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Fiduciary Risk Assessment (FRA) of Kenya Education Sector Support Programme (KESSP)

DFID Bilateral Support to the Education Sector of the Government of Kenya

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Contents

Abbreviations

APRM	African Peer Review Mechanism
A-in-A	Appropriation-in–Aid
AWP	Annual Work Plan
BLT	Below the Line Accounts Section
CAG	Controller and Audit General
CFP	Cash Flow Plan
DFID	Department for International Development
EFMAP	Enhanced Financial Management Action Plan
ETF	Electronic Fund Transfer
FRA	Fiduciary Risk Assessment
FD	Finance Department
FMA	Financial Management Agent
GoK	Government of Kenya
IFMIS	Integrated Financial Management Information System
IPPD	Integrated Payroll and Personnel Database
IP	Investment Programme
KESSP	Kenya Education Sector Support Programme
KACC	Kenya Anti-Corruption Commission
KENAC	Kenya National Audit Commission
KENAO	Kenya National Audit Office
KIPPRA	Kenya Institute for Public Policy Research and Analysis
LAFAC	Local Authorities Fund Accounts Committee
MDAs	Ministries, Department and Agencies
MTEF	Medium-Term Expenditure Framework
MoE	Ministry of Education
MoF	Ministry of Finance
PAA	Public Audit Act
PAC	Public Accounts Committee
PEFA	Public Expenditure Financial Accountability
PEM-MAP	Public Expenditure Management - Management Action Plan
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PFMA	Public Financial Management Accountability

PFMRP	Public Financial Management Reform Programme
PMG	Paymaster General
RBM	Results-Based Management
SAGAs	Semi-autonomous Governmental agencies
STATCAP	Statistical Capacity Building Programme
SWAp	Sector-Wide Approach
TA	Technical Assistance
TSC	Teachers Service Commission
USAID	United States Aid International Agency
UNCAC	UN Convention Against Corruption
WFP	World Food Programme

1. Executive Summary

Overall Assessment

The overall fiduciary risk in Kenya Education Sector Support Programme (KESSP) was found to be High (H)[1].

The risks assessments were based on a combination of two previous Public Expenditure Financial Accountability (PEFA) assessments in 2006 & 2008; Education Sector-specific financial management assessments; and professional judgement evidenced in the Table 1 below:

Table 1

Component	Component of the PFM Cycle	Risk Level
A	Credibility of the budget	L
B	Comprehensiveness and Transparency	S
C	Policy-Based Budgeting	L
D	Predictability and Control in Budget Execution	H
E	Accounting, Recording and Reporting	H
F	External Scrutiny and Audit	H

Summary of PFMA weaknesses and key risks identified

The assessment reviewed PFMA at the national level central processes before examining the Education Sector-specific issues. DFID's approach recommends that an assessment of the strengths and weaknesses of PFM systems be based on the PEFA methodology, which evaluates 28 high-level PFM indicators, grouped into six broad categories based on the budget cycle.

At the national level there have been two PEFA assessments in Kenya - the first in 2006 followed by another in 2008. According to the 2008 PEFA, there has been

[1] DFID defines fiduciary risk as the risk that funds are not used for the intended purposes; do not achieve value for money; and/or are not properly accounted for. The realisation of fiduciary risk can be due to a variety of factors, including lack of capacity, competency or knowledge; bureaucratic inefficiency; and/or active corruption.

some progress in some areas of PFMA, while in other areas there has been some regression. Issues raised in the PEFA which are likely to affect PFMA performance in the sector include:

Credibility of the budget: There is a fiscal discipline at the aggregate level and the budget releases are more reliable and credible, but the budget needs improvement in terms of accuracy, allocation efficiency and flexibility.

Comprehensiveness and transparency: The budget is not comprehensive enough as it excludes the semi-autonomous Governmental agencies (SAGAs), leaving the operations opaque.

Policy-based budget: Efforts are being made to establish a clear link between Government policies and the budget through the introduction of programme and performance budgeting approaches. This is deepening the MTEF reforms that have been in place for some time.

Predictability and control in budget execution: Several factors have worked to improve the predictability of the budget process including improvements in revenue collection, the new payroll system (Integrated Payroll and Personnel Database (IPPD)), and the Integrated Financial Management Information System (IFMIS), procurement legislation, and some improvements in the Internal Audit Department. The main weaknesses are found in their implementation and the lack of strong internal audit arrangements.

Accounting, recording and reporting: IFMIS has been installed in most central ministries, but it does not appear to be useful for budget analysis and reporting at the aggregate level. Of concern are the continuous observations from the Controller and Auditor General (CAG) in his/her Annual reports regarding the quality of financial records, bank reconciliation and fund accounts. In the latest report – for 2006/07 - the CAG, in the conclusion of findings, announces that a number of funds and votes could not be audited due to the status of financial reporting. There is no accounting manual prescribing "national" accounting policies, accounting treatment and disclosures and often the accounts have been qualified because of various unexplained discrepancies and/or omissions of expenditure from the accounts. There tends to be a lack of documentation to support some of the figures shown in the financial statements.

External scrutiny and audit: Kenya National Audit Office (KENAO) has experienced improvements through better organisation, increased systematic training, the introduction of new and computer-assisted audit methods and the adoption and successful application of international auditing standards. KENAO has substantially increased its audit coverage and now covers 100% of Central Government annual accounts. However there is still a backlog of un-audited Local Authorities accounts. Remaining challenges include the long delays for Parliament to attend to audit reports, the even longer delays for Government to respond, the poor executive responses to audit queries, and the lack of enforcement. These impediments seriously undermine the value of the process.

In the Education Sector (Ministry, Provincial, District and School levels) Specific issues identified at the sector level include:

Fiduciary risk issues from the nature and composition of revenue and expenditure in the sector: The stability of the major sources of revenue and the timeliness of receipts present some challenges in the sector. While the major source of revenue is from the GoK (about 95%), there are other revenue sources as well. There is a tendency for these other revenue sources to vary from year to year, thereby affecting the implementation of the budget as planned. The other revenue sources include the registration of both public and private schools; the sale of tender documents; the sale of boarded items (old vehicles, etc); the use of facilities for training programmes.

National Expenditure Profile: The expenditure profile at the national level indicates that the largest percentage of all expenditure (both recurrent and capital) goes into General Administration and Planning. The pattern of expenditure reflects the general pattern of Sub-Sahara African countries' expenditure where teachers' pay dominates all expenditures. In Kenya, as discussed elsewhere in this report, teachers' pay takes over 90 per cent of the recurrent budget. So long as this is a direct cost of providing quality education, it means that funds are being channelled to meet the needs of providing services. However this phenomenon has its in-build risk factors in terms of value for money, accounting, and reporting of personnel costs. The recent inclusion of teachers' pay on the IPPD system may remove some of the risks, but there may be some lingering issues inherited from that period.

The adequacy of Education sector financial management capacity: The assessment of the ministry's head office in terms of staffing, skills, infrastructure and overall institutional arrangements indicated that there appeared to be adequate levels of accounting and finance staff[2]. They also appeared competent for the duties assigned to them. They are equipped with the appropriate technology including the use of an integrated financial management information system (IFMIS). It was reported that capacity has improved recently, which was not the case before. However it is widely acknowledged that there are financial management capacity weaknesses at the district and school levels. There are also weak internal audit arrangements in the sector.

The main corruption risks at sector level: Recently several officers have been indicted for alleged offences of fraud and embezzlement of funds. This demonstrates that the threat of corruption risk is real in this sector.

1. Credibility of the sector budget

Extent of the sector actual revenue and expenditure deviation from the budget trends over the last three years: Generally the largest percentage of funding for the sector is from the GoK's revenue sources, averaging above 95%. In the last three years the GoK fund releases, and the sector's expenditure pattern, show wide

[2] KESSP IPs cut across from MoE to MoHEST. However interviews for this report were limited to the MoE only.

variations. Donor funding averages less than 5 % (in the period of 2006/07, 2007/8 and 2008/9 donor funding was 4.1%, 4.5 % and 3.5%. These figures however disguise the significance of donor funds to the sector, because the GoK funding mostly goes to funding teachers' pay, thereby leaving very little for other expenditure. Donors' contributions therefore become an important supplement of the sector's operational activities. However the figures available indicated that donor support has also fallen to below 2% in recent years.

Predictability in the Budget Execution: The procedure of preparing Annual Work plans followed by Cash plans, on which the Treasury bases the releases of funds to the sector ministry and its SAGAs, enables them to plan and commit expenditure in accordance with the budget. In terms of funding, the 5 SAGAs tend to get what Government has pledged whereas it is very rare for the directorates to get their full allocation. , Therefore the outturn is lower than the budget.

2. Comprehensiveness and transparency

The Budget Classification System used: The sector uses the main Government administrative, economic and functional classification systems, in line with Ministry of Finance guidelines, for budget preparation and reporting.

The extent of the different revenue streams on Budget: The comprehensiveness of the budget requires both internally generated funds (school fees and revenue from the use of facilities), and the capturing of Appropriation in Aid (A-in-A) which includes donor funds not spent directly through the Government. User fees were not captured in the budget before the Fiscal Management Act (2009) made it mandatory for it to be captured. The Budget of the Education Ministry includes all donor flows, inasmuch as the information is available to Government, in the Development Budget as either direct revenue, or A-in-A.

Financial information provided by donors on significant sector funding and assistance: There are difficulties in the sector in determining the timing of donor flows and the matching of actual funds provided to forecasts for the sector. These difficulties include, for example, the different financial year-endings between donors and GoK. This requires an alignment of accounting procedures to determine the pledges and actual receipts, which is not in place yet, and remains one of the challenges to be addressed.

Availability of the sector's key fiscal information to the public in an accessible form: The Government has made it a requirement for all public schools to post on their notice boards the budgets and the amounts transferred to the school. The Joint Review Missions between donor and GoK look for conformity to this requirement, and there was no evidence that there have been adverse reports.

3. **Policy-based budgeting**

There is policy-based budgeting in place in the sector, and this forms part of Human Resource Development Sector group where the allocation of budgets at the sector level are determined; and also through the Estimates Working Group where the budget bids are negotiated annually as part of the budget process. The relationship between strategic plans, the budget and medium-term financial planning systems appears to be well developed in the sector. The sector development strategy/SWAp is consistent with the national development strategy. It is effectively costed and feeds into national medium-term expenditure plans.

4. **Predictability and control in budget execution**

The budget execution system functions through an **internal control** system at the sector level, for which senior management takes full responsibility. The **roles and responsibilities** of different parties in the wider context, particularly between the MDAs such as MoE and Ministry of Finance, are clearly defined and understood. There are adequate rules guiding **virements**, ('re-allocations within the budget') and there appears to be an effective working relationship between different actors in the GoK. There are controls in place and the IFMIS system regulates this in an open and transparent manner. There are effective **payroll controls** at the sector level through the IPPD system which has been extended to the Teachers Service Commission (TSC) in the last two years. There appears to be an adequate **procurement** system in place, and the sector complies with the Public Procurement Act (2005) and the 2006 Procurement Regulations which became effective in January 2007. However the efficiency and effectiveness of all these internal control systems appear to be undermined by the major weaknesses in the Internal Audit Department in the MoE and the Schools Audit functions.

5. **Accounting, recording and reporting**

The Accounts Office is responsible for preparing **annual financial statements** for the sector based on Accounting Regulations issued by the Treasury. It has not yet been established whether all the other agencies under the Ministry meet their obligations in a timely and comprehensive manner[3]. There are challenges regarding accurate financial reporting as indicated by KENAO in their reports.

From the Audited Public Accounts for the period of 2003/2004, 2004/05, 2005/06 several anomalies were reported in the routine reconciliation of **suspense accounts** and **advance accounts** of the Ministry at all levels (school, district and head office)[4]. From interviews with KENAO it appears that these anomalies have not been rectified, resulting in the qualification of MoE Accounts.

6. External scrutiny and audit

The Kenya National Audit Office Institution has nine officers based in the Education Ministry to provide external audit cover for the sector. KENAO is independently empowered through legislation to audit all aspects of the Ministry. There are resource limitations and at the moment they have set a target coverage of 2.5-5% of

[3] The five SAGAs of the MoE include: Kenya National Examination Council; Teachers Service Commission; Kenya Institute of Education, and Kenya Education Staff Institute.

[4] The PAC had only just finalised their examination of the 2006/07 Public Accounts, but they were available for the purpose of this review. PAC had not examined the 2007/08 Accounts yet, so they were not available to the general public. The 2008/09 Accounts were finalised and submitted by KENAO in May 2010.

all schools. This limitation is further aggravated by the delays in the process of PAC's examination of public accounts. At the time of reporting (August 2010), it has just completed the 2006/2007 Accounts and has yet to examine the Accounts for 2007/2008. The 2008/2009 audit report was submitted in May 2010. These delays appear to affect the effective follow-up of external audit findings by the executive (line ministry and/or Ministry of Finance).

There is no evidence for whether the Public Accounts Committee follows up on sector-specific issues. KENAO includes the findings in subsequent reports when no action is taken. There is therefore the need for effective mechanisms to enable Parliament to follow-up to ensure the implementation of KENAO reports.

The credibility of PFMA reforms in the sector: The MoE alongside all the ministries are subject to Treasury-based financial management reforms activities. The Public Financial Management Reforms (PFMRP) programme has had some major successes but it continues to face some implementation challenges. These Treasury-based reforms affect reforms in the Education sector.

KESSP as a sector-level reform programme appears credible: The recently agreed Governance and Accountability Action (April 1, 2010) appears to be a credible way of addressing risks in the Education Sector.

Quality Assured PEFA Assessments in Kenya:
DFID HTN requires that the assessor provides a statement on whether there have been quality-assured PEFA assessments. This report certifies that there have been two PEFA assessments in Kenya (2006 and 2009), and they have been both quality assured by the PEFA Secretariat.

2. Historical, Governance and Institutional Context

This chapter provides a description and analysis of the wider context in which the Kenya Education Sector operates.

Background and Historical Context

Kenya's population was 36.1m in 2006 [5]. There are more than 40 ethnic groups, of which none constitutes a majority, but with the largest being Kikuyu (22%). There is a process of rapid urbanisation with around 24% of all the population living in urban areas in 1990[6] increasing to 36% in 2003. Agriculture is still, however, the dominant sector accounting for 24% of GDP. Most Kenyans still live in rural areas although Kenya is urbanising quickly.

Kenya has a youthful population profile with about 70% of the population being under 30 years old. Life expectancy is 45 years which has declined from 57 in 1990.

Poverty rates[7] declined from 52.3% in 1997 to 45.9% in 2005/6 although absolute numbers have increased by 3 million. Poverty of the very poorest is down from 30% in 1997 to 19% in 2005/6. However there are large regional disparities such as the Coast and Northeast where poverty rates are above 70%. There are also pockets of poverty such as Kibera slum in Nairobi which houses up to 1 million people. Income inequality has hardly changed with an overall Gini coefficient of 0.45. There is a highly unequal wealth distribution (Gini estimate 0.45) and large regional inequalities. Significant progress to pro-poor growth and improved governance would require changes in political incentives. Sixty percent of Nairobi's population live in informal settlements. Inequality is demonstrated by the fact that the richest 10% of households control 36% of wealth. Inequality has gender, geographical, ethnic, religious and age dimensions[8]. In rural areas, inequality is driven by unequal access to land.[9] More than half of Kenyans note recent economic success but only one third says this impacted on them personally[10]. Women own 1% of registered land, yet they form 75% of the agricultural labour force[11].
Kenya was a middle income country in the 1970s but this was eroded by economic mismanagement and poor governance, especially in the Moi era. Multiparty democracy was introduced in 1991. President Kibaki's first term from 2002 saw improved growth and advances in democracy. Growth rates averaged 5-6% over

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[5] Government of Kenya, *Economic Survey 2007*

[6] Africa Development Indicators, World Bank 2005 and 2006 (some data not comparable)

[7] Kenya National Bureau of Statistics, *Basic Report on Well-being in Kenya based on Kenya Integrated Household Budget Survey 2005/6,* April 2007

[8] CGA Data Annex and OHCHR report.

[9] Githinji and Holmquist

[10] CGA Data Annex

[11] World Bank, Kenyan Strategic Country Gender Assessment, October 2003

past five years. Relatively strong macro-economic management, improving private sector performance, and streamlined regulations have all contributed to this. But it remains a high cost economy with low competitiveness, ranking at 94th [12] . The causes are poor quality public and private institutions supporting growth (weak property rights, red tape, Government inefficiency, insecurity).[13] Economic growth, improvements in service delivery and modest progress towards issue-based politics continue[14].

The outlook for political reform is good after the recent constitutional referendum, but Kenya remains politically and economically vulnerable with short-term risks.

Kenya has recently made big strides in economic growth, poverty reduction and broad social reforms particularly in education and in tackling HIV/Aids since 2002. Kenya has also witnessed greater freedom of expression and political rights. But it has not tackled entrenched poverty, inequality and corruption. An outdated constitution, patronage politics and weak institutions have kept Kenya politically and economically vulnerable.

