Veterinary	0	266,320	0	266,320	266,320	0
Hospital Revenue	50,000,000	29,303,991	40,663,649	-11,359,658	11,359,658	28
Total revenue	**260,000,000**	**201,519,605**	**201,519,605.0**	**0.0**	**48,655,523.8**	
Overall variance						77.5
Composition variance						24.1

Table 3: Data for year 2014/15 (Ksh & %)

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	%
own source revenue						
Game Park Fees	55,851,065	54,429,063	47,515,837	6,913,226	6,913,226	15
Animal Stock Sale Fees	12,369,645	9,928,000	10,523,596	-595,596	595,596	6
Produce & Other Cess	24,354,431	32,385,244	20,719,769	11,665,475	11,665,475	56
Single Business Permit	36,930,984	35,722,947	31,419,394	4,303,553	4,303,553	14
Plot Rent/ Rates	26,916,585	17,317,051	22,899,547	-5,582,496	5,582,496	24
Market Fees & Others	26,771,413	30,303,827	22,776,040	7,527,787	7,527,787	33
Koibatek ATC	4,925,865	7,404,056	4,190,728	3,213,328	3,213,328	77
Marigat AMS	5,997,452	4,159,189	5,102,391	-943,202	943,202	18
Public Health	12,000,000	1,136,942	10,209,117	-9,072,175	9,072,175	89
Veterinary		1,200,000	0	1,200,000	1,200,000	0
Hospital Revenue	49,682,560	55,737,110	42,267,921	13,469,189	13,469,189	32
Total revenue	**255,800,000**	**249,723,429**	**249,723,429.0**	**0.0**	**47,615,405.8**	
overall variance						97.6%
composition variance						19.1%

Table 4: Date for year 2015/16 (Ksh & %)

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	%
Own Source Revenue						
Game Park Fees	65,378,064	44,298,390	63,644,446	-19,346,056	19,346,056	30
Animal Stock Sale Fees	14,269,644	15,258,665	13,891,259	1,367,406	1,367,406	10
Produce & Other Cess	26,754,431	48,506,214	26,044,989	22,461,225	22,461,225	86
Single Business Permit	44,430,982	38,098,248	43,252,814	-5,154,566	5,154,566	12
Plot Rent/ Rates	29,476,586	16,744,873	28,694,961	-11,950,088	11,950,088	42
Market Fees & Others	28,871,413	37,215,442	28,105,835	9,109,607	9,109,607	32
Koibatek ATC	6,000,000	2,893,400	5,840,899	-2,947,499	2,947,499	50
Marigat AMS	6,000,000	3,930,042	5,840,899	-1,910,857	1,910,857	33
Public Health	5,113,620	2,157,105	4,978,023	-2,820,918	2,820,918	57
Veterinary	8,522,700	1,158,190	8,296,705	-7,138,515	7,138,515	86
Hospital Revenue	65,182,560	69,475,982	63,454,127	6,021,855	6,021,855	9
Total revenue	**300,000,000**	**279,736,551**	**279,736,551**	**0.0**	**89,004,156.4**	
overall variance						93.2%
composition variance						31.8

Table 5: Results Matrix

Yeah	Total Revenue Deviation	Composition Variance
2013/14	77.5%	24.1%
2014/15	97.6%	19.1%
2015/16	93.2%	31.8

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