



OFFICE OF THE AUDITOR-GENERAL

IFMIS EFFECTIVENESS AUDIT REPORT

FOR THE PERIOD

JULY 2010 TO JUNE 2014

NOVEMBER 2016

Preface

This report of the Office of the Auditor General of Kenya contains results of the IFMIS Effectiveness Review Carried out by the Office of the Auditor-General (OAG) of the IFMIS system implemented by National Treasury of Kenya.

The review covers the period July 2010 to June 2014. The report is based on scrutiny of documents, review of IT Applications controls, Review of the configurations of IFMIS systems, vendor contracts and surveys with IFMIS users across all counties in Kenya.

OAG wishes to acknowledge the cooperation and assistance extended by the IFMIS team in National Treasury at all times during IFMIS Effectiveness Review.

Foreword by the Auditor-General

I am pleased to publish and publicize this IFMIS Effectiveness audit report which examined the performance of the Integrated Financial Management Information Systems (IFMIS). My Office carried out the Audit under the mandate conferred to me by the Public Audit Act, 2003. Section 29 (1) of the Act mandates the Office of the Auditor-General: to assess the economy, efficiency and effectiveness with which public resources have been expensed. Further, Article 229 of the Constitution requires the Auditor-General to confirm whether or not public money has been applied lawfully and in an effective manner.

Performance audits together with financial and continuous audit form the three pillar audit assurance framework that I have established to give focus to the varied and wide scope of audit work done by my office. The framework is intended to provide a high level of assurance to stakeholders that public resources results in positive impacts on the lives of all Kenyans. The main goal of our Performance Audit is to ensure effective use of public resources and promote delivery of public services to Kenyans.

The audit has been undertaken to review investments in IFMIS made so far, to evaluate the effectiveness of the IFMIS implementation and it's utilization. The audit examined the strategic intent of the IFMIS system and the effective and efficient usage of the IFMIS abilities. The audit also reviewed the infrastructure set up and other technical governance and IFMIS adoption levels in the counties and MDAs. The financial investments and commitments discharged by the Government of Kenya and comparative assessment with the effective utilization were also analyzed in the audit.

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Auditor-General

28 November 2016

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Executive Summary

1. Introduction

This audit has been carried out under the mandate conferred to me by the Public Audit Act, 2003. Section 29 (1) of the Act mandates the Office of the Auditor-General: to assess the economy, efficiency and effectiveness with which public resources have been expensed. Further, Article 229 of the Constitution requires the Auditor-General to confirm whether or not public money has been applied lawfully and in an effective manner.

The audit was undertaken to review investments in IFMIS that includes effectiveness of the IFMIS implementation and it's utilization. The audit also reviewed the infrastructure set up and other technical governance, IFMIS adoption levels in the counties and MDAs, the financial investments and commitments discharged by the Government of Kenya and comparative assessment with the effective utilization.

2. IFMIS Background

The development of IFMIS system started in 1998 and the deployment of the system to ministries started in 2003. The IFMIS implementation requirement in Kenya originated from the ministry of Finance and Economic Planning ICT Master Plan 2001-2005 that highlighted gaps and weaknesses within the Soft Issues Bid Evaluation Tool (SIBET) system that was in use at that time. This master plan was proposing development of different modules comprising of Accounting, Revenue Management and Asset Management among others, and the establishment of interfaces with the National Bank payment information system, Kenya Revenue Authority and the Ministry of Labour for the payroll and human resource management modules.

In 2003, the Ministry of Finance contracted a vendor to deliver the Oracle based IFMIS with public sector budgeting, purchase ordering, accounts payable, accounts receivable, general ledger (GL), cash management (CMM), Oracle financial analyzer and financial statement generator modules being procured.

In April 2010, the Government of Kenya initiated a project to develop a Master Plan for IT shared services across the 42 ministries and 175 local authorities in the GoK. The Government concluded that the investments in the current IFMIS must be balanced with the requirements of the new constitution and the need for automation. An executive mandate required a new, automated budgeting system for the FY 2011/12 budget cycle.

The objectives of the IFMIS system were identified as under:

- To ensure all Government of Kenya agencies (Central and County) had timely and appropriate access to an integrated financial management system by June 2012.
- To ensure that the financial management system was fully aligned with the new Government structure and public financial management policies and regulations.
- To ensure that the financial management system interfaced appropriately with key agencies, including the CBK and the KRA.
- To ensure that the financial management system interfaced appropriately with the key systems, including pensions, payroll, budgeting etc.
- To ensure that timely and accurate reports were produced from the financial management system.
- To ensure users had access based on roles and training curriculum.
- To ensure that there was a secure and stable system.