Kenya has always been vulnerable to short term crisis such as:

- Localised conflicts in pastoral areas
- Clashes between ethnic groups - often related to politics or land
- Violent crime in urban areas particularly informal settlements.

However, the recent large-scale national-level political conflict was triggered by a close and flawed Presidential election, combined with deep structural tensions, the collapse of key institutions and political failures. Violence spread quickly and caused severe disruption, and the full implications will take years to resolve. But Kenya has domestic sources of resilience that combined well with the strong united international pressure to help it pull back from the brink of collapse. These include a relatively strong civil society, media, middle class and business sector. They provide opportunities for a continuing domestic impetus for democratisation and accountability.

The National Accord negotiated after the political crisis provided the basis for reconciliation and reform. The grand coalition remains disjointed and there is a degree of political instability in the coalition and political risks remain high. There are concerns that some form of economic growth will be re-established without seriously addressing long-term political reform.

Political reforms are underway through the constitutional referendum held on 5 August, and which will come into being on August 27. If the crisis can provide the impetus to address long-term issues seriously, it will prove to be pivotal in the country's democratic evolution.

[12] Global competitiveness report 2006-7, World Economic Forum,

[13] Ibid: Appendix A, 48-49.

[14] Conclusions drawn from the 2007 Country Governance Analysis (DFID)

It is too early to judge the coalition's commitment to poverty reduction and reforms. Commitment to human rights and accountability may be weaker given political incentives to focus on security and succession during a period of uncertainty. The culture of impunity remains strong and corruption and human rights abuses are likely to continue.

Kenya remains critical for regional development and stability in East Africa. It was regarded as an "island of peace within a troubled region" although there were areas of the country in almost continual strife. There are no direct threats from neighbouring states, but they do nevertheless influence Kenya's governance via banditry, influx of small arms and refugees, and terrorism risks. Kenya is East Africa's most developed economy, offering a strong trading and logistical hub; its stability is critical for the region.

Public spending on average has been about 24% of GDP in recent years. Government revenue and expenditure as a percentage of GDP has been stable in the last 3 years. ***Education*** has seen major improvements in outcomes particularly enrolment, completion and gender parity. It has an effective ministry, political support, popular demand and has introduced school accountability mechanisms. ***Health*** status has been declining for some time, but recent gains in malaria control, HIV prevalence and health reforms should see health indicators begin to improve. Opinion polls have shown increasing satisfaction with health service delivery.

In recent years Education has received over 20% of total public expenditure or about 6% of GDP and it is projected to stay at that level in the medium term[15]. Expenditure in 2005/06 was KSh92,601.0 M, and this has increased to about KSh156,274.1M in 2009/10. Most of the funding for the sector comes from GoK sources (about 96% on average) and donors contributed about 3.4% (in 2005/06) which peaked at 4.5% in 2007/08, and fell to about 1.8% in 2009/10. The fall in donor funding is attributed to the suspension of DFID funding in 2009/10 after the embezzlement and fraud allegations in the sector.

Governance and Institutional Arrangements

Kenya has a strong executive, with a President and a unicameral legislature. Constitutional reforms since independence have consolidated power in favour of a strong presidency with weak checks and balances, resulting in intense electoral competition for that post.

Parliament remains weak in its accountability, legislative and representative functions. The Nepad African Peer Review Mechanism (APRM) report of 2006 noted the President's capacity to control the Parliamentary process, and the ineffectiveness of the Parliamentary oversight committees. Archaic standing orders mean it is unproductive despite having one of the highest MP's pay structures in the world. Kenya is ranked low on women's representation, lacking affirmative action. An

[15] The Budget Analysis trend shows Education received 24.1% of total public expenditure in 2005/6; 24.85 in 2006/07; 22.7 in 2007/08; 23.4 in 2008/09; 20.1 in 2009/10; and projected at 21% in 2010/2011.

Afrobarometer public survey found more than 80% feel largely ignored by MPs. 40% doubt their integrity.[16]

The ***Judiciary*** lacks public trust and is seen as corrupt and politically captured as are the ***Police*** forces. All indicators rank Kenya weak on the rule of law with little change over the last ten years.

Private Sector: Kenya has a relatively well developed globalised private sector with strong financial and communications sectors, winning innovation awards, for example the M-Pesa financial transfer scheme, and handling large privatisations successfully. Kenya was ranked 72 out of 178 countries in Ease of Doing Business and rated as one of the top 10 reformers in 2008[17]. However, much remains to be done to increase overall productivity and competitiveness. There is a large and unregulated informal sector, which accounted for 79% of employment in 2007[18].

Bureaucratic Effectiveness: Kenya's legal, policy and institutional framework "could make for the best-governed democracy in Africa" but there is poor implementation. The civil service is perceived as corrupt and inefficient, with top officials accused of ethnic favouritism. The 2006 Global Integrity Index rates civil service regulations as still very weak. Permanent Secretaries are political appointees, open to manipulation by politicians.

Media: The media is widely respected but played a complex role in the crisis. There is "Vibrancy of the media, both print and electronic" and Kenya's media moved from "not free" to "partly free" in 2006. There is a self-regulating Media Council but the Government carries out sporadic crackdowns and threats, most notably during the recent crisis with a media blackout on live reporting for several days.

Assessments of ***civil society*** generally rate it highly with strong legal protection and freedom. The APRM notes a vibrant and diverse civil society, including religious bodies, NGOs and media, which engages the Government robustly and promotes the continuous expansion of the political space.

3. Performance of PFMA systems

The DFID approach recommends that an assessment of the strengths and weaknesses of PFM systems be based on the PEFA methodology, which analyses 28 high-level PFM indicators grouped into six broad categories. Each category represents a key component of the overall PFM cycle, namely:

- Credibility of the budget
- Comprehensiveness and transparency
- Policy-based budgeting
- Predictability and control in budget execution
- Accounting, recording and reporting
- External scrutiny and audit.

[16] AfroBarometer

[17] Doing Business 2008, World Bank

[18] GoK Economic Survey, 2008

At the Treasury Level

There have been two PEFA assessments in Kenya the first in 2006 followed by another one in 2008. According to the 2008 PEFA, there has been some progress in some areas of PFMA, while in other areas there have been some regression. Issues raised in the PEFA which are likely to affect PFMA performance in the sector include:

Credibility of the budget: the budget releases are more reliable and credible, but the budget needs improvement in terms of accuracy, allocation efficiency and flexibility.

Comprehensiveness and transparency: The budget does not deal with semi-autonomous entities (statutory boards and state corporations] in a satisfactory way. Even if the transfers to these are clearly denominated in the state budget, they are not regularly reported in any detail in the periodic reports, nor included in any functional reporting. Some of these extra-budgetary funds cover essential Government functions, such as for universities or central hospitals. Most of these institutions produce their own periodic and annual report, and are under the scrutiny of the Controller and Auditor

Policy-based budget: The MTEF process is being deepened with the development of sector strategy papers which are costed over a three year period. A programme and performance budget is being introduced. Where donor funds are not predictable they are not included in the budget as revenues, but treated as Appropriation-in-Aid (A-in-A).

Predictability and control in budget execution: improvements in revenue collection continue to support predictability in budget execution. There are also improvements in debt and cash management. The new payroll system has meant a big improvement, but it is not fully rolled out yet and it is not integrated with IFMIS. It has however, the potential to become a complete and well-functioning system in the future, this being partly dependent on how well it is implemented and managed as a distributed system in several centres within Government. New Procurement legislation started to be implemented in 2007 and some improvements have been seen in practice.

Accounting, recording and reporting: IFMIS has been installed in most central ministries, but during 2007/08 was still been used as a pilot in parallel with the previous systems. There is split reporting. Where some department/units still use the old systems it makes the IFMIS less useful for budget analysis and reporting on the aggregate level. The potential of the system is also not utilised, e.g. for bank reconciliation and cash management as the cash management module still isn't in use. In essence IFMIS can currently be used for expenditure returns and commitment control. The processing of imprest is a problem area where reconciliation problems are experienced between IFMIS and IPPD. An area of concern is the continuous observations from the Controller and Auditor General in Annual reports regarding the quality of financial records, bank reconciliation and fund accounts. In the latest report – for 2006/07 - the CAG in the conclusion of findings announces that a number of funds and votes could not be audited due to the status of financial reporting.

External scrutiny and audit: The efficiency of the Office of the Auditor General has improved through better organisation, increased systematic training, the introduction of new and computer-assisted audit methods and the adoption and successful application of international auditing standards. KENAO has substantially increased its audit coverage and now covers 100% of Central Government annually, but there is still a huge backlog when it comes to Local Authorities. A performance audit unit has been established at KENAO and use is being made of risk assessment to determine audit plans. KENAO does not yet have access to the IFMIS system database. A main weakness has been timely presentation of the annual audit report to Parliament, but this process is now timely. A remaining problem area is the long delay before Parliament considers and queries the audit report, and the even longer delay before Government responds. The slow process and long delays together with lack of enforcement seriously undermine the value of the process.

In the Education Sector (Ministry, Provincial, District and School levels)

Specific issues identified at the sector level include:

Fiduciary risk issues from the nature and composition of revenue and expenditure in the sector: The major sources of sector revenue stability and timeliness can be issues. The major source of revenue is from the GoK. The ministry also gets a regular annual payment of about KS43M from the World Food Programme (MFP) as a refund of its cost of transportation of food for the school feeding programme, from Mombasa to the respective schools.

There are minor revenues from registration of both public and private schools; sale of tender documents; sale of boarded items (old vehicles, etc); use of facilities for training programmes. While the major source of revenue is from the GoK, there are revenue sources with the tendency to vary from year to year and could affect the implementation of the budget as planned .However there are no issues about the timeliness of receipts.

The expenditure profile in the sector budget

The main categories of expenditure as aggregated from the 23 IPs of the Ministry are:

- General Administration and Planning
- Basic Education
- Quality Assurance and Standards
- Higher Education
- Policy and Planning
- Technical Education

The largest percentage of all expenditure (both recurrent and capital) goes into General Administration and Planning. In the years ending 2007, 2008 and 2009 this area absorbed 71%, 80%, and 72% respectively. This is partly explained by the dominance of teachers which makes up about 58% of the General Administration expenditure.

There appear to be some **fiduciary risk issues from the nature and composition of revenue and expenditure in the sector.** The pattern of expenditure reflects the general pattern of Sub-Sahara African countries' expenditure where teachers' pay dominates all expenditure. In Kenya, as discussed elsewhere in this report, teachers' pay takes over 90 per cent of the recurrent budget. So long as this is a direct cost of providing quality education, it means that funds are being channelled to meet the needs of providing services. Therefore, in this sense, it does not represent a fiduciary risk. However this phenomenon has in-built risk factors in terms of value for money, accounting and reporting of personnel costs. There are bureaucratic rigidities regarding the management of teachers' pay which reside with the Teachers Service Commission (TSC). Until recently the teachers pay was not on the IPPD system, and there may be some lingering issues inherited from that period.

The adequacy of Education sector financial management capacity: This assessment has been based on the Ministry's head office in terms of staffing, skills, infrastructure and overall institutional arrangements. The staffing level appears adequate at the headquarters of the Ministry. There is a separate Accounts Department and Finance Department. During the interviews for this report, there was a lot of interaction with head office, and there appeared to be adequate levels of accounting and finance staff. These officers appeared competent for the duties assigned to them. There appeared also to be adequate level of office technology infrastructure, including the use of an integrated financial management information system (IFMIS). It was reported that capacity has improved recently.

It is widely acknowledged within the MoE that there are financial management capacity problems at the district and school levels. There are no accounting and finance staff at the Provincial levels, and the IFMIS has not been implemented at district and schools levels yet.

There are problems also in the area of audit capacity, especially in internal audits. While the external audit capacity appeared to be good, with a dedicated team assigned to the Ministry, the coverage for the extensive school network may be low. At the moment they cover only about 2- 5 % of schools annually.

Internal audit capacity arrangement appeared to be in disarray. There exist both a Schools' Audit department made up of low-grade 150-200 officers; and the Treasury's Internal Audit of 7-8 auditors. Recently the Internal Auditor General has had to replace the head of the Internal Audit team in an attempt to re-capacitate the unit. In summary, audit coverage of the Ministry is low, and management response to audit recommendations was reported to be lackadaisical and inadequate.

The credibility of PFMA reforms in the sector

The MoE alongside all the ministries are subject to Treasury-based financial management reforms activities. Part of these reforms involves the introduction of programme-based budgeting. The ministry has re-classified its Investment Programmes (IPs) into five programme areas.

- General Administration and Planning
- Basic Education
- Quality Assurance and Standards
- Higher Education
- Policy and Planning
- Technical Education

Under the Financial Management Act, 2004 (revised in 2009) all Ministries are required to send quarterly reports to the Treasury for onwards transmission to Parliament. The Act brought forward the budget timetable by requiring the budget call circular to be released by 1st September each year thereby allowing a longer period (of 9 months) for the budget programming.

The problems of an effective PFMA reforms implementation at the Treasury also affect reforms in the Education sector. It appears that the legal basis of pool funding under the Joint Financial Agreement (JFA) affects the absorption of funds:

Issues regarding disbursement of funds (the use of bilateral no-objection-in-the-use-of funds);
Separate reporting arrangements - they are required to report on the use of the funds in each fund separately.

Government expects that once the work plans are approved there should be no further impediment to implementation. However this has not been the case as in some cases it has taken too long to get a ‘no-objection’ statement from the World Bank.

The Government has also been trying to live up to the spirit of the PFMR strategy. From the point of view of the secretariat there are flaws in the existing strategy. They are in the process of preparing a new strategy which is expected to be in place by the end of 2010. This strategy will be consistent with the new constitution, the Vision 2030 and the structures of the Government to best deliver PFM reforms. GoK understands that PFM, properly sequenced, logical and prioritised, will be easier to implement, instead of being designed mainly to satisfy the requirements of donors.

The main corruption risks at sector level:
Recently several officers have been indicted for alleged offences of fraud and embezzlement of funds. This demonstrates that the threat of corruption risk is real in this sector.

1. *Credibility of the sector budget*

Extent of the sector actual revenue and expenditure deviation from the budget trends over the last three years: Generally the largest percentage of funding for the sector is from the GoK's revenue sources, averaging above 95%. In the periods 2006/07, 2007/8 and 2008/9 the Education sector received 95.9%, 95.5 % and 96.5% respectively from GoK. The expenditure trends therefore reflect the ability of GoK to mobilise and release resources to the sector. In the last three years the GoK fund releases, and the sector's expenditure pattern, show wide variation.

Table 2: 2007 MoE Budget Analysis

Directorate of MoE	2007 Budget	2007 Actual	2007 Budget-Actuals	Var as % of Gross Total Budget	Var as % of the Directorate Budget
Basic Education	15,069,646,712	12,809,425,682	2,260,221,030	2.15%	15%
Higher Education	15,952,263,823	15,167,710,229	784,553,594	0.74%	5%
Policy and Planning	290,061,506	1,250,141,271	-960,079,765	-0.91%	-331%
Technical Education		-	-		
Gross total expenditure	105,351,227,095	101,041,726,101	4,309,500,994	4.09%	4%
Appropriation in Aid	1,992,223,895	1,589,629,645	402,594,250	0.38%	20%
Net Expenditure	103,359,003,200	99,452,096,456	3,906,906,744	3.71%	4%

Table 3: 2008 MoE Budget Analysis

Directorate of MoE	2008 Budget	2008 Actual	2008 Budget-Actuals	Var as % of Gross Total Budget	Var as % of the Directorate Budget
Basic Education	9,791,750,577	10,081,730,939	-289,980,362	-0.29%	-3%
Quality Assurance and Standards	334,940,525	149,588,642	185,351,883	0.19%	55%
Higher Education	8,799,441,547	8,183,111,374	616,330,173	0.62%	7%
Policy and Planning	188,408,966	214,312,629	-25,903,663	-0.03%	-14%
Technical Education	633,791,554	554,006,123	79,785,431	0.08%	13%
Gross total expenditure	98,643,942,135	97,526,534,637	1,117,407,498	1.13%	1%
Appropriation in Aid	102,260,000		102,206,000	0.10%	100%
Net Expenditure	98,541,682,135	97,526,534,637	1,015,147,498	1.03%	1%

Table 4: 2009 MoE Budget Analysis

Directorate of MoE	2009 Budget	2009 Actual	2009 Budget-Actuals	Var as % of Gross Total Budget	Var as % of the Directorate Budget
General Administration and Planning	82,710,090,504	82,468,319,168	241,771,336	0.21%	0%
Basic Education	16,419,368,449	15,586,314,098	833,054,351	0.72%	5%
Quality Assurance and Standards	1,019,812,886	171,070,064	848,742,822	0.73%	83%
Higher Education	14,700,165,996	15,401,441,524	-701,245,528	-0.60%	-5%
Policy and Planning	368,533,903	311,849,641	56,684,262	0.05%	15%
Technical Education	841,845,735	745,556,954	96,288,781	0.08%	11%
Gross total expenditure	116,059,817,473	114,684,521,449	1,375,296,024	1.18%	1%
Appropriation in Aid	1,763,315,743	1,734,041,507	29,274,236	0.03%	2%
Net Expenditure	114,296,501,730	112,950,479,942	1,346,021,788	1.16%	1%

Donor funding averages less than 5 % (in the periods 2006/07, 2007/8 and 2008/9) donor funding was 4.1%, 4.5 % and 3.5% respectively. These figures however disguise the significance of donor funds to the sector, because the GoK funding mostly goes to funding teachers' pay, thereby leaving very little for other expenditure. Donors' contributions therefore become an important supplement of the sector's operational activities.

