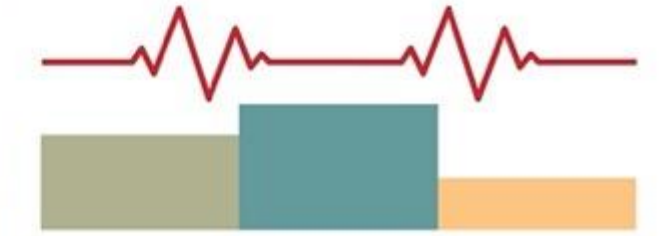


# PFM RF

SAI KENYA EXPERIENCE

# PFM

REPORTING FRAMEWORK

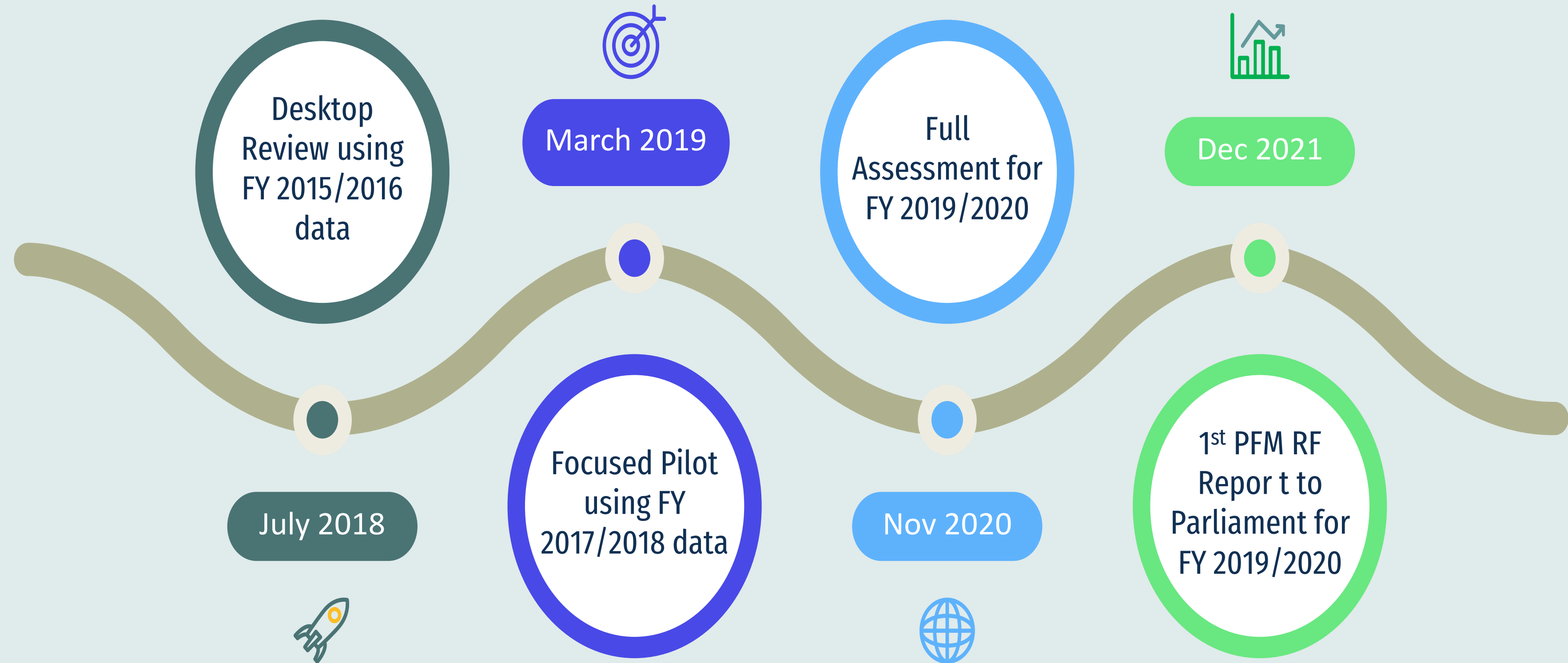




# ■ SESSION OUTLINE

1. SAI Kenya PFM RF Journey
2. Achievements
3. SAI Kenya Revenue Analysis
4. Challenges
5. Conclusion

# SAI Kenya PFM RF Journey





1. Published 1st report using the PFM RF tool
2. Adoption and use of Version 2.0 of the PFM-RF Tool
3. The tool was incorporated into the AMS to enable staff to perform analysis virtually, this also enabled reviewers to review and issue coaching notes
4. Training of pool of auditors in use of the tool. Currently, trained Seventy Five auditors.
5. AG represented AFROSAI-E at the OISC/CPLP General Assembly Board Meeting and Workshop taking place in Portugal on 22 October 2021 in Lisbon.

# SAI Kenya Role and engagement with tax policy makers and administrators

- Tax policy makers and administrators in Kenya involves the KRA, the National Treasury, the National Assembly, the Judiciary and the Tax Appeals Tribunal.
- SAI Kenya has held engagements including workshops and round table discussions with various tax policy makers and administrators.
- Role of SAI in Tax;
  - SAs are be able to provide reliable reports on the tax register
  - Give external oversight by strengthening the accountability and transparency through filing and publishing of reports.
  - SAs inspect and monitor the performance of the OSR

# Findings on our country's performance regarding tax policy and tax administration issues

- ✓ Kenya Revenue Authority was noted to be the strongest Institution with a score of 3.0 (was achieved because it provides timely, accurate and evidenced based forecast to the Ministry of Finance)
- ✓ The assessment revealed that evident that the core PFM institutions and selected MDAs have been performing well in implementing the PFM system. However, the performance of the PFM system is still faced with systemic weaknesses and other challenges.

# Findings on our country's performance regarding tax policy and tax administration issues cont....

## Financial Management and Service Delivery: Revenue Policy and Management

### Revenue Policy and Management

**4.6-Revenue policy and administration are effectively steered by MoF**      **4.7-Revenue policy development is supported and effectively implemented at Revenue Authority level**      **4.8 (see below)**

The National Treasury  
Kenya Revenue Authority

<b>2</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
Is there adequate steering processes for tax policy development in place with key stakeholders (revenue authority, customs, ministry of trade, Parliament, private sector)?	Does the MoF ensure adequate oversight over the Revenue Authorities exercise of its mandate and operations?	Does the revenue authority contribute towards the tax policy development process?	Does the revenue authority assess and take mitigative action with regards to compliance risks within the tax system?	Does the revenue authority manage the taxpayer database with regard to integrity, completeness, accuracy and validity?	Does the revenue authority actively support taxpayers towards voluntary compliance with relevant tax legislation?	Are the revenue authority's revenue targets reasonable, and does it meet its own performance indicators in respect to current year tax collection targets?	Is the tax dispute resolution system in place and effective?	Are there adequate oversight mechanisms over the revenue authority's operations?	Does the revenue authority disclose revenue raised, revenue foregone, revenue uncollected and other key metrics of revenue performance by end of the budget cycle?

**4.8-Revenue management at MDA level is effective and efficient**

Ministry of Agriculture	<b>3</b>	No grade	<b>3</b>	<b>3</b>	<b>4</b>	<b>3</b>
State Dept. for Infrastr	No grade	No grade	No grade	No grade	No grade	No grade
Ministry of Education	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>3</b>
Ministry of Health	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>3</b>
Ministry of Water	No grade	No grade	No grade	No grade	No grade	No grade
Ministry of Energy	<b>2</b>	No grade	No grade	<b>4</b>	<b>0</b>	<b>3</b>
State Dept. for Housing	<b>1</b>	<b>0</b>	No grade	<b>0</b>	<b>0</b>	<b>2</b>

Are the MDA's revenue targets based on reasonable assumptions including past history of revenue collected versus forecasted, and are they being met?	Are debtors being monitored and followed up?	Are transfers of revenue from commercial banks or other non-government financial entities to the central bank/national treasury done regularly and swiftly?	Are revenue reconciliations being performed regularly?	Does the MDA have in place systems, processes and procedures to manage internally generated funds (e.g. fees, charges, donations etc) in accordance with law and regulations?	Does the MDA disclose revenue raised, revenue foregone, revenue uncollected and other key metrics of revenue performance by end of the budget cycle?
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**Risk Area** 0 ≤ Performance Grade < 1  
**Risk Area** 1 ≤ Performance Grade < 2  
**Risk Area** 2 ≤ Performance Grade < 3  
**Risk Area** 3 ≤ Performance Grade ≤ 4  
 No grade assigned for this question or for all of the key questions under this output or sub-process



# Findings on our country's performance regarding tax policy and tax administration issues cont....

Cross cutting issues affecting revenue includes:

- ✓ Long Outstanding Arrears of Revenue
- ✓ Failure to Surrender Revenue to the Exchequer
- ✓ Unreconciled Revenue Balances
- ✓ Wrong Billings
- ✓ Manual Collection of Revenue
- ✓ Unsupported Receipts
- ✓ Unauthorized Use of Revenue Receipts
- ✓ Unreported revenues



# Dominant Root Causes Attached to the findings

- ✓ The assessment revealed that despite the PFM system being anchored in the Constitution, the policy, legal framework, and governance and oversight were assessed as the dominant root causes for the poor performance of some of the PFM processes and institutions. This may be inhibiting implementation of a sound PFM system.



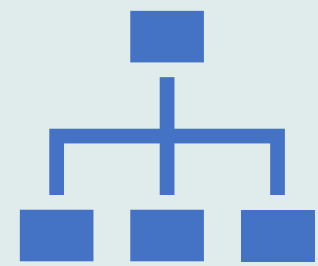
## ■ Communication with stakeholders

- ✓ An independent PFM-RF Assessment report was tabled to Parliament and copies circulated to the institutions assessed.
- ✓ Conduct a stakeholder awareness about PFM-RF Tool.

# SAI Kenya Challenges



Access to information



Staff re-organization



COVID-19



Timelines

# SAI Kenya experiences

## Conclusion

- As stakeholders, we are to entrench governance, and risk management, strengthen systems of checks and balances in our institutions, and ensure that they are complied with continuously.
- This however is only possible if we have strong, independent, reliable, and well-resourced Internal Audit departments and External Oversight functions.
- SAIs are the ultimate guardians of the integrity of the public financial management (PFM) systems. SAIs play a confidence-building role as they audit the value for money of public spending.