In view of the above, a need to carry out a review of IFMIS effectiveness and gains already made so far emerged.

3. Objectives and Approach of the IFMIS Review

3.1 The key objectives of carrying out the IFMIS Effectiveness Review – Performance Audit was aimed at the following:

- Can the Auditor-General rely on information produced by the IFMIS for the purpose of audit & Reporting?
- Whether the Implementation of IFMIS System has been done in an ‘effective’ manner.
- Is IFMIS effective for management of public resources in a multi layered government structure?
- Whether the investment on IFMIS has been applied lawfully and in an effective way.

3.2 The approach to the review conducted aimed at providing a holistic view of the effectiveness and efficiency levels of the technology, the people, related processes and infrastructure. The various IFMIS aspects covered under this review were:

- Review of the IFMIS application abilities, configuration and control effectiveness;
- Review of all contracts undertaken with vendors of IFMIS and benefits realized from such contracts;
- Review of level of adoption of IFMIS in the counties and MDAs;
- Review infrastructure set up and other technical requirements; and
- Review of the ICT governance processes and IFMIS Academy practices.

4. Summary of Key Findings and Observations

The findings and observations are categorized under: IFMIS significant positives, IFMIS support process review, IFMIS applications review, IFMIS ICT infrastructure review, IFMIS Security Issues and review of IFMIS vendor contracts.

4.1. IFMIS Significant Positives

- a) The government has demonstrated commitment in initiating and sustaining IFMIS as part of public financial management (PFM) reforms. In addition IFMIS has a clear, well understood and envisaged vision that is backed by comprehensive strategic plans and design.
- b) IFMIS has been established within multi-tiered government levels, i.e. Ministries, Counties and departments.
- c) A Single Chart of Accounts (SCOA) has been implemented among all GoK entities by providing a common chart of accounts structure. This, as a result, has established real-time linkage between the budgeting Hyperion system and the IFMIS system. This Single Chart of Accounts unifies the codes and classifications of both budgets and chart of accounts at a central level and complies with the standard framework recommended by international development partners.
- d) The following key areas were automated:
 - Budget commitment ceilings that determine the expenditure limits were recorded in the budgeting system, hence centrally controlled and monitored. Itemized budgets are drawn from these ceilings. In addition development book, recurrent and supplementary books have been maintained in the budgeting system for any ongoing financial year.
 - Payment processes across the Government of Kenya were activated in IFMIS. This included creation of purchase requisitions, creation of purchase orders, perform fund availability check, perform inspection, recording of inspection and good receipt details, invoicing and processing of payments.
 - Integration of the IFMIS system with CBK for disbursing payments to suppliers was implemented successfully, whereby the payments processed through IFMIS had real time linkage with the G-PAY system for effecting the EFT payments.
 - Standard feature of Oracle (EBS) for General Ledger book closure was activated within IFMIS. This ensured that the accounting period, once closed, restricts further recording of the transactions into the GL book for the period being closed.

4.2. IFMIS Support Processes Review

The review involved assessment of the IFMIS Academy, IFMIS help and service desk and IFMIS project management and governance.

4.2.1. IFMIS Academy

The National Treasury / IFMIS Department established IFMIS Academy in May 2012 as a key capacity building institution for the IFMIS users at the MDAs and Counties.

The Academy is mandated to develop the training curriculum. It is also responsible for the design, development and maintenance of course content. The Academy is also mandated to create online training materials, design an approach to learning, provide administration and support as well as conduct and manage trainings. Trainings are mainly conducted at the Kenya School of Government (KSG) premises.

The National Treasury came up with strategies for actualizing the goals and objectives of the IFMIS Academy over a period of three years. The strategic blueprint designed to actuate the execution of the objectives and delivery strategies was comprehensive, prudent and appropriate to the needs of staff in multiple entities of the government and general governing environment within Kenya. However, translation of these strategies into actionable objectives of the Academy over the three years appeared to fall short of expectations with the intended benefits and successes being only partially realized. This was evident through the following situations:-

- i. Critical delivery milestones set annually for capacity building and enhancement service provider had not been effectively implemented.
- ii. Training through Learning Management System (LMS) had not been implemented due to delays in development and implementation of the system.
- iii. Computer Based training channel (correspondence learning through CDs / DVDs / downloads) was yet to be implemented.
- iv. On-ground user feedback obtained through field surveys of the counties and ministries as part of IFMIS User Adoption and effectiveness review revealed that most units had adopted the learning Management System.
- v. Leadership and Learning strategy had not been formulated; thereby leading to excessive dependencies on the service provider and compromise on governance function.
- vi. Inadequate organization support and skills transfer within the IFMIS department had led to placing reliance on the service provider for monitoring of operational controls.