Notable trends compared to other key sectors and the reasons for change in performance: Total public education spending has grown in constant price terms by about 4.7% a year since 2005/6, although 2008/09 and 2009/10 (approved budget) showed slower than average growth. However, as a proportion of total public spending, education expenditure has fallen from the 24.5% average of 2005/06 - 2006/07 to 23.4% in 2008/09 and 20.1% in 2009/10. The fall appears mainly due to reduced salary spending through the freeze on MoE staff recruitment.

Predictability in the Budget Execution: The procedure of preparing Annual Work plans followed by Cash plans, on which the Treasury bases the releases of funds to sector Ministry and its SAGAs, enables them to plan and commit expenditure in accordance with the budget. In terms of funding, the 5 SAGAs tend to get what Government has pledged whereas it is very rare for the directorates to get their full allocation. Ttherefore the outturn is lower than the budget.

2. Comprehensiveness and transparency

The Budget Classification System used: The sector uses the main Government administrative, economic and functional classification systems, in line with Ministry of Finance guidelines for budget preparation and reporting.

The extent of the different revenue streams on Budget: In Kenya the term Appropriation-in-Aid (A-in-A) is used for capturing both internally-generated funds and donor funds not spent directly through the Government. User fees, eg school fees and revenues from the use of facilities, represent a small proportion of revenue for the sector. User fees had not been captured in the budget before the Fiscal Management Act (2009) made it mandatory for them to be captured. Donor flows that are spent through the Government treasury system are captured as revenue.

The extent of the sector budget including all significant sector expenditure, including those of sub-national Governments and activities funded by donors: The Budget of the Education Ministry includes all donor flows, inasmuch as the information is available to Government, in the Development Budget as either direct revenue, or A-in-A.

Co-ordination of budgeting at the sector level for recurrent and investment expenditures: There is an effective co-ordination system, as both types of expenditures are joined together in the IP planning system, and the same units are used in the management and disbursement mechanisms.

Financial information provided by donors on significant sector funding and assistance: There is a need to determine the manner of timing of donor lows and the matching of actual funds provided to forecasts for the sector. There are several difficulties including, for example, the different financial year-endings between donors and GoK. This requires an alignment of accounting procedures to determine the pledges and actual receipts, which is not in place yet, and remains one of the challenges to be addressed.

Availability of the sector's key fiscal information to the public in an accessible form: The Government has made it a requirement for all public schools to post on their notice boards the budgets and the amounts transferred to the school. The Joint Review missions between donor and GoK look for conformity to this requirement.

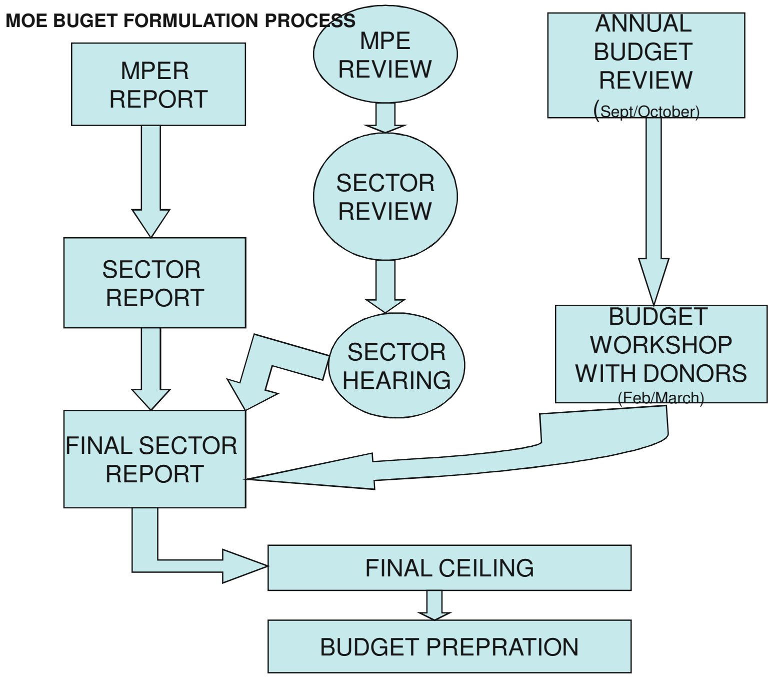
3. Policy-based budgeting

There is a policy-based budgeting process in place in the sector, confirmed by this review through examination of documents and interviews. The **budget circular** and related budget guidelines and procedures on budget preparation and execution are actually understood and implemented at sector level.

There is an effective relationship between the sector Ministry and Ministry of Finance. This relationship facilitates the **negotiations processes** of the annual budget through the sector Human Resource Development Sector group who determine the allocation of budgets at the sector level; and through the Estimates Working Group where the budget bids are negotiated annually as part of the budget process.

There is a **legislative sectoral committee** (Education Parliamentary Committee) that examines the sector budget appropriations and all the sector's total funds are shown on the budget presented to parliament. The ministry's officials go to discuss the budget with the Committee in July/August each year before the Minister of Finance proposes the motion for the Finance Bill.

The relationship between **strategic plans, the budget and medium-term financial planning systems appear to be well-developed in the sector.** The sector development strategy/SWAp is consistent with the national development strategy. It is effectively costed and does feed into national medium-term expenditure plans, as per the process below:



4. Predictability and control in budget execution

To support the Budget Execution phase, the directorates and SAGAs are required to prepare their Annual Work Plans (AWP) which then inform the Cash Flow plan for the year. The Cash Flow Plan is submitted to the Treasury. If there is any revision it occurs during the supplementary estimates process.

There is an **internal control** system at the sector level, for which senior management takes full responsibility. In the budget execution process, each payment voucher has to pass through the system of internal controls. For example the existing arrangements for translating funds to schools:

- Starts with the director of the directorate (for example –the Director of Basic Education prepares the Capitation Grant schools schedule)
- This is then sent to the Accounting Officer (i.e. PS)
- It goes to the Financial Department to be vetted for consistency with the budget, work plans cash flow plans
- It goes to the Accounts Section for the preparation of payment vouchers (with the schools schedule attached)
- It goes back to the Director of Basic Education to issue the Authority to Incur Expenditure (A-I-E)
- It then goes to the Finance Department for further vetting
- Then to the Accounts Section for the transfer to be made to the schools' bank accounts.

The roles and responsibilities of different parties in the wider context, particularly between the MDAs such as MoE and Ministry of Finance, are also clearly defined and understood. There appears to be an effective working relationship between different actors in the GoK.

The KESSP programme, as a SWAp, is guided by both the Joint Financing Arrangement and Partnership Principles signed to by GoK and all the participating donors[19]. The rules governing these processes appear to be adequate to the extent that due consideration has been given to support the capacity development of normal Government systems and not to undermine them. The entire ministry is KESSP, and KESSP is about building capacity.

There are adequate rules guiding **virements**, ('re-allocations within the budget'). The ministry can vire within items only. Virement between sub-votes (and between items of expenditure) can only be done with the approval of the Ministry of Finance. There are controls in place and the IFMIS system regulates this in an open and transparent manner.

The Budget Execution system is supported by an **annual cash flow planning system**. However the system is still under development and is not yet effective as it can be.

No ministry is allowed to borrow; as it is, all borrowing is done centrally by the MoF. However, under the rules, SAGAs can borrow with the approval of the Minister of Finance and there are controls are in place to ensure this is performed in line with Ministry of Finance guidelines.

There are effective **payroll controls** at the sector level through the IPPD system which has been extended to the Teachers Service Commission (TSC) in the last two years. This review could not confirm whether payroll records are reconciled to

[19] The participating partners include DFID, IDA, CIDA, UNICEF, ADB/ADF, OPEC, WFP, USAID, and Japan.

human resource records (“the nominal roll”); or the strength of payroll audits to identify control weaknesses and/or ghost workers.

The foundation of a good **procurement** system is being built as the sector attempts to comply with the requirements of the Public Procurement Act (2005) and the 2006 Procurement Regulations which became effective in January 2007. The Act aims to make public procurement deliver value for money in Government purchases by introducing competition, fairness, transparency and accountability. Under the Act the Ministry, as required of every public entity, has established a Procurement Governance Committee to provide effective oversight at the sector level. There is the Public Procurement Oversight Authority which serves as a regulatory institution at the central level. Some capacity has been built in terms of structures, and institutions. However there are compliance issues at the ministerial head office, while at the school levels capacity is very low. This review has not estimated the percentage of sector expenditure spent on procurement.

The use of donors’ procurement rules under KESSP has been found to be beneficial to the development of the national system. For example the Procurement Unit in MoE reported that donor practices are used in benchmarking national standards and as such they have supported their capacity building efforts.

There is an adequate system of control over non-payroll expenditure through the IFMIS system. There a store unit is part of the Procurement Department. However this review has not established whether there is in place a robust asset management system, regarding things like school lands, buildings and furniture.

There is an Internal Audit Department as well as the Schools Audit to review the internal control system in the sector. As discussed elsewhere, there are major weaknesses in these functions regarding their ability to undertake an effective regular review of internal control systems in the sector.

5. Accounting, recording and reporting

On the approval of the budget, the Accounts Section, as the custodian of the budgetary funds, requisitions the money from the Treasury and the money is transferred to their Account at the Bank of Kenya. There are Exchequer accounts for:

- Recurrent
- Development, and
- Deposit: The Deposit Accounts is used for managing donor funds. For example there are some donors who require their unspent balances to be returned at the year end. This is not the situation with DFID. DFID funds go through the PGM accounts to the Exchequer accounts before they are transferred to the Ministries’ commercial bank accounts.

The procedures for accounting, recording and reporting appear to comply with good practices. Plans for spending the money are made during the budget preparation process. Normally every department within the Ministry is required to prepare an Annual Work Plan (AWP) from which they derive the Cash Flow Plan (CFP).

Spending begins when a department raises their budget for an activity - to pay an organisation or individuals. The head of the dept will liaise with the Finance Department to check whether it is in the budget and cash flow statement. If approved by the FD it will be routed to the Accounts Section. Where the payment is to an institution, they will raise a voucher and the money will be transferred to the Bank.
The voucher will be kept at the Ledger Data Section, where they will be audited and kept for a specified period, as required by regulations, before they are destroyed.

Such regulations include the “Government Financial Regulations” - Revised 2006; and “Procurement and Disposal Act” - 2009.

There appear to be an adequate segregation of duties. Accounts Section has about 28 members of staff distributed over:

- Examination
- Vote Book: exercises budgetary control
- Invoicing: this is part of the IFMIS section
- Validation: part of the computer section
- Authorisation: vouchers are/can be authorised only by senior officers (there are five of them)
- Cash Office: for payment (now payments are done by ETF), and there are no cheques or cash
- Ledger/Data
- Below the line accounts (BTL)

In addition to the above, there are other staff responsible for executing the following duties:

- Imprest
- Clearance
- Agency
- Bank Reconciliation
- Donors
- Accounts Registry

This assessment has found that the underlying structures for accounting, recording, and reporting are robust and the accounting policies at the sector level are consistent with regulations issued by the Treasury/Ministry of Finance. The Ministry HQ has an effective linkage through the IFMIS with central financial management reporting systems in Ministry of Finance. Timely and frequent bank reconciliations are performed at the Ministry HQ level, and there are effective processes to investigate discrepancies. In addition there are additional reporting requirements specific to the sector as part of the KESSP SWAp through the preparation and submission of FMR to the donors through the Ministry of Finance.

What appears to be missing is the extent of any subsequent follow-up by senior management where discrepancies are found. From the limited nature of this review it was not possible to establish from interviews with management their responses to internal weaknesses. The Accounts Office is responsible for preparing annual financial statements for the sector based on Accounting Regulations issued by the Treasury. It could not be established whether all the other agencies under the

Ministry meet their obligations in a timely and comprehensive manner. There are also challenges regarding accurate financial reporting as indicated by KENAO in their reports. From the Audited Public Accounts for the periods of 2003/2004, 2004/05, 2005/06 several anomalies were reported in the routine reconciliation of suspense accounts and advance accounts of the Ministry at all levels (schools, districts and head office)[20]. From interviews with KENAO it appears that these anomalies have not been rectified, resulting in the qualification of MoE Accounts.

Furthermore despite the regular and timely two-way flow of information between the sector and the Ministry of Finance (MoF) there appears to be little monitoring from the MoF. For example the sector budget reports, such as the FMR, appear to provide accurate, comprehensive and understandable information to allow progress against the budget to be monitored. The review established that it is not given a detailed examination in the Ministry of Finance. The FMR appears to be prepared primarily for the development partners of KESSP and it was not possible to establish its internal uses in the MoE or the MoF, or what plans there are to ensure increasing reliance on the GoK monitoring and reporting mechanisms.

6. External scrutiny and audit

The Kenya National Audit Office Institution has 9 officers based in the Education Ministry to provide external audit cover for the sector. KENAO is independently empowered through legislation to audit all aspect of the Ministry. There are resource limitations and for the moment they have set a target coverage of 2.5-5% of all schools. There are also constraints regarding the timing of audits, as they are able to only carry out the schools audit during the term time when the management of schools is available. It has not been possible to establish the proportion of sector expenditure audited in any particular year.

There has not been any recent sector-specific investigation by KENAO. However there have been a number of recent reviews by Internal Audit, including a limited forensic audit, resulting in several officers being charged alleged offences. There is an extensive forensic audit of the Ministry's accounts in progress at the time of reporting.

From the results of the recent sector-specific reviews, it would appear that the additional audit arrangements, under the KESSP, are helping to strengthen the Ministry's accounts.

At the end of the year MDAs have three months to submit their final accounts to KENAO and the audit process takes about three months to complete, followed by Audit Certificates and the publication of the Audit Report. KENAO submits its reports to the Public Accounts Committee (PAC) for central Government accounts, the Local Authorities Fund Accounts Committee (LAFAC) for local Government, and Public Investment Committee for state corporation and parastatals.

[20] The PAC had just finalised their examination of the 2006/07 Public Accounts, but it was available for the purpose of this review. PAC had not examined the 2007/08 Accounts yet, so it was not available to the general public. The 2008/09 Accounts were finalised and submitted by KENAO in May 2010.

During the audit process, KENAO gives management time to respond to audit findings. The usual management response is that they would investigate and they tend not to give any timeliness and when no action is taken these finding are included in the audit report to the PAC.

There are delays in the process of PAC's examination of public accounts. At the time of reporting (in August 2010), PAC has just completed the 2007/2007 Accounts and it is yet to examine those for 2007/2008. The 2008/2009 audit report was submitted in May 2010. These delays appear to affect the effective follow-up of external audit findings by the executive (line ministry and/or Ministry of Finance).

This review has not been able to establish whether there is any evidence of changes in systems/processes at the sector level in response to audit findings. There appear to be no incentives in place at the sector level to promote effective follow up on audit findings (e.g. autonomy of budget resources/recruitment/performance management).

There is also no evidence of whether the Public Accounts Committee follows up on sector-specific issues. KENAO include the findings in subsequent reports when no action is taken. There is therefore the need for effective mechanisms to enable Parliament to follow-up and ensure the implementation of KENAO reports.

4. Identification of Key Fiduciary and Corruption Risks

An Assessment of the Fiduciary Risks

The following table assesses the fiduciary risks corresponding to the risk rating Low (L), Medium (M), Substantial (S) and High (H).

Table 5: FRA Analysis

Component of the PFM Cycle	Risk Level	Details: Factors Determining the Risk Level
A Credibility of the budget	L	Excellent, consistent PEFA indicator of performance, especially budget outturn compared to the original, ensures credibility of the budget. However for the MoE directorates the budget is never released by the Treasury as planned.
B Comprehensiveness and Transparency	S	Poor reporting from universities and schools
C Policy-Based Budgeting	L	The budget process appears to be well understood and implemented in the sector. The IP programmes ensure good policy linkages to the financial estimates
D Predictability and Control in Budget Execution	H	There is a mixed bag of indicators. The main problem is the weaknesses in the implementation of the public procurement, and internal controls, including Internal Audit in the sector.
E Accounting, Recording and Reporting	H	The PEFA indicators show that there are weaknesses across all sectors. The education annual accounts have been qualified for a number of years
F External Scrutiny and Audit	H	KENAO findings indicated that there were problems. However there is very limited management response, and the PAC recommendation and follow–up appear ineffectual.

Budget Credibility: *[Risk factor: L]*

Excellent consistent PEFA indicator performance, especially budget outturn compared to the original approved ensures credibility of the budget. Whilst for the SAGAs in Education sector the budgets tend to be released as planned, the situation is different for the MoE directorates for which the budget is never released by the Treasury as planned. However in an overall sense, the national budgeting system is credible, and this is also the case within the sector.

Comprehensiveness and Transparency: *[Risk Factor: S]*

The main risk factor is the extent of unreported Government fiscal operations from semi-autonomous Governmental agencies. In the sector the PEFA 2008 assessment identified universities' reporting as an issue, but weaknesses in reporting are to be found in schools as well. This presents a substantial level of risk.

Policy-Based Budgeting: *[Risk Factor: L]*

The budget process appears to be well understood and implemented in the sector. The IP programmes ensure a good policy linkage to the financial estimates. The sector has gone further by adapting the IPs to the new programme and performance budgeting guidelines issued by the Ministry of Finance.

Predictability in Budget Execution *[Risk Factor: H]*

This area depends on the following six PFM sub-components:

1. There is an aspect of revenue mobilisation that does not apply exclusively to the Education sector. This concerns whether there is an effective national tax administration system that is able to mobilise resources to support a predictable budget execution. The equivalent risk factor in the sector is the effectiveness in marshalling A-in-A resources, which appear to vary from year to year. *[Risk factor Revenue: Moderate]*

2. Predictability in the availability of funds for commitment of expenditure in the sector - 96% from GoK and 4% from donor sources, therefore it is moderate. *[Risk factor Revenue: Low]*

3. Consolidation of Government Cash Balances: This is another area that is not directly applicable exclusively to the sector [*Risk factor: Low]*

4. Payroll: The extension of the IPPD to the sector reduces the risk of ghost names and other payroll fraud. This area was not specifically reviewed in this assessment, but a proxy estimate from the PEFA score of C+ appears favourable *[Risk factor: Moderate]*

5. Competition, Value for Money and Controls in Procurement: This is an important area which received some attention in the review. While the procurement laws and regulations are in place, there is very limited technical capacity at the school level. Also the implementation of the regulations has not been enforced in the system. There are on-going allegations of fraud and embezzlement of funds *[Risk factor: Substantial]*

6. Effectiveness of Internal Audit: Equally the limited number of Internal Audit personnel restricts audit coverage, and the School Auditors lack capacity *[Risk factor: Substantial]*

Accounting, Recording & Reporting *[Risk Factor: H]*

The assessment included:

- Timeliness and reporting of accounts reconciliation
- Quality and timeliness of in-year budget reports
- Quality and timeliness of annual financial statements

The implementation of the IFMIS in all central line ministries ensure that timely in-years reports can be produced. However the conversion of the "Vote Book system" to the "Ledger Management system" on IFMIS for production of periodic in-year and end-of-year summary reports has only been partially completed. During the initial implementation of IFMIS, it was run in parallel with the old system. Districts are not on IFMIS and they still use the "Vote Book system". Hence in total some 20 % of the total expenditure volume is still managed outside IFMIS.

For presentation of in-year budget reports the current interim solution for Districts is to capture District data from the Vote Book system to the Ledger Management system, from which data is entered to the IFMIS system. The current status for most central ministries is that reporting of expenditure, commitments and payments in the structure of the estimates is made through IFMIS. Consolidated reports however need to combine data from the vote-book system and IFMIS.

In terms of production of expedient flash reports for most central ministries they can be produced instantly through IFMIS.

The consolidated expenditure reports are however produced with some time lag, as the District data needs to be brought on the central systems. To also get details of expenditure from the district level, the information is readily available at districts in their stand-alone Vote Book systems, which also captures both commitment and payment stages and can report accordingly.

For the considerable group of SAGAs, including most universities and schools, detailed reports are not included in the consolidated in-year reports. These entities are only featuring as transfers.

During the preparation of the Annual Financial Statements, the Ministry presents its final accounts to the Controller and Auditor General by 30th September. Often the accounts are incomplete and prepared in haste to meet the deadline. The Controller and Auditor General scrutinises and responds to the accounts and a process begins where corrections are made to the statements. The final accounts from some ministries can therefore only be said to be complete later on; from the experience of the last three years this is around mid-November. The Ministerial accounts are simultaneously presented to Treasury, which prepares the Central Government summary accounts and submits them to the CAG. The final consolidated accounts are thereafter audited and presented in "The report of the Controller and Auditor General to Parliament on the appropriations accounts, other public accounts and the accounts of the funds of the Republic of Kenya." This publication has over the last years been presented to Parliament 20/4, 14/5 and 29/5, i.e. around 10 months after the end of the financial year. The Central Government financial statements are prepared on the basis of formats prepared by the Office of the Accountant General. There is no Manual prescribing various "national" accounting policies, accounting treatment and disclosures.

Often the accounts have been qualified because of various unexplained discrepancies, omission of expenditure from the accounts and lack of documentation to support some of the figures shown in the financial statements.

External Scrutiny and Audit *[Risk Factor: H]*

The assessment included:

- External audit
- Legislative scrutiny of the annual budget law
- Legislative scrutiny of external audit reports

The Public Audit Act (PAA) of 2003 established the Kenya National Audit Commission (KENAC) which approves the budget of KENAO and determines the remuneration and other terms of appointment of staff of KENAO. For issues related to human resources management, however, the KENAO functions under the authority delegated by the Public Service Commission. Under the PAA, KENAO is mandated to audit all central Government ministries and departments, local authorities, semi-autonomous Government agencies, special funds, extra budgetary funds and state corporations. The mandate covers all entities for which the holdings of Government and other public corporations are more than half the total equity. KENAO is independent of any other authority in carrying out its prescribed functions. The PAA also authorises the CAG to conduct performance audits. This kind of audit, however, has only recently started.

KENAO has substantially increased its coverage to 100% of central Government annually, which is also evidenced in the Annual Report. Performance audits, however, have only recently started. KENAO still does not have the capacity for a full annual coverage of Local Authorities and there are considerable backlogs in this area. The implication for the Education Sector is that KENAO coverage of schools is very limited.

The role of the Parliament during the budget approval process is still limited although it has increased during recent years when the Budget Committee has become more active and also receives more resources in the Parliament Budget Office to support its work.

The budget timetable leaves only a limited amount of time for a meaningful debate - in reality about two weeks in recent years. Even so, the Parliament has become more engaged and active in the budget scrutiny and the parliamentarians are debating the Financial Bill and the Annual Budget to the fullest extent possible within the limited time that they have. The legislature's scope of scrutiny covers fiscal policies and aggregates for the coming year as well as detailed estimates of expenditure and revenue

The budget is only presented to the Parliament at the beginning of the fiscal year. Existing law permits ministries to spend half of the budget estimates after the budget is presented to Parliament but before Parliament approval, so the budget execution is already underway when the Parliament starts deliberating it. Recently, however, the Budget Committee members have received advance information and become involved in sector working groups that prepare the budget, and this has given them more detailed information before the formal budget scrutiny.

In Kenya the Public Accounts Committee (PAC) is responsible for carrying out the legislative oversight of budget execution. The PAC has had a considerable backlog in its dealing with reports from the KENAO but is now trying to make up lost time as it has just completed the examination of the 2006/7 report in August 2010, with 2007/09 and 2008/09 Public Accounts still to be considered. The PAC conducts hearings on most cases that are brought up in the report from the KENAO and summons Accounting Officers to appear and explain cases. Representatives from the KENAO and Accountant General are permanent members to explain and provide more information to assist the committee. The KENAO also assists the PAC in writing its report and formulating the recommendations. Once the PAC report has been adopted by Parliament, the report with observations and recommendations is sent to Government through the Treasury in the Ministry of Finance. Treasury notifies all the concerned MDAs of the remarks and the recommendations and then records all the observations from the PAC together with the answers from MDAs in the Treasury Memorandum which is then sent to Parliament. The answers have to be submitted within a time limit but implementation of recommendations is not, unfortunately, time bound. This process, however, is much delayed and several years have passed before any feedback comes back to the Parliament in the form of a Treasury Memorandum (sometimes dating back to 5 or more years). The slow process and seeming lack of enforcement seriously undermines the value of the follow-up. The annual audit report shows examples of how the same remarks in the same institutions are repeated year after year.

Statement on Corruption[21]

Concerns about corruption in high places are common in Kenya. Kenya remains one of the most corrupt countries in the world; as it has been since 1998.

A recent World Bank report[22] concluded “Despite some notable efforts, Kenya remains an underperformer on governance and anticorruption….A patrimonial system has bred corruption and decay of vital institutions.” A culture of impunity prevails with only limited and delayed checks and balances provided by parliamentary oversight and audit. The main check is well informed and vocal anti-corruption campaigners and organisations within civil society (largely donor-funded) who receive variable media coverage. A challenge is to broaden and systematise such accountability checks to local level corruption which affects every Kenyan and Government office, holding back growth and poverty reduction.

[21] The materials this section are adapted from the Country Governance Analysis- 2008

[22] World Bank Group, Governance, *Growth and Equity for a Prosperous Kenya, Country Assistance Strategy Progress report 2004-2008*, 2007

Kibaki's last Government had won election on a manifesto of zero tolerance to corruption and started work commendably in 2003 including new legislation, a revived anti-corruption commission, a judicial purge and investigative commissions. But new grand corruption scandals emerged from 2004 implicating Cabinet members and GoK reacted with a plethora of unco-ordinated plans and promises which were difficult to assess and monitor. The situation remains confused and unpromising given the power-sharing context and the incentives that provides (see later). But an ongoing UN Convention Against Corruption gap analysis offers some promise of a co-ordinated, nationally-owned implementation plan if it comes to fruition. System reforms within public financial management and public sector reform mean corruption is becoming more difficult. At a local level, weak or corrupt use of a new Constituency Development fund probably contributed to 70% of MPs being voted out of the last parliament.

The patronage politics and weak institutions keep Kenya politically and economically vulnerable. The culture of impunity remains strong and corruption and human rights abuses are likely to continue.

On the other hand, ministries and other Government institutions have now erected signboards indicating that they are 'corruption-free' zones. Nairobi City Hall has also placed a kiosk as an information point at the entrance of its premises for the public to report corruption.

The prevalent risk of corruption has significant implications for DFID's development programme. Reviews of programmes and Government performance rule out considerations of general budget support as an instrument for delivering aid under the present circumstances. Caution is also required with planned alignments in Government programmes (as in Education, Social Protection and Health).

Following the recent fraud crisis, the Education sector has drawn up a new programme of accountable Government, including milestones, which will be used to help the international community dialogue with Government about addressing fiduciary risks.

Table 6: Framework for the Assessment of Anti-Corruption Measures

Area	DFID-HNT Guidelines	Situation In Kenya
Country Governance Context	What is the level of state capability, accountability and responsiveness? What signals does the broader governance climate give about the levels of corruption in the country? Are corruption trends monitored in any way, either domestically or through international indices such as those used by Transparency International? Has the country signed and ratified the UN Convention Against Corruption, and if so, to what extent is it known to be compliant (as stated in its own self-assessment, or any gap analyses that have been conducted, or in any reviews under the UNCAC review mechanism)?	Kenya Anti-Corruption Commission (KACC) undertakes an annual national corruption perception survey. These surveys have been carried out since 2005, and the last one done in 2009, with one underway for 2010 (started in mid-August). The survey examines the governance issues by asking beneficiaries their perceptions of corruption when they try to access Government services. For example in the 2007 survey respondents' assessment of the performance of public institutions, the Ministry of Education was ranked the most efficient (29.7%), closely followed by Health (25.6 %0, an KRA (15.4%), Agriculture (11.6%) In terms of level of corruption the Education ranked 6th after the Office of the President, Health, Local Government, Lands and Immigration & Registration of People The KACC then works with the MDAs to take preventtive measures and educate the public. Kenya ratified the UNCAC in 2003.
Preventive measures	What is the strength of the package of preventive measures currently in place? This will include: public sector ethics and procedures; public procurement; public sector finance; public reporting; access to information and whistleblower protection; public education; private sector standards including accounting and auditing standards; money laundering (is the country a member of a regional anti money laundering body, and if so, has there been an assessment of its compliance with international anti money laundering standards as set out by the Financial Action Task Force?).	Every Government office has been declared a corruption-free zone. The strength on prevention (on the scale of 1-10) the KACC will rank the measure taken at 6. The Government has taken a range of measures, including 'sermons' where the President and the Prime Minister called a meeting of MDAs to give them stern warning. Every MDA is required to set up a Corruption Prevention Committee (CPC). KACC trains the MDAs and provide guidelines to support capacity building efforts. Every Government department is to have 1 Integrity Assurance Officer whose role is to sensitise members of the department to the nature of corruption KACC has an intelligence-led department from where officers are on the look-out for areas of corruption. They conduct systems reviews by a critical examination of how the systems work, they identify loopholes, make recommendations in reports and work with the department concerned to close those loopholes. A Public Officers Ethics Act, and KACC is working to support its implementation The Witness Protection Act has recently been passed to support whistle blowing. However the

		logistics for implementing this act are not yet in place.
Criminalisation and Enforcement	Are provisions in place to criminalise the key corruption offences and take enforcement action? This will principally include: bribery (domestic or foreign), embezzlement, trading in influence, abuse of functions, illicit enrichment, laundering of proceeds within or outside of the country, and obstruction of justice. Are there any figures available on the rate of investigations and prosecutions against reported cases of corruption?	Once a corruption offence is alleged and the KACC is called, they collect evidence and forward the files to the Attorney General. At the moment KACC does not have powers to prosecute, so there is room for it to be made more powerful. However at the moment KACC derives its power from the intelligence they have. When they are called they do their best to generate the evidence that can stand up in a court of law.
International Drivers and International Co-operation	How significant are international factors in driving in-country corruption? This will include: foreign bribery, money laundering, and organised crime. Are mechanisms in place and being used to allow international co-operation with other countries in cases of bribery and money laundering, including recovery of stolen assets?	Kenya has some unstable neighbour countries, so the prevalence of organised crime drives corruption. In 2003 the Government passed the Anti-Corruption and the Economic Crimes Act which set up the KACC. The Act empowered the KACC to partner with the East Africa Anti-Corruption Forum. There were gaps in the Act, which sometimes led to situations where they could not recover assets stolen or to economic crimes. However recently the Court of Appeal has ruled in favour of KACC. The new constitution (section 79) requires Parliament to pass within a year a law to anchor the KACC.
Technical Assistance and Information Exchange	What is the extent and nature of external support on anti-corruption? Who provides it (does it come through UNCAC, IFIs, regional bodies or bilateral donors)?? Does it match key areas of need?	To date the funding of KACC activities has been mostly from the Exchequer. Recently, however, there seem to be signs of a lot of goodwill from many donors. For example USAID is rolling out a Civic Education programme. The AfDB is also funding an out-reach programme. They will be looking to partner with DFID in future.

5. Credible Programme to Improve

The Government of Kenya launched various initiatives to improve public financial management accountability before the launching in 2006 of the present umbrella reforms under the 'Strategy to Revitalise Public Finance Management'. The capacity of the public sector in Kenya to play its catalytic role in development has been hampered by structural and institutional challenges. This has led to the high cost of doing business in Kenya, it has slowed down the level of economic growth and development, and increased the number of people living below the poverty line. To improve the efficiency and effectiveness of the sector, the Government has been implementing wide-ranging reforms over the last 15 years with but modest outcomes. Some of the reforms include: structural adjustment programmes, political reforms, privatisation of state enterprises, ministerial right-sizing, voluntary early retirement and retrenchment of civil servants - all of which have had implications for public expenditure.

In 2003, the Government drafted a medium-term poverty reduction strategy, the IP-ERS, which outlined its political priorities over the period 2003-2005. It identified institutional and structural reforms critical to economic recovery and poverty reduction. Various reform programmes anchored in the strategy and building on past efforts have been designed and are either being implemented or are in the process.

Governance Justice Law and Order Sector Reform (GJLOS) Programme). The GJLOS reform programme currently under implementation is a Government led initiative and seeks to reform sector institutions for enhanced protection of human rights, efficient transparent and accountable governance and justice. The programme lays out a sector-wide, coordinated and coherent five-year plan to reform public sector institutions in the justice and legal sector to be able to execute their mandate effectively. The key outcomes of the programme include:

- Responsive and enforceable policy, law and regulation
- More effective GJLOS institutions.
- Reduced corruption related impunity
- Improved access to justice
- A fair, humane and expeditious justice delivery system.
- More informed and participative citizenry and non-state actors
- Safe and secure environment

Statistical Capacity Building Programme (STATCAP). This project is designed to develop improved statistical information on governance issues as well as strengthen and harmonise the monitoring and evaluation framework, and mainstream governance statistics as a way of monitoring and evaluating the implementation of anti-corruption measures. One objective of STATCAP relevant to expenditure management is the improvement in the collection of Government Financial Statistics (GFS) which usually is manual, slow and unreliable. GFS data comes out late and takes a long time to be corrected and audited, which hinders corrective measures by oversight bodies.

*Public Sector Management Reforms***.** In order to support the implementation of the IP-ERS, the Government is undertaking public sector management reforms under the Institutional Reform and Capacity Building Project. The objective of the project is to strengthen public financial management (PFM) systems, to enhance transparency, accountability and responsiveness to public expenditure policy priorities as well as enhance public service delivery through the effective implementation of Results-Based Management (RBM). The programme is being implemented under the following components:

(i) Results-Based Management. (RBM). The long-term objective of RBM is to improve public sector management for more efficient, transparent and accountable delivery of public services. The intended outcomes of this component are:

- Institutionalised RBM in the public service
- An enabling environment for RBM to achieve national goals and policy targets
- Restructured Cabinet Office and rationalised functions in support of the Presidency
- A developed longer-term public service strategy including a national vision
- Enhanced capacity of public service leaders to champion chance in the implementation of RBM and mainstreaming of values and ethics in the public service.
- An Information, Education and Communication strategy for disseminating results

(ii) Public Financial Management Reforms. The Government has been implementing financial management reforms as part of PEM-MAP and the accompanying matrix of corrective measures developed out of various diagnostic studies that revealed weakness in the expenditure management system. The following measures have been taken:

- Preparation of an Enhanced Financial Management Action Plan (EFMAP) that outlines necessary reform measures in budget formulation, execution, monitoring and evaluation.
- Clearance of audit backlogs through the Kenya National Audit Office.
- Enactment of the Public Financial Management Act which provides a framework for improved expenditure management
- Enactment of the Public Officers Ethics Act
- Enactment of a Public Procurement and Disposal of Public Assets Law
- Piloting of risk-based audits
- Roll-out of an Integrated Financial Management Information System in selected ministries
- Opening of the budget process to greater stakeholder participation
- Constitution and functioning of sector working groups

The reforms have so far adopted an isolated and incremental approach with little scope for a co-ordinated approach. As a result of fragmented funding, poor planning and little attention to critical cross-cutting issues like training, decentralisation and legal framework, there has been little impact. The expenditure management system still remains weak despite the ambitious efforts.

To address the weaknesses associated with the isolated and incremental approach, the Government has finalised a comprehensive, integrated, prioritised and sequenced public financial management reform strategy. The strategy covers all the 15 components in the public financial management equation including cross-cutting issues. The strategy is anchored on 6 inter-linked pillars namely[23]

[23] In the work plan of July 2010 to June 2011 , the Pillars have been modified to five by merging the first two

- Macro-economic forecasting and budgeting which includes macro-fiscal framework, budget formulation and preparation, debt and guarantee management and external resources components
- Resource mobilisation only focusing on the Revenue component
- Budget Execution comprising Budget Execution, Accounting and Reporting, Payroll and Pensions.
- Procurement
- Audit and Oversight which has Parliamentary Oversight, External Audit and Internal Audit components
- Cross-cutting issues that cover IFMIS, Legal Framework and Training, Professional Accreditation and Conditions of Service

The Public Financial Management Reform (PFMR) programme is expected to last between seven to nine years. Other reform initiatives being implemented by the Government are to be seen in Water and Sanitation, Local Government, Education and Health.

On the prospects of fundamental reforms, the views below echo the reality of the current situation[24]:

Commitment to Poverty Reduction – GoK is still promoting growth but there will be more constraints and challenges particularly to addressing poverty. New Vision 2030 plans do not include a clear vision of how GoK will address poverty particularly youth unemployment and inequality and how it will address underlying causes of the crisis to prevent its recurrence.

Commitment to Human Rights & International Obligations – Ongoing processes will continue to expose abuses by the State – not only in the crisis but more generally. There is little sign of GoK appetite to investigate and deal with these and little incentive for ministers to do so when they or their supporters may be involved and there is very weak rule of law.

Commitment to Strengthen Financial Management and Accountability. There has been some progress in improving financial management and procurement. There has been a plethora of anti-corruption strategies and plans under the last Government but with little evidence of meaningful success. Given the culture of impunity and unaddressed corruption, many fear that the political incentive will be strong to steal funds for personal and political use, particularly given the lack of opposition and oversight.

[24] Country Governance Analysis – Update June 2008

An assessment of the credibility of the programme to improve

The Public Financial Management Reform (PFMR) programme is a key part of all governance reforms being implemented in Kenya. There has been some progress in some of the components of the reforms. Two factors that appear to have driven successful reforms in other parts of implementation of the Integrated Personnel and Payroll Database (IPPD) and the Kenya Revenue Authority (KRA) have been political support and a large degree of autonomy. Both IPPD and KRA reform efforts have a committed and designated project management and organisation. Substantial progress has been made in the electronic payroll system (IPPD). Thus, the KRA and the DPM Reforms in these fields are owned and supported by their own management and organisation, and have not always depended on pooled funds. These factors go some way towards explaining why some parts of the GoK's reform efforts make faster progress than others.

Institutional Factors Affecting Reform Planning and Implementation

Institutional factors play an important role in the successful implementation and sustainability of any reform efforts. The design of the Institutional Reform and Capacity Building Programme of which PFMR is a component has been informed by lessons learnt from previous projects both in Kenya and other countries.

Government Ownership and leadership of the Reform Programme.
The financial management reform programme is anchored on the Government's broader policy priority, the IP-ERS, which has strong ownership and support at the political level due to its participatory and consultative preparation. A cabinet sub-committee on reforms has been formed to provide policy leadership in the implementation of reforms in the public sector. Other institutional arrangements for implementing the programme cut across Government and the Ministry of Finance. The preparation of the PFMR has been led by the Ministry of Finance to ensure that component managers own what is being implemented.

Partnership Arrangements.
A number of development partners have come together to support the PFM programme through a common framework by aligning themselves behind the Government strategy. In addition to allowing for better co-ordination between the Government and the development partners, the framework will improve the effectiveness of external support and strengthen local ownership of the reform process.

Sequencing and Prioritisation
A holistic integrated comprehensive approach has been adopted in the implementation of the PFM reforms in Kenya. This will provide an opportunity for significant improvements in public expenditure management, and allows for a co-ordinated approach that ensures different components within the programme are at complimentary levels. The integrated approach provides a mechanism managing effectively the sequencing and synchronisation required for implementing the different activities of the programme.

Reform Implementation Capacity
The capacity to implement reforms is critical to success and sustainability. To build local capacity, the PFM reform programme is being implemented within existing Government systems as opposed to previous approaches which relied on project implementation units. The challenge however will be retention of the capacity thus built. Various Government initiatives to mitigate against high staff turn-over are being implemented throughout the public service.

Stakeholder Involvement and External Scrutiny.
To build demand-driven accountability mechanisms, the preparation of the IP-ERS and the reform strategy was participatory and inclusive of major stakeholders within and without Government. This has ensured inbuilt tracking mechanisms by various stakeholders and a demand-driven accountability framework. As with any public effort Parliament will play an important oversight role on behalf of the people of Kenya to ensure that the reforms succeed.

6. Financial Impact

This section provides an assessment of the possible financial impact of weaknesses in PFMA systems with a view to quantifying the impact and risks to DFID's funds and identifying additional safeguards.

January-March 2009, the GoK and WB jointly undertook a detailed analytical review of the funds flow processes and fiduciary review of Bank-funded projects as part of the Kenya Country Portfolio Performance Review (CPPR). Based on a preliminary assessment of 20 primary and secondary schools within KESSP it was revealed that there are some integrity issues. The Ministry of Education (MoE) on May 15, 2009 asked the Treasury (Internal Audit Department (IAD)) to conduct an in-depth fiduciary audit of the KESSP which led to a draft Internal Audit Report (IAD) dated October 9, 2009, alleging fraud. The review was based on an examination of payment vouchers for the entire 2008/09 financial year. This preliminary review of KESSP revealed a number of integrity issues.[25] The two main findings of the May 2009 were that KESSP had: (i) some significant control weaknesses to manage the risk of fraud and corruption[26]; and (ii) weak governance and oversight mechanisms.

IAD has since undertaken forensic audit covering the entire period of the KESSP since it became effective with pooled donor funds in 2007. These special investigations have estimated that the impact of fraud amounts to about £…in the sector.[27]

[25] The initial review involved 20 primary and secondary schools within KESSP.

[26] This findings were restricted to the infrastructure and capacity building funds in all IPs

[27] The details of Forensic Report was not available for this assessment, but the estimated impact was provided through DFID Kenya.

Table 7: Summary Table of Financial Impact (For details see Annex 1)

Component	Examples of identifiable risk factors in KESSP	Details	Estimated financial impact of leakages & inefficiency
Comprehensiveness and Transparency (S)	The Budget Classification IFMIS-Chart of Accounts(COA) do support schools reporting	The sector coverage of schools is not comprehensive; school returns do not support transparency as they are not cost centres in IFMIS	
Policy-Based Budgeting (L)	Poor linkage between sector policies and the estimates	The Budget is not supporting the use of funds for what it is intended	
Predictability and Control in Budget Execution (H)	Payroll Procurement Internal Controls	Fraud/embezzlement & corruption Lack of management supervision/ and use of management decision overrides	
Accounting, Recording & Reporting (H)	Inaccurate Accounts & poor reporting	Poor reconciliation Outstanding Advances & Imprest	Total amount of misappropriated funds = $90,406,114. This amount has been deemed to be ineligible expenditure
External Scrutiny and Audit (M)	Tardy PAC reports Poor executive responses & implementation of recommendations	Independence of KENAO Poor PAC resourcing Politics or patronage	

7. Safeguards and Residual Risks

The risk factors identified in Chapter 4 have been known to cause delays, inefficiencies, and uneconomical practices. The World Bank and GoK jointly commissioned investigations referred to in Section 6 triggered a number of actions by various stakeholders of the KESSP programme.

The MoE reacted to the report by suspending the officers who are allegedly involved in the fraud and corrupt practices. DFID suspended disbursement of funds through the pool funding mechanisms and commissioned a more extensive forensic examination of the accounts of KESSP going back two years.[28] In addition, a Governance and Accountability Action Plan was agreed with the World Bank on 1 April, 2010, to address systemic and specific issues including procurement-related issues.

A summary of safeguards designed to mitigate short-term risks:

The weakness in governance and oversight mechanisms may require changes in five areas:

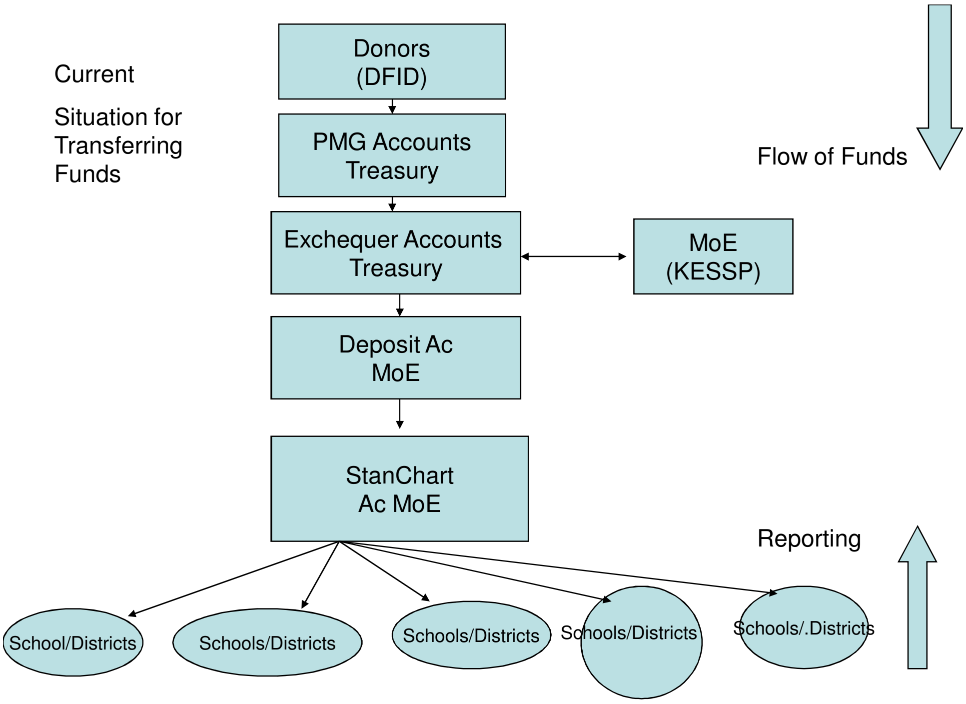
- Some fiduciary processes
- Management oversight of programme processes in the context of override on internal control frameworks
- Book-keeping under the programme
- GoK and development partners' operational policies and procedures
- Maintaining ready access to operational documentation, improving operational risk management and a greater IT security in some areas.

In the short term, however, DFID has proposed a safeguard by appointing a Financial Management Agent (FMA) to disburse funds directly to schools. This section of the report examines the traditional mechanism through which funds were disbursed, and examines the initial safeguard proposed by DFID and other options available to disburse funds.

For each option this report examines the advantages and disadvantages in terms of efficiency of disbursement and associated transaction costs; capacity building; conformity to Paris Declarations in the use of country systems; supporting accounting and reporting; supporting effective monitoring and evaluations; usefulness of strengthening country systems, supporting changes in management culture & promoting internal management accountability (management supervision rotation of staff, internal controls and internal audit); increased transparency (through increased information in the public domain and open decision making); external accountability (both vertical through citizens and horizontal accountability systems through which bodies such as Parliamentary Committees, Supreme Audit Institutes, inspectors and ombudsmen hold state organisations to account); and participation by the community in decision making.

[28] The outcome of the extensive Forensic Audit is expected on 27 August 2010.

Under the existing/traditional system



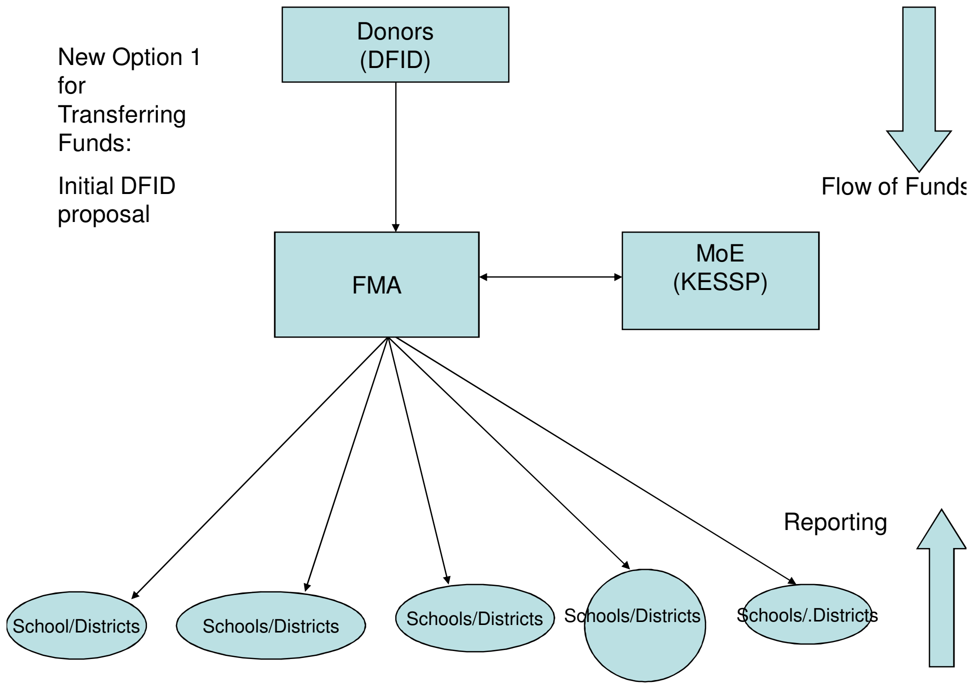
Description of the approach: DFID disburses funds by transferring them into the GoK's central Paymaster General (PMG) bank account. The funds are transferred to the Exchequer Accounts and disbursed through as part of the normal budget funds transfers system. The funds are first transferred to the Development Account of the MoE, and subsequently transferred to the commercial bank account of the MoE held at the Standard Chartered Bank (the MoE has about 4 such accounts) before transferring them to schools. The schools keep the funds in their bank accounts and disburse them on IPs as directed in the schedules and vouchers that transferred the funds. The MoE regards the transfers as payments, therefore the end of budget execution phase (hence the use of vouchers). The schools are required to prepare accounts which are examined by the School Inspectorate Unit in the MoE. Reporting from schools has several shortcomings because of weak financial management and procurement capacity.

Advantages: use of GoK budgeting, procurement, accounting and audit system; the funds are transferred to school therefore avoiding leakages at either the provincial or district levels.

Disadvantages: some resource capturing can still occur at the MoE (head office level) as the money goes through several bank accounts, including commercial banks; transactions costs therefore may high; sometimes the transfers are returned because of mis-coding, or non-existing schools (from closure or other reasons).

The safeguards contribution to strengthening PFM capacity

Under Option 1: DFID Initial proposal of disbursement through a Financial Management Agent (FMA)

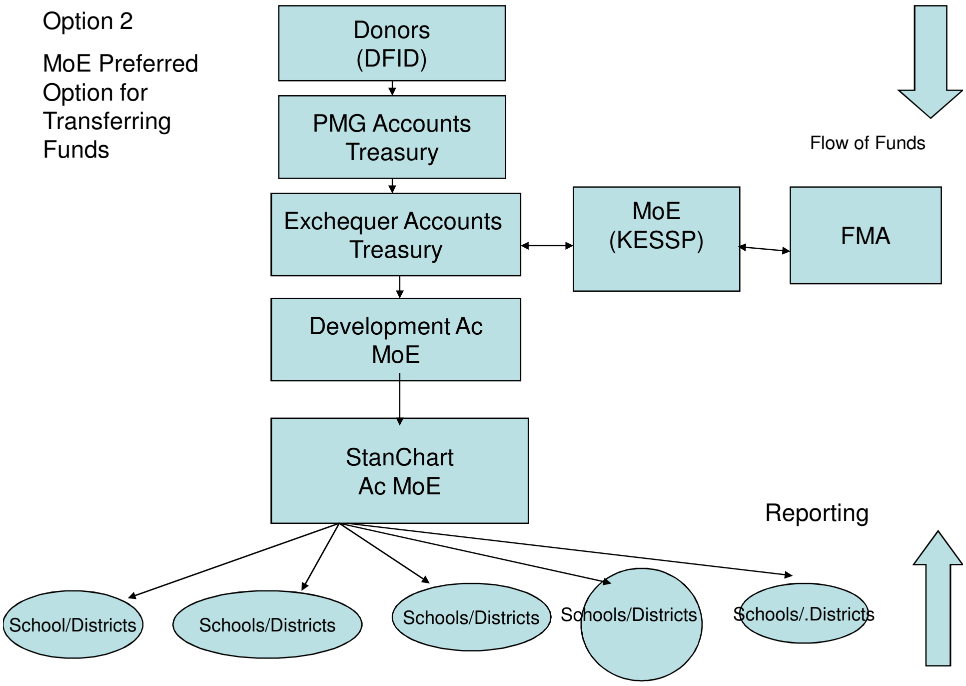


Description of the approach: DFID disburses by transferring funds directly into the commercial bank accounts of the FMA. The FMA liaises with the MoE, as the latter instructs which schools should receive payment. The schools use their existing financial management and procurement system. The FMA builds financial management, procurement, monitoring and evaluation (M&E) capacity at all levels. This approach by-passes the GoK's central bank account and other systems as much as possible.

Advantages: may use GoK budgeting (and the funds will be captured as A-in-A, instead of as revenue to KESSP; the funds are transferred to school therefore avoiding leakages at all levels (including the MoE head office, provincial and district levels); the FMA will be responsible for accounting for the funds); FMA will build capacity in financial management, procurement, accounting and reporting through mentoring and by working with MoE officers and school management on a day-by-day basis. It will support changes in management culture and an increased transparency (through increased information in the public domain and open decision making.

Disadvantages: it undermines the principle of the Paris Declaration (use of country systems to build capacity); setting up a parallel system to disburse funds and account for them could be very costly (especially for the large number of schools involved, over 20,000); it will lower internal management accountability (and MoE management will not support FMA/DFID when something goes wrong); reporting from school, and monitoring and evaluation will still be challenging.

Under Option 2: Preferred MoE Approach of disbursement traditional system, with the involvement of a Financial Management Agent (FMA)



Description of the approach: The transfer mechanism is the same as the traditional/existing system where DFID disburses funds by transferring funds into the GoK's central Paymaster General (PMG) bank account. The funds are transferred to the Exchequer Accounts and disbursed through as part of the normal budget funds transfers system. The funds are first transferred to the Development Account of the MoE, and subsequently transferred to the commercial bank account of the MoE held at the Standard Chartered Bank before transferring them to schools. The schools keep the funds in their bank accounts and disburse them on IPs as directed in the schedules and vouchers that transferred the funds. The schools are required to prepare accounts which are examined by the FMA working with the Ministry of Finance (Internal Audit & External Resources Department), the School Inspectorate Unit in the MoE. The FMA builds financial management, procurement, monitoring and evaluation (M&E) capacity at all levels.

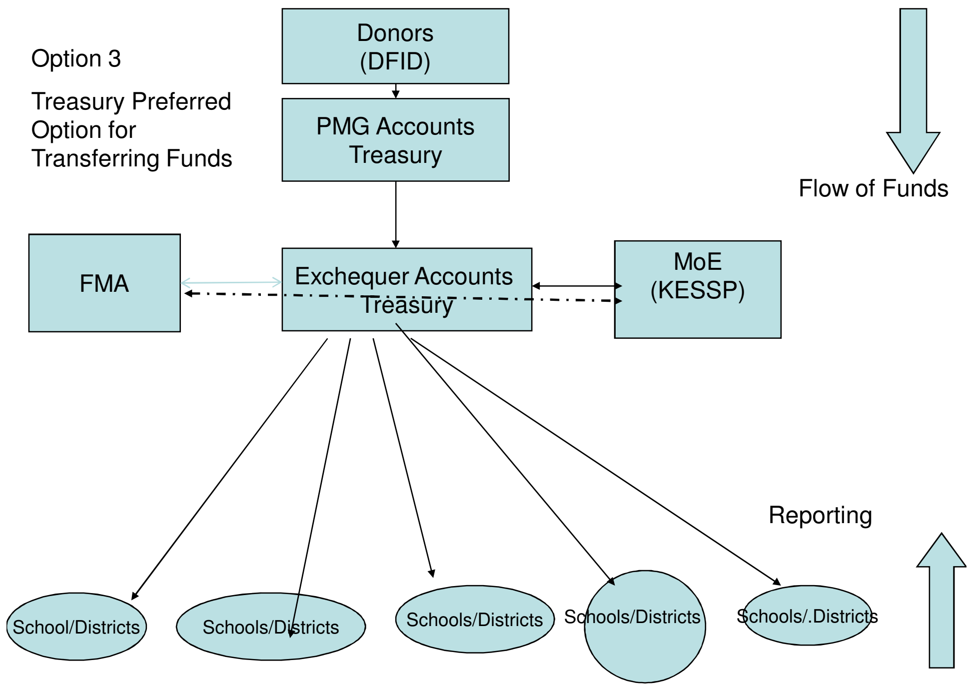
In this approach the FMA serves as Technical Assistance (TA) to the MoE, which still retains management control and accountability for the funds.

Advantages: the transfer will be through the GoK's budgeting system (and the funds will be captured as revenue to KESSP; the FMA will be responsible for accounting for the funds; it will avoid building a parallel system to disburse funds, therefore has a lower cost than Option 1; FMA will build capacity in financial management, procurement, accounting and reporting. It will support changes in management culture and an increased transparency (through increased information in the public domain and open decision making.

Disadvantages: some leakages at all levels may still occur at the MoE head office; and also be prone to all the shortcomings of Option 1. The biggest danger is that

MoE management may find some means to marginalise the FMA, if it is seen as an ordinary TA, and thereby neutralise their presence in the programme.

Under Option 3: Preferred Treasury Approach of disbursement using direct Electronic Funds Transfer (EFT), with the involvement of a Financial Management Agent (FMA)



Description of the approach: The transfer mechanism is partly the same as the traditional/existing system and partly the FMA model as proposed initially by DFID. Under this approach DFID disburses funds by transferring funds into the GoK's central Paymaster General (PMG) bank account. The funds are transferred to the Exchequer Accounts and disbursed as part of the normal budget funds transfers system. However in this case the FMA liaises with the MoE and the Treasury to transfer the funds directly to schools by by-passing the MoEs bank accounts in the commercial banks.

Advantages: the transfer will be through the GoK's budgeting system (and the funds will be captured as revenue to KESSP); the FMA and MoE will be jointly responsible for disbursing and accounting for the funds; it will avoid building a parallel system to disburse funds, therefore has lower costs; FMA will build capacity in financial management, procurement, accounting and reporting. It will support changes in management culture and an increased transparency (through increased information in the public domain and open decision making). Lastly it could support and promote the implementation of the concept of a Treasury Singles Account (TSA) by avoiding locking up Government cash in commercial banks.

Disadvantages: some leakages at all levels may still occur at the MoE head office; and also be prone to all the shortcomings of Option 1. The biggest danger is that MoE management may find some means to marginalise the FMA, if it is seen as an ordinary TA, and thereby neutralise their presence in the programme.

The exit strategy from safeguards

The use of a financial management agent to disburse funds is considered to be a second best solution. Once manageable risks are brought under control, steps should be taken to start the disbursement of funds through the Government system. It is anticipated that the FMA arrangements should be in place for about 2-3years.
The exit strategy involves the engagement of the FMA on short-term contracts with the possibility of renewal at the end of the term. The exit strategy will also depend very much on the progress made by GoK in all areas of financial management and procurement reforms; and KESSP/MoE on sector PFM capacity building.

Summary of residual risks not mitigated by credible reform programmes and safeguards in the life of the FRA

It has to be recognised that where two or more people collude, no amount of safeguards can entirely eradicate fraud and embezzlement. The main residual threat is the risk of corruption.

8. Monitoring Fiduciary Risks

This section outlines how fiduciary risk/PFMA improvement will be monitored over the next period.

The risks and performance monitoring programme would provide a regular feedback to DFID on both financial and progress report on the KESSP programme. It will also report any incident of fraud and corruption in the sector.

Under normal circumstances the Annual Statement of Progress (ASP) will be the mechanism through which DFID will monitor the GoK's continuing commitment to strengthening financial management and accountability and reducing the risks of funds being misused through weak management arrangements or corruption. As the ASP is a relatively light touch exercise based on routine project monitoring reports and normal contact with GoK officials, it appears that this will not be sufficient.

The HTN outlines a number of 'significant events' that would trigger additional monitoring safeguards if funds are to be disbursed under unusual circumstances. In the case of Kenya, such signifiers include the PEFA assessment in 2009 that highlighted continuing weaknesses in PFM as evidenced in Annex 3. From the assessment it can be surmised that financial reporting remains weak, and oversight arrangements also remain weak (with little or no action on parliamentary reports based on external audit recommendations). The serious scandal leading to the suspension of disbursement of DFID funds is also another trigger that challenges the overall credibility of GoK's financial management accountability system and related reforms.

Monitoring Mechanisms

If DFID should engage a financial management agent to disburse funds, fiduciary risks in KESSP will continue to be present. The residual risks will come from factors outside the control of the FMA. In designing the monitoring arrangements therefore, due consideration has been given to the preconditions or the underlying assumptions for the effective operation of the FMA. This requires thinking through the external factors that would generate risks and their impact on the public financial management as an interdependent cycle.

The monitoring of performance will be on-going and will include both routine and non-routine mechanisms, such as:

- Regular monitoring reports as in quarterly reports, semi-annual and annual reports: the existing mechanisms under FMR may be sufficient, but will require a careful review by DFID staff.
- Site visits to undertake spot checks: some of these activities already occur under the joint review mechanisms, but under current circumstances such activities should be designed to enhance the element of surprise.
- Regular non-routine assessments: DFID may consider commissioning investigators from time to time to prepare special reports. Some of this has already been done with the commissioning of external forensic auditors to work with GoK's Internal Auditors. This monitoring mechanism could be extended to check on improvements in internal audit activities and what actions are being taken by GoK.
- Routine assessment by the External Audit: this report agrees with the fundamental recommendation made in the HNT that the main monitoring tool should be the partner country's own reports, especially those of the supreme audit institution (KENAO). It appears that for a number of years the findings of KENAO have not been given the attention they deserve because of the backlog of audits and weaknesses in the mechanisms for any follow-up by the executive branch of parliamentary recommendations.

Monitoring Indicators
The monitoring indicators are made up of three elements:

Process Indicators: to reflect how well the PFMA systems are functioning at both the central and sector levels. These are based on the evaluation of the 2006 and 2009 PEFA assessments. From the PEFA reports the focus should be on the four areas of High (H) to Substantial (S) risks:

- Comprehensiveness and transparency (S)
- Predictability and control in budget execution (H)
- Accounting, recording and reporting (H)
- External scrutiny and audit (H)
- The outline for monitoring improvements in the overall PFMA and how it impacts on the sector is set out in Annex 2A

Outputs Indicators: to review MoE's financial information, such as quarterly budget reports and annual financial statements, to verify how funds are actually being used. In KESSP existing in-year reports could be supplemented by the FMRs.

Outcome Indicators: to cover assessments of the impact of the overall KESSP programme as the financial management system is only a means to an end. The outcome indicators will depend on whether DFID funds are used for all IPs or targeted to specific IPs. This may also include PFMA efficiency improvements such as the number of audit recommendations being acted on by management.

In addition, the Governance Action Plan & Risk Policy Management Action Plan KESSP-GAC & RPM Action Plan (2010) provides a comprehensive framework for managing and monitoring risks in the Kenya Education Sector Programme (KESSP). In order not to duplicate what has been set out and agreed between development partners and the GoK, this report has abstracted and adapted the relevant parts which are set out as Annex 2B.

9. Summary Table

A summary table of PEFA scores, including trajectory of changes from 2006 to 2008 is set out in Annex 3.

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Annexes

Annex 1: Assessing the Financial Impact of the risk of leakage and inefficiency from country PFMA systems.

Annex 2A: Proposed Outline for Monitoring PFMA Performance Improvements in the Education Sector.

Annex 2B: A Comprehensive Framework for Managing and Monitoring Risk and Performance Improvements in the Education Sector.

Annex 3: Risk Assessment based on PFM High-Level Performance Indicators.

Annex 4: KESSP FRA: Interview Schedule/People Met.

Annex 1.

KESSP: Assessing the Financial Impact of the risk of leakage and inefficiency from country PFMA systems

PEFA/PFMA System for entities including the central ministry HQ/Provinces Districts & Schools	Relevant PEFA/FRA indicators & scores Risk of leakage or inefficiency (L, M, S, H)	Current Situation & Compensating controls already in place	Value of funds processed by system	Additional quantitative studies proposed	Expected benefit of using country systems	Additional safeguards proposed
A. PFM-OUT-TURNS: Credibility of the Budget (L)						
Maintaining the overall fiscal discipline through a balanced budget		Overall fiscal discipline appears to be good. The MoF/Treasury maintain controls at aggregate level MoE-Finance Department (FD) exercise budgetary controls in the sector				
Implementing the budget as intended						
Improving forecast of both revenue and expenditure						
Monitoring of commitments and arrears		Finance Department in MoE exercise this control				

B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency						
Presentation of budget information						
Budget orderliness						
Budget documentation budget and fiscal information						
Oversight of Schools and SAGAs						
C. BUDGET CYCLE						
C(i) Policy-Based Budgeting						
Budget structure to improve the link between the policy and the estimates						
Payroll information system		Ghost names/Fraud				
Procurement		No value for money Fraud				
Internal Audit						

C(iii) Accounting, Recording and Reporting						
Accounting						
Imprest and Advances to staff						
Returned Cash Transfers						
In-year reporting , Financial Monitoring Reports (FMR)						
C(iv) External Scrutiny and Audit						
External Audit						
The role of Parliament in Budget Oversight						
Parliamentary scrutiny of external audit reports						
Scrutiny by School Management Committees (SMCs)						

Annex 2

KESSP: Proposed Outline for Monitoring PFMA Performance Improvements in the Education Sector

Area (based on PEFA)	Situation	Action Required (specifying prior action required or taken)	Responsibility	Timelines	Options Required for Addressing Outstanding Issues
A. PFM-OUT-TURNS: Credibility of the Budget					
Maintaining the overall fiscal discipline through a balanced budget	Low risk – and remaining risk is a wider, across GoK issue to be addressed globally	No action required			
Implementing the budget as intended	Some element of wider, across GoK issues, and specific Education Sector issues. Virements within the Ministry shifts budgetary resources from one department to another	Need to implement the budget as intended and keep virements within the sector to a minimum	Accounting Officer/PS/MoE/ MoF	To be agreed (TBA)	Need to ensure a more accurate assessment of need & costing at budget preparation stage
Improving forecast of both revenue and expenditure	Some element of wider, across GoK issues, and specific Education Sector issues. Other revenue sources are unstable	Improvements in sector revenue & expenditure forecast	MoE PS	TBA	Enhance internal revenue generation by possibly diversifying revenue sources

Monitoring of commitments and arrears	Some element of wider, across GoK issues, and specific Education Sector issues - incidence of pending bills within the sector	Better commitment & management controls over expenditure	MoE PS	TBA	Revenue sources
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency (S)					
Presentation of budget information	Both overall GoK & Sector-specific issue	To present the budget to show the linkage between policy and the estimates	Accounting Officer/PS/MoE/ MoF	TBA	
Budget orderliness	Both overall GoK & Sector-specific issue	Improvement in sector planning by extending the budget calendar	Accounting Officer/PS/MoE/ MoF		
Budget documentation budget and fiscal information	Both overall GoK & Sector-specific issue				
Oversight of Schools and SAGAs	Sector specific	Improved monitoring of school expenditure & returns	Accounting Officer/PS/MoE	TBA	
C. BUDGET CYCLE					
C(i) Policy-Based Budgeting					

Budget structure to improve the link between the policy and the estimates	Some element of wider, across GoK issues, and specific Education Sector issues	Improved linkage between recurrent and the development budget	Accounting Officer/PS/MoE/ MoF	TBA	
Payroll information system	Sector specific TSC Management Control issues	Improved management of teachers' payroll to create some fiscal space within the sector budget	Accounting Officer/PS/MoE/ TSC/MoF	TBA	
Procurement	Sector specific, at both HQ and schools level	See details in Annex 2B below	Accounting Officer/PS/MoE/ PPOA/MoF	See details in Annex 2B below	
Internal Audit	Sector specific	See details in Annex 2B below	Accounting Officer/PS/MoE/IAD MoF	See details in Annex 2B below	
C(iii) Accounting, Recording and Reporting					
Accounting	Sector specific: Improve timeliness and effectiveness of accounts reconciliation	See details in Annex 2B below		See details in Annex 2B below	
Imprest and Advances to	Sector specific	See details in Annex		See details in Annex	

staff		2B below		2B below	
Returned Cash Transfers	Sector specific Issues - alleged fraud and errors in coding for bank transfers	See details in Annex 2B below		See details in Annex 2B below	
In-year reporting , Financial Monitoring Reports (FMR)	Retaining FMR modalities or examining Statement of Expenditure (SoE) approach to improve	See details in Annex 2B below		See details in Annex 2B below	
C(iv) External Scrutiny and Audit					
External Audit	Low coverage of schools	Improved audit coverage of schools	KENAO	TBA	
The role of Parliament in Budget Oversight	On-going PFM-wide issues	Sensitise parliamentarians	Parliament/Finance Committee	TBA	
Parliamentary scrutiny of external audit reports	Weaknesses in follow-up of Audit/PAC's recommendations	Sensitise parliamentarians	Parliament/PAC	TBA	
Scrutiny by School Management Committees (SMCs)/ Board of Governors (BoGs)	Sector specific	Capacity building efforts in schools and sensitise community members on school management councils and boards	Accounting Officer/PS/MoE/	TBA	

Annex 2B: A Comprehensive Framework for Managing and Monitoring Risk and performance Improvements in the Education Sector (Adapted from the KESSP-GAC &RPM Action Plan (2010)

Issues/ Nature of the problem	Proposed Monitoring Actions	Monitoring Responsibility	Reports to be produced	Reports received by	Timeframe	Status/ Comments
1 ME Staffing Actions						
Existing cases of fraud and corruption in the sector	Monitoring of referred cases to Kenya Anti-corruption Commission (KACC) requested formally to investigate fraudulent transactions and staff wrong-doing. On-going court proceedings	DFID/ FMA/ MoE, IAD	List of staff and related financial information	MoE, MoF/IAD, MoHEST, Development Partners	Action taken on December 14, 2010 Should be part of the on-going monitoring programme	Court cases on-going at the time of reporting
Managing institutional changes and enhancing integrity of staff at all levels	Training in Ethics and Anti-corruption awareness, and the roles and responsibilities of public officials for staff dealing with/handling funds. Case studies of Audit Report to be used as examples, highlighting key risk areas.	MoE, MoHEST/DFID	Annual capacity development report	MoE, MoHEST, Development Partners	FY10/11 (June 30, 2011)	MoE to ensure that appropriate training content is developed, appropriate training facilitators are identified and the first batch of MoE and MoHEST staff receive training. This should be linked to approved annual training plans with appropriate details specified in an agreed format between MoE, MoHEST and Development Partners.

Outlining incentives and penalties for fraud & corruption and misappropriation of funds in Performance contracts	Outlining sanctions for fraud and corruption or misappropriation of funds.	MoE, MoHEST	Performance contracts	Each MoE, MoHEST Staff	FY10-11	Aligning performance contracts of MoE and MoHEST staff to KESSP work plans.
Re-imbursement of misappropriated funds	Funds that were misappropriated (whether lost through fraud and corruption or otherwise found to be ineligible) need to be clearly identified and reimbursed to the KESSP JFA partners' respective accounts by the Government of Kenya	MoF	Letter from MoE on the reimbursement of funds	MoE	February 2010	MoE and MoF are finalising the figure to be reimbursed to Development Partners.
2 Recovery of Funds						
Refund of misappropriated funds to SWAp pooling partners	Government to refund to the SWAp JFA pooling partners (DFID, IDA, CIDA, UNICEF), funds which have not been used for the intended purposes and therefore deemed to be ineligible expenditure.	MoF, MoE	Letter to KESSP pooling partners on the reimbursement of funds	MoE, MoF/IAD, MoHEST, Dev'ment Partners	March 15, 2010	Based on the final amount ascertained to have been misappropriated, MoE, MoF and SWAp pooling partners have agreed on a refund formula and reimbursement structure: [(Total loss through misappropriation X contribution in fiscal year from each development partner and GoK) / total KESSP pooled financing for that fiscal year]
	Misappropriated funds to be	KACC	Intra-Ministerial	MoE,		Based on findings of criminal

	recovered by Government from individual officers where possible.		(MoE and MoF) memos	MoF/IAD		investigation.
3. Procedures						
Capacity Building Workshops and Seminars – major area of F&C	Calendar of programme implementation capacity development events with titles, costs (for training and monitoring), dates and venues aligned with work plans and procurement plans to be prepared in advance (before the end of the financial year for the next financial year), and approved by MoE, MoHEST, and SWAp pooling partners for all capacity development events at national and district levels	MoE MoHEST KESSP Secretariat	Annual capacity development report	MoE, MoHEST, Development Partners	Ongoing	Principles applied: transparency, feasibility and cost effective measures
	Publishing the capacity development programmes on the MoE website, including changes after they are approved and finalised by MoE, MoHEST and SWAp pooling partners.					
	Effective monitoring (participants' evaluation of the training, the list of participants, and the organisers' training report. Participants should also	KESSP Secretariat	Evaluation results to be included in the annual capacity development report	MoE, MoHEST, Development Partners	Ongoing	Principles: Ensuring value-for-money.

	provide copies of their IDs), and documentation of the capacity development events to ensure that they have taken place according to plan. Monitoring will also take place through external, quarterly spot checks, commissioned by the pooling partners.					
Treasury Circular on district allowances	With respect to participation in capacity development and other workshops, Enforcement of existing accommodation and subsistence allowance regulations.	MoE, MoHEST	Annual audit reports	MoE, MoHEST, KENAO, Development Partners	Ongoing	Circular No. MSPS18/2A/89 dated November 12, 2009
	Development of transport reimbursement zoning procedures and enforcement.	MoE, MoHEST	Annual audit reports	MoE, MoHEST, KENAO, Development Partners	June 30, 2010	Zoning procedures are under preparation.
	Expenditure authorisation: Articulating approval process for expenditure. The process would need to be aligned with the work plans; must be checked by the head of professional services;and checked by the head of financial	MoE, MoHEST	Internal approval work plans, procurement plans, budget statements	MoE, MoHEST	December 9, 2009	Circular No.MOE/PS/GEN of December 9, 2009 on strengthening of internal audit

	services before approval by the accounting officer.					
	Impress: Enforcement of institution-based travel reimbursements, issuance of imprests (temporary and standing) and financial management regulations based on the expenditure authorisation process.	MoE, MoHEST	Internal approval work plans, procurement plans, budget statements	MoE, MoHEST	October 9, 2009	Circular No.MOE.GEN/G6/8 of October 9, 2009 Imprests, local purchase orders, and local service orders will be reviewed by internal audit before any payment is made.
	3. Managing imprests at MoE: Direct payments to training venues on the basis of registered vendors' vouchers/receipts.	MoE, MoHEST	Internal approval work plans, procurement plans, budget statements	MoE, MoHEST	November 16, 2009	Circular No.MoE.GEN/G6/8 of October 9, 2009 Payment of venues for capacity development training workshops through electronic transfer of funds or cheques (but not cash) from Treasury through Central Banks to the training institution. Payments in tranches. For example, 50% prior to the training and 50% with training invoice (post training).
4 Institutional Strengthening						
Proactive Management of Programme Financial issues	Ensure the Internal Audit Department is adequately and appropriately staffed. Conduct semi-annual risk-	MoF MoF/IAD	 Audit reports	 MoE, MoHEST,	Long-term action	Have resource implications. This is to be done by liaising with

	based audits at Headquarters level, and across a sample of KESSP investments in the districts, and the audit reports go directly to Treasury copied to the Permanent Secretary of MoE and MoHEST, and the Parliamentary Education Committee. The audit will report on the effectiveness of District Internal Auditors.			Development Partners	Ongoing	Treasury/Ministry of Finance. The Internal Audit Unit will work closely with the KESSP Finance and Accounting Officers, the Quality Assurance Officers, and Monitoring & Evaluation Officers to ensure that there is a relationship between financial expenditure and Value for Money as indicated by the physical progress of activities.
	Specific KESSP investment programme targeted for value-for-money audits.	MoE/KESSP Secretariat Development Partners	Value-for-Money audit reports	MoE, MoHEST, Development Partners	Medium-term	First value-for-money audit for instructional materials IP already completed; further investigation of 1,500 schools is planned.
	Independent spot checks	KESSP Pooling Partners	Independent auditors	KESSP Steering Committee, District Education Boards JRES & ABRW workshop participants		
	Negotiation between MoE and Commercial Banks to include payee details of cheques of all schools in the description which will	MoE Commercial Banks	Financial Statements of schools	MoE	Medium-term	Legally, institutions/schools are the clients of the Banks. The MoE is not deemed to be a "client." The bank statement becoming a more effective accountability

	provide adequate details to explain the expenditure.					document. The MoE will explore the possibility of signing MoUs with commercial banks to obtain individual school banking statements.
	Record keeping of all KESSP-related documents	Permanent Secretary, MoE KESSP Secretariat	Updated roster of audit reports for ready inspection	MoE, MoHEST, Development Partners		Record keeping in the KESSP Secretariat will receive special attention to ensure that KESSP-related key reports are up-to-date. MoE and MoHEST Directorates and Departments will be responsible for providing timely reports.
Regulations (set out by MoE) compliance oversight	Strengthening district level internal auditors by improving their auditing skills and ensuring their independence through the Internal Auditor General's Office to undertake school-based audits rather than book audits. The District Internal Auditors will be expected to ensure that the accountants at district level comply with all GoK accounting guidelines/circulars issued by Treasury and that funds released by MoE are utilised for purposes intended.	Treasury/IAD	Bi-annual audit reports which feed into the bi-annual indepth audits of the KESSP.	MoE, MoHEST, Development Partners	Long-term	Financial resource implications. Risk-based semi-annual audits to report on effectiveness of District Internal Auditors.

	Ensuring the oversight bodies meet each quarter to take appropriate action on education issues to ensure compliance with regulations set out by MoE. These oversight bodies are the KESSP Steering Committee and District Education Boards.	MoE	Minutes of quarterly meetings	PS, MoE PS, MoHEST	Ongoing	
	Ensuring that the Office of the District Education Officers (DEOs) are represented on the School Boards and School Management Committees (SMCs), that schools are inspected regularly to assess whether funds are utilised for the purposes intended. Education Officers (EOs) should also perform their oversight function by sitting on school boards and flagging up issues arising to the DEOs for appropriate action to be taken. DEOs should flag up any actions required to be taken at provincial and head office level and follow up to ensure they are appropriately addressed.	MoE, DEOs, SMCs	Bi-annual reports which feed into the bi-annual indepth audit of the KESSP.	PS, MoE PS, MoHEST and Development Partners	Ongoing	

	DEOs ensure that the school Board of Governors (BoGs), School Management Committees (SMCs), and Parent-Teacher Associations (PTAs) conduct their functions as per guidelines.	MoE, MoHEST, DEOs, SMCs, BoGs, PTA	Bi-annual reports	MoE, MoHEST and Development Partners	Ongoing	
Ministerial integrity audit and committee	Ensuring that the Integrity Committee monitors the units at the Head Office of MoE tasked with reviewing school accounts and that budgets are adequately staffed to conduct the function and flag up issues arising for appropriate action to be taken.	Ministerial audit	Bi-annual reports on reviews of school accounts and budgets.	MoE, MoHEST, and Development Partners	February 15, 2010	The integrity committee will comprise the Directors of MoE and MoHEST.
5. Financial Management						
Stand alone bi-annual age-analysis of funds, delinked from the FMRs (school level expenditures).	Programme to prepare pilot (based on a purposive sample) aged-analysis of the accountability of funds disbursed to schools. School fund accountabilities should be submitted to districts then aggregated and sent to the provincial level where they are also aggregated and sent to the Head Office.	CFO and PA, MoE	Evaluation report on the findings from the pilot.	MoE, MoHEST, and Development Partners	Each quarter	A template for reporting will be prepared and the most efficient means of eliciting quarterly information will be decided upon.

	Record keeping of all KESSP FMRs	Permanent Secretary, MoE KESSP Secretariat	Updated roster of FMRs for ready inspection	MoE, MoHEST, Develop-ment Partners	Each quarter	Record keeping in the KESSP Secretariat will receive special attention to ensure that audit reports are up-to-date.
Guidelines on Financial Management	The various KESSP Financial Management Manuals and Handbooks to be revised and amended to address the internal control weaknesses noted during the in-depth audit, and in particular to provide for stronger social accountability mechanisms including public reporting of the Programme financial management information to beneficiary communities and other stakeholders. Information to include: (1) Annual programme budget (per head office, district and school budget); (2) Disbursement by KESSP	Permanent Secretary, MoE	Revised Financial Management Manuals and Handbooks	All schools, MoE officials, MoHEST officials, and Development Partners	Ongoing	The revision of the KESSP FM Manuals and Handbooks has already commenced. The findings and recommendations of the IAD report will be incorporated systematically. Training of Head teachers and secondary school Principals is ongoing.
	investment programme by district/school; (3) KESSP validated audit accounts; (4) Roles and responsibilities of project management and fiduciary staff to be reviewed and revised as part of the FM					

	Manual; (5) Annual validated fiduciary review reports from IAD; and (6) All Head teachers and secondary school Principals to be FM and Procurement accredited within six-months of being appointed.					
6. Risk Management						
Risk Management	Ministerial Audit committee to be properly constituted in line with existing GoK policy to provide effective management oversight over Programme activities. Roles and responsibilities will include the identification and assessment of, and response to operational risks on an ongoing basis.	Permanent Secretary, MoE & MoHEST Ministerial Audit Committee	Bi-annual audit reports Quarterly reports	MoE, MoHEST, and Development Partners	February 2010	Already in place. ToRs for the Ministerial Audit Committee: Increase management oversight of the KESSP subprogrammes by the Ministerial Audit Committee through reviews of quarterly FMRs/IFRs that should explain significant variances between actual and budgeted expenditure, KENAO audit reports, fiduciary review reports by IAD and international audit reports by School Audit Units now under the IAG.
	Constitute a Committee to monitor the implementation of the GAC and RPM Action Plan.	MoE, MoHEST	Special agenda item minutes of quarterly meetings with the PSs	MoE, MoHEST, and Development Partners	February 2010	A committee comprising MoE, MoHEST officers and Development Partners would be set up to handle emerging issues. ToRs under preparation.

	Establish clear funding criteria for all KESSP disbursements. Disclose criteria to stakeholders, institutions, and field offices. Advance publication in the press of all information relating to grants and KESSP disbursements to public educational institutions (SAGAs, ECD centres, primary and secondary schools) and non-formal schools	PS, MoE PS, MoHEST	Funding criteria attached to individual KESSP investment programmes for review and follow-up each quarter	MoE, MoHEST, and Develop-ment Partners	Ongoing	No new and/or informal criteria can be imposed until vetted by the multi-level vetting structures for disbursement schedules. No discretionary disbursements. All disbursements to be vetted and agreed upon.
	Multi-level (MoE, MoHEST and Development Partners) vetting structures for disbursement schedules.	PS, MoE PS, MoHEST	Individual KESSP investment programmes vetted by each level with appropriate signatures	MoE, MoHEST, and Development Partners	Ongoing	In place, but needs to be enhanced.
7.Accountability						
Improving accountability	Increase management oversight of the KESSP subprogrammes by the Ministerial Audit Committee through reviews of Quarterly FMRs/IFRs that should explain significant variances between actual and budgeted expenditure;	Permanent Secretary, MoE	Bi-annual audit reports	MoE, MoHEST, and Development Partners	Quarterly Annual Every two years	Part of ToRs for the Ministerial Audit Committee.

	KENAO audit reports; Fiduciary review reports by IAD and internal audit reports by School Audit Units now under the Internal Auditor General (IAG).					
	Involvement of middle-level management, i.e., Provincial Director of Education (PDEs) and district levels (DEOs and EOs) to monitor usage of funds at school level by sending copies of the relevant disbursement lists to them no later than 10 days after the funds have been released to the schools.	Ministerial Audit Committee MoE, MoHEST	Bi-annual report	MoE, MoHEST, and Development Partners	July 2010 onwards	Template for bi-annual reporting will be finalised.
	DEOs should submit bi-annual financial reports to account for all funds (GoK, Development Partners, individuals, CDF, LATF, Harambee funds, parents, and income generating funds), based on financial statements from schools under their respective jurisdiction. This is to strengthen district and school level accountability.	KESSP Secretariat Permanent Secretary, MoE	Bi-annual financial reports	KESSP Secretariat on behalf of the Ministerial Audit Committee	July 2010 onwards	Planning required and training of DEOs to prepare financial reports.

	Strengthening controls over assets by ensuring Asset Registers are prepared & regularly updated & reconciled to the total asset expenditure shown in the cash book. The assets should all be well labeled as property of the MoE.	MoE, MoHEST DEOs	Bi-annual financial reports	KESSP Secretariat on behalf of the MoE, MoHEST and Development Partners	March 2010	Assets are well labelled.
	Avoidance of the co-mingling of KESSP funds to ensure they are appropriately utilised and accounted for.	Permanent Secretary, MoE KESSP Secretariat	Financial statements of schools Bi-annual reports from DEOs	MoE KESSP Secretariat	Ongoing	Instructions to primary and secondary schools from MoE stipulating no co-mingling of funds across different accounts including CDF allocations. Have purpose-based Bank accounts.
8. Social Accountability						
Strengthen existing social accountability mechanisms at HQ, District and School levels.	Anti-corruption safeguards at HQ, provincial, district, and institutional levels to be established.	Permanent Secretary, MoE KESSP Secretariat	Available for inspection, the minutes of SMCs, BoGs and reports from field visits and school inspection	MoE, MoHEST, KESSP Secretariat Development Partners	January 2010 and ongoing	Includes disclosure of all funds and sources of funds to all public educational institutions [at HQ, provincial, district, and institutional (on school notice boards) levels for ECD centres, primary and secondary schools, SAGAs], non-formal schools, and continuation of public reporting of funds disbursed at school level including publishing of funds disbursed to the schools in the local daily newspapers.
	Corruption prevention training to create awareness at community	MoE, MoHEST KESSP	Training content/ manuals; Participants lists	MoE, MoHEST, Development Partners	Ongoing	Staff certified as having received the training.

	level, and use of red-flags and reporting for district and school level staff.	Secretariat				
	Setting up toll-free hotlines, corruption reporting boxes, website through which members of the public can report cases of suspected corruption/fraud. Set up a system to record complaints, their nature, how they were handled, and within what timeframe.	MoE, MoHEST	Publicity clearly showing information on toll-free hotlines;	MoE, MoHEST, Development Partners		The systems exist. MoE has a KACC line for education.
	Quantify number of complaints received and number of actions taken.	MoE, MoHEST	Quarterly reports on number of complaints received; Number of cases for which action has been taken	MoE, MoHEST, Development Partners	Ongoing	Linked to the MoE and MoHEST respective Service Charters.
	Assign an independent Standing Committee comprising MoE Administration Department staff to handle corruption-related cases reported and ensure the cases are appropriately followed up. Reports should be submitted to the Permanent Secretary and the Parliamentary Education Committee for appropriate	Ministerial Anti-corruption Committee	Bi-annual reports	MoE, MoHEST, Development Partners	Ongoing	ToRs for the Standing Committee. The committee validates and refers cases to the Ministerial Audit Committee, who in turn refers cases to IAD and KACC.

	action to be taken.					
	Introduce citizen's report card, and publish in the press the results and a management response to the findings.	Permanent Secretary MoE	Analytical report on findings	MoE, MoHEST, Development Partners	Ongoing	Pilot of the report card is ongoing.
	Implement critical aspects of communication strategy in relation to sector governance and accountability	MoE, MoHEST	Annual newsletter on education; Communication to the public on FPE and FDSE (GoK subsidy) and Development Partners' funds release to schools with list of schools	PDEs, DEOs, SMCs, BoGs, Development Partners	Ongoing	Will require resources to function effectively. Information on sector expenditures. Awareness creation on governance issues. Informing the public on sector performance policies.

	Record keeping of all KESSP documents especially payment schedules for every investment programme	Permanent Secretary, MoE Permanent Secretary, MoHEST KESSP Secretariat	Updated roster of payment schedules for ready inspection	MoE, MoHEST, Develop-ment Partners	June 2010	Record keeping in the KESSP Secretariat will receive special attention to ensure that all KESSP payment schedules are up-to-date and readily available for inspection.
9. Transparency						
Measures	Validated Audit Report made public on MoE & MoHEST websites at HQ.	Permanent Secretary, MoE			June 30, 2010	Can be done in good faith. However, the law relating to full disclosure needs to be carefully checked.
	A team comprising MoE and MoHEST officers and DPs will sample reports, compile a training and capacity development booklet with case studies for workshop towards helping to reinforce issues relating to transparency. The case studies prepared from the Audit Report will be discussed at all levels as a mitigation measure.	Consultant Facilitator	Case studies in the Anti-Corruption Awareness Training manuals	MoE and MoHEST staff, PDEs, DEOs, SMCs, BoGs, PTAs	FY10-11	The Anti-Corruption Awareness training will be offered twice a year to keep staff informed.
	School Management Committees (SMCs) at primary school level and Boards of Governors	Primary schools, Secondary schools	Minutes of meetings to be available for public scrutiny	MoE, MoHEST, Develop-ment Partners	Ongoing	Instructions to be included in the revised FM Manuals and Handbooks.

	(BoGs) at secondary school level to systematically record in the minutes of their meetings, the receipt of funds from MoE before Head teachers and Principals commit the funds. The minutes to be available for scrutiny by KESSP officials, Development Partners, and auditors.					
	Public display of funds received by Head Teachers of primary schools and Principals of secondary schools.	Primary schools, Secondary schools	Display board with information	Commun-ities, MoE, MoHEST, Development Partners.	Ongoing	Circular No.______________, dated _________, 20 .
10. Audits						
School level auditing	PDEs to co-ordinate continuous cross-district school audits. That is, audits of schools which are not in their respective jurisdictions. This is to ensure objectivity in the review of school accounts, and the preparation of candid audit reports.	PDEs	Bi-annual reports	MoF/IAD, KENAO, MoE, MoHEST, Development Partners	Ongoing	Resource implications?
Regularising risk-based audits	Annual risk-based Fiduciary Reviews of the KESSP every January-March annually, as part of the review of all pooled activities in the KESSP.	Treasury/ IAD School Audit Unit	Annual fiduciary review reports	MoF/IAD, School Audit Unit, MoE, MoHEST, Development Partners	January-March each year	Phase II forensic audit of the KESSP: February – June 2010.

Strengthening the School Audit Unit	Enhancing the capacity and funding for the School Audit Unit which is likely to be under the IAD to ensure that it completes the annual audit of school accounts at least 6 months after the end of the annual year.	Treasury/ IAD	Summary of findings (in matrix form per Province or other convenient analysis) at least 9 months after the year end.	To the Ministry of Education for action	Ongoing	Resource implications and arrangements need to be further considered.
	The School Audit Unit should conduct risk-based half year internal audit reviews of the Ministry both at national and school level.	Treasury/ IAD, MoE, MoHEST	Report of risk-based audit reviews	Audit Committee for action		
Strengthening KENAO	The external audit ToR for KENAO to be revised and the scope increased to include conducting reviews of KESSP funds at school level on a risk-based sample basis.	Treasury/ IAD	Revised terms of reference for KENAO	MoE, MoHEST, Development Partners	June 2010	Resource implications need to be taken into consideration.
	Discussion of the scope of audit with KENAO and address any audit capacity constraints.	MoE, MoHEST, KENAO, MoF/IAD	Minutes of meetings	MoE, MoHEST, Development Partners	First discussion in June 2010	The discussion would be for implementation in the next fiscal year.
	Audit of unprocedural payments.	Permanent Secretary, MoE Permanent Secretary, MoHEST	Audit reports	MoE, MoHEST, Development Partners	Ongoing	Resource implications need to be taken into consideration.
	Record keeping of all KESSP-related audits	Permanent Secretary, MoE KESSP	Updated roster of audit reports for ready inspection	MoE, MoHEST, Development Partners		Record keeping in the KESSP Secretariat will receive special attention to ensure that audit reports are up-to-date.

		Secretariat				
11. Procurement						
Examination of Procurement Activities and Records	An independent procurement review/audit to (i) provide an independent assessment of the performance and management of the procurement process, and (ii) provide objective information on precise findings and recommendations for improvement of institutional structures and procedures. Publication on the notice boards of public educational institutions, the names of contractors for school construction and rehabilitation, and names of bookshops for instructional materials have been purchased.	MoE, MoHEST KESSP Secretariat	Procure-ment Monitoring Agent's (PMA) reports on a bi-annual basis	MoE, MoHEST, Development Partners	Ongoing	300 schools have already been covered. A Procurement Monitoring Agent to be contracted for the KESSP to undertake annual reviews.
Collusion of Programme staff leading to acceptance of substandard goods and/or payment for non-existent goods	Inspection and Acceptance Committees established to verify goods, works and services quality, pricing and quantity in all future contracts.	MoE, MoHEST	Procurement Monitoring Agent's (PMA) reports on a bi-annual basis	MoE, MoHEST, Development Partners	Ongoing	--Exists in the PPD Act. --Enforcement through regular external and internal audits. --A Procurement Monitoring Agent to be contracted for the KESSP to undertake bi-annual reviews.

and services.						
Award of contracts on the basis of nonexistent/ fictitious quotations. Award of contracts on the basis of inflated prices.	All bidding documents for all the remaining KESSP procurement activities to include a provision requiring suppliers and contractors to permit the Bank to inspect their accounts and records, and other documents relating to bid submission and contract performance and have them audited by auditors appointed by the Bank if deemed necessary.	MoE MoE Procurement Unit District Education Officers (DEOs) Schools	Procurement Monitoring Agent's (PMA) reports on a bi-annual basis	MoE, MoHEST, Development Partners	Ongoing	Application of PPD Act thresholds. Enforcement through regular external and internal audits. A Procurement Monitoring Agent to be contracted for the KESSP to undertake bi-annual reviews.
Fraud and corruption from supplier and contractors	Sanction all firms and individuals who will be found to have participated directly or through an agent in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for, or in executing, contracts.	MoE, MoHEST	Procurement Monitoring Agent's (PMA) reports on a bi-annual basis	MoE, MoHEST, Development Partners	Ongoing	
Poor procurement planning	Yearly Procurement Plans to be prepared at both HQ and District Level for review and approval. Yearly Procurement Plans to be prepared at both HQ and District Level and shared with programme managers	MoE, MoHEST, KESSP Investment Programme Managers KESSP	District work plans and procurement plans; Annual work plans and accompanying procurement	MoE, MoHEST, Development Partners	Ongoing	Enforcement? What, how and by whom?

	and partners for review and approval.	Secretariat	plans			
Procurement Reviews/Audits	Annual procurement audits to complement Procurement Post Reviews (PPRs).	PS, MoE, PPOA	Procurement Audit reports	PPOA, MoE, MoHEST, Development Partners	Ongoing	Enforcement? What, how and by whom?
Procurement Process Oversight	Procurement Committees established in all schools; Revision of Procurement Manuals and distribution to all procurement entities in schools.	KESSP Quality Assurance Team KESSP Secretariat	Revised procure-ment manuals	SMCs, BoGs, DEOs, PDEs, MoE, MoHEST, Development Partners	Ongoing	
Insufficient tender and contract documentation for works contracts	Carry out due diligence and quality on all tender documents prepared by MoPW prior to issuing of tenders and award of contracts.	DEOs, schools	Tender documents prepared by MoPW for education	KESSP Infrastructure IPTLs; MoE, MoHEST, Development Partners	Ongoing	Check with MoE & MoHEST.

Annex 3

KESSP: Risk Assessment based on PFM High-Level Performance Indicators

Use for large tables

Area (based on PEFA)	Indicator	2006 PEFA Score	2008 PEFA Score	Trajectory of Change	Current FRA Risk Level (L, M, S, H)
A. PFM-OUT-TURNS: Credibility of the Budget : Low (L)					
PI-1	Aggregate expenditure out-turn compared to original approved budget	C	B	↑	L
PI-2	Composition of expenditure out-turn compared to original approved budget	A	B	↓	
PI-3	Aggregate revenue out-turn compared to original approved budget	C	A	↑	
PI-4	Stock and monitoring of expenditure payment arrears	B	B	↔	

B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency : Substantial (S)					
PI-5	Classification of the budget	C	C	↔	
PI-6	Comprehensiveness of information included in budget documentation	B	B	↔	
PI-7	Extent of unreported Government operations	D+	D	↓	
PI-8	Transparency of inter-Governmental fiscal relations	B	B	↔	
PI-9	Oversight of aggregate fiscal risk from other public sector entities	C	↑ C	↑	

PI-10	Public access to key fiscal information	B	B	↔	
C. BUDGET CYCLE					
C(i) Policy-Based Budgeting: Low(L)					
PI-11	Orderliness and participation in the annual budget process	B	C+	↓	
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C	C+	↑	
C(ii) Predictability and Control in Budget Execution : High (H)					
PI-13	Transparency of taxpayer obligations and liabilities	B	B+	↑	

PI-14	Effectiveness of measures for taxpayer registration and tax assessment	C+	B	↑	
PI-15	Effectiveness in collection of tax payments	D+	D+	↔	
PI-16	Predictability in the availability of funds for commitment of expenditures	B+	B+	↔	
PI-17	Recording and management of cash balances, debt and guarantees	B	B	↔	
PI-18	Effectiveness of payroll controls	D+	C+	↑	

PI-19	Competition, value for money and controls in procurement	B	B	↔	
PI-20	Effectiveness of internal controls for non-salary expenditure	C	C	↔	
PI-21	Effectiveness of internal audit	C	C+	↑	
C(iii) Accounting, Recording and Reporting: High (H)					
PI-22	Timeliness and regularity of accounts reconciliation	C	C+	↑	
PI-23	Availability of information on resources received by service delivery units	B	D	↓	

PI-24	Quality and timeliness of in-year budget reports	C+	C+	↔	
PI-25	Quality and timeliness of annual financial statements	D+	D+	↔	
C(iv) External Scrutiny and Audit: High (H)					
PI-26	Scope, nature and follow-up of external audit	D+	C+	↑	
PI-27	Legislative scrutiny of the annual budget law	D+	D+	↔	
PI-28	Legislative scrutiny of external audit reports	D+	D+	↔	

D. Donor Practices					
D-1	Predictability of Direct Budget Support	D	D	↔	
D-2	Financial information provided by donors for budgeting and reporting on project and programme aid	D	D+	↑	
D-3	Proportion of aid that is managed by use of national procedures	D	D+	↑	

Annex 4:
KESSP FRA: Interview Schedule/People Met

Name	Position	Date	Purpose	
DFID				
Mark Waltham	Senior Education Adviser	10 August 2010	Inception Brief/Project Update	
Sophia Chemei	Senior Programme Officer	10 August 2010	Inception Brief/Project Update	
Stuart Tibbs	Senior Economic Adviser	10 August 2010	Inception Brief/Project Update	
Elizabeth Mwihaki		10 August 2010	Inception Brief/Project Update	
Ministry of Finance				
Gatimo	Accountant General	13 August 2010	PFM/IFMIS/Treasury/PFMR Progress	
P G Ndungu	Internal Auditor General	11 & 13 August 2010	Schools Audit/PFMR Progress	
Ontweka Onderi	Ag. Director of Budget	13 August 2010	Budget/Sector Allocation/PFMR Progress	
Kubai Khasiani	PFMR Secretariat	12 August 2010	Budgets/Treasury System/ PFMR progress	
Maurice Gichuhi	Deputy Internal Auditor	11 August 2010	MoE Audit and Financial Systems	

	in charge MoE			
Ministry of Education				
Kimathi M'Nkanata	Deputy Director, Policy Planning		KESS	
O Kiminza	Senior Deputy Director		KESS	
Joseph Ogonyo Indire	Deputy Director Policy & Planning - KESSP	13 August 2010	KESS	
Jalale Simiyu	Senior Finance Officer (Finance Department)	17 August 2010	Education sector budget/financial controls/safeguards	
Tom Odundo	Senior Accountant	13 August 2010	Accounts	
P.N. Momanyi	Senior Principal Procurement Officer	18 August 2010	Procurement	
Ministry of Finance-External Resource Department				
Jackson N. Kinyanjui	Director	18 August 2010	Financial Monitoring Reports/ Safeguards for Managing Fiduciary Risks	
Jane M. Musundi (Ms)	Head of UK Commonwealth/IFAD Division	18 August 2010	Financial Monitoring Reports/ Safeguards for Managing Fiduciary Risks	
Paul M. Kiagu	Economist, UK	18 August 2010	Financial Monitoring Reports/ Safeguards for	

	Commonwealth/IFAD Division		Managing Fiduciary Risks	
Samuel Onyango	Head, Disbursement Unit	18 August 2010	Financial Monitoring Reports/ Safeguards for Managing Fiduciary Risks	
KENAO				
Jared Nyasani	Auditor	17 August 2010	Overview of the financial system in MoE	
Donald Kateeti	Auditor	17 August 2010	Overview of the financial system in MoE	
KACC				
Jane Onsongo	Deputy Commissioner	18 August 2010	Corruption initiatives	
Consultants/Internal Audit				
Phil Tarling				
Mark Sullivan	RSM Tenon Internal Project	11 August 2010	School Audit	

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