4.2.2. IFMIS Help and Service Desk

IFMIS Help/ Service Desk was intended to act as a catalyst in the “Change Management” process. It was designed to be a comprehensive system that provided real-time support for users at various organization unit levels. The features envisaged in the IFMIS Re-engineering Strategic Plan 2011-2013 were - online logging, recording, tracking and reporting on progress of logged issues, thereby making it a complete Call Management System (CMS). However, following observations were made:

- i. A full-fledged Helpdesk support unit, complete with necessary CMS systems and infrastructure facilities was yet to be established.
- ii. The IFMIS Service desk operated on an informal basis by virtue of ongoing / previous relationship between the users and the business / technical personnel in the IFMIS Department.

4.2.3. IFMIS Project Management and Governance

Project governance methodology provides a framework within which the managerial functions are carried out. One of the critical standard project management function is project cost monitoring wherein project direct and indirect costs is monitored to ensure that:

- a) Costs incurred match the results and deliveries to be received.
- b) Potential cost impact of project delays are determined and impact assessed.
- c) Payouts are within the budgeted commitments.
- d) Likely cost overruns are proactively detected and pre-empt relevant course of action to reduce the levels of such overruns.

It was noted that the IFMIS department had not adopted this practice in implementing the project. The following observations were made:-

- i. Participation of stakeholders like Accountant General, Auditor General, and Controller of Budget appeared to be minimal in continued development and sustainability of the IFMIS system.
- ii. It was noted that there was no clarity in job description, roles and responsibilities. Also, there was no alignment with strategic vision leading to delays in achieving the IFMIS implementation objectives.
- iii. Section 12 (2)(i) of the Public Finance Management Act, 2012 stipulates that it is the responsibility of National Treasury to monitor the financial aspects of risk management strategies and governance structures for the National Government and the National Government Entities. It was observed that the IFMIS Department had not developed a risk management policy nor conducted risk assessment for the IFMIS project which would have advised on the controls to be put in place. Awareness of the potential risks would help the department to avoid or minimize

the potential negative impact, thereby increasing significantly, the chances of success of IFMIS Re-engineering. It is advisable for the IFMIS department to establish a prudent Risk management framework identifying the risks involved in the IFMIS project management and the mitigating controls. Prioritization of action plan based on significance of risks identified should be carried out.

- iv. It was observed that the IFMIS Department did not have a Quality Management System (QMS) for managing the size and complexity of the project. The Quality Management System should be designed to identify project quality, the key processes, their sequence and interaction; policies, criteria and methods for defining, detecting, correcting and preventing non-conformity by employees, other departments and external service providers. The QMS should assist in defining the departmental structure for quality management, covering the roles, tasks and responsibilities. Quality plans developed should be disseminated to the external vendors to ensure quality of contract obligation delivery.

4.3. IFMIS Applications Review

The following observations were made in conducting the Application Controls review:-

4.3.1. System functionalities not enabled in the IFMIS system

- i. **Exchequer release process**

Funds disbursement to MDAs in accordance to the budget plans and expenditure requirement was a manual process. Exchequer maintains ledger tracking and accounting into the ledger receipts into the Central Bank of Kenya exchequer bank account from respective Receivers of Revenues (RoRs) outside the IFMIS system.

- ii. **Bank Reconciliation**

Although at the time of the review, bank reconciliation had been configured, however, it was carried out manually. The process is thus prone to errors and omissions.

4.3.2. Lack of Integration of IFMIS with other Systems

One of the primary objectives of the IFMIS implementation was to facilitate generation of reports, both at the individual reporting level among the Government entities and consolidation of government wide accounts. Further, the fundamental measure of success in achieving the strategic intent in IFMIS implementation was the quality of the outputs derived from the application. Parameters for determining the quality of output are chiefly:

- accuracy of information
- reliability of information
- real-time extraction of information
- consolidated view of government accounts

- compliance of reporting standard requirements of regulatory authorities

The assessment of the above parameters in IFMIS revealed that in the absence of seamless integration with various revenue sources, external systems such as CS-DRMS, e-ProMIS, Pension and Payroll system, and in the absence of automation of the ex-chequer release process, the annual financial statements are not generated through IFMIS. Most of these statements are prepared based on continuing manual maintenance of records and submitted to the Accountant General for consolidation.

4.3.3. Manual Preparation of Financial Statements

One of the measures of successful implementation and utilization of the IFMIS system was for the MDAs to be able to generate reports directly from IFMIS without any manual intervention. The review established that key reports prepared by MDAs, forming part of the financial statements submitted for the Government of Kenya are manually compiled. Among the 12 annual financial statements prepared by the MDAs, 10 of them had not been customized in IFMIS at the time of the audit.

This is a potential risk that would compromise the accuracy and reliability of the reports. The manual processes in reporting would also result in delays in complying with the statutory reporting requirements by MDAs.

4.4. IFMIS ICT Infrastructure Review

The following observations were made in conducting the IFMIS ICT Infrastructure review:-

4.4.1. Lack of Network Architecture and Bandwidth Assessment

The underlying network infrastructure design and capacity was not adequate to cater for the needs of the IFMIS application standard uptime requirements and that of the end-users. It was observed that most of the users in the counties reported frequent downtime of the application –attributing it to network downtime -ranging anywhere between 2 to 4 days continuously. Also, Ministries reported slow response time and sometimes downtime extending a day.

IFMIS relies heavily on the overall network infrastructure of the government and appears to have undertaken minimal or no efforts for study and determination of network specifications to meet IFMIS standard requirements.

4.4.2. Lack of end user equipment need assessment

End user equipment such as personal computers, printers, flatbed scanners and uninterrupted power supply units were procured during October 2012, which included 1720 Desktops, 1720 UPS, 142 Laser Printers, 71 Receipt Printers and 71 Scanners. These

were supplied to all 47 Counties and the total cost of these technology purchases amounted to Ksh 200.66 million. Need assessment and sizing analysis substantiating the quantity, volume and hardware configuration prior to procurement of these equipment were not evidenced along with associated purchase approval documentation.

4.4.3. Inadequate Business Continuity and Disaster Recovery Planning

Business continuity planning and Disaster recovery help government prepare for unanticipated events such as power failure, system crashes, natural disasters and more. It also outlines how quickly the government can resume operations when disruptive events strike operation.

One of the most important aspects of disaster recovery is the identification of a disaster recovery / backup site. The backup / recovery site is an integral part of the disaster recovery and business continuity planning of an organization.

It was noted that the Government did not have a business continuity plan and a disaster recovery plan in place. There was no disaster recovery site in operation at the time of the audit. Business Continuity planning with risk assessment had not been carried out. In addition, the expected action from business owners, stakeholders, classification of incidents to call for disaster recovery were not available. Business Continuity Plans / Disaster Recovery drills were also not carried out and fire safety and evacuation procedures were not available. A dedicated emergency response team to function in the event of disaster was yet to be identified.

4.4.4. Incomplete Asset Register

The IFMIS Assets Register maintained by the IFMIS department only listed servers, desktops, laptops and network equipment (routers, switches, modems). However, important information regarding IT assets such as asset ID, location of the asset, the person to whom the asset is allocated and warranty period particulars were not recorded. Also, details on software and hardware licenses were not captured in the asset register for tracking and control purposes. In the absence of a formal accounting of software installations, unauthorized installations and use may go unnoticed.

4.4.5. Inadequate Data Centre physical and environmental controls

IFMIS data center operations are managed by Government Information Technology Services (GITS). With the involvement of an internal government department, it was necessary that IFMIS IT department have series of operational procedures, data center standards and infrastructure management policies for monitoring data center operations.

These standards and policies would act as the baseline for IFMIS department to monitor the performance of the service entities.

It was observed that the general environment of the data center upkeep did not meet expected standards. Physical security practices at the data center were insufficient. The following were some of the various operational and maintenance issues:

- Access control system such as CCTV was not functional.
- The smoke detectors and fire suppression systems had not been tested for the past 2 years.
- Maintenance contract for the data centre equipment had not been renewed.
- One of the 2 available UPS systems was not in working condition.
- Annual maintenance contract for the UPS Systems had not been renewed.

4.4.6. Lack of inter-departmental Service Level Agreements (SLAs)

Where there is an involvement of multiple departments, it is crucial that the internal Service Level Agreements (SLAs) are established with clear description of the service quality standards expected from each party. However, inter-departmental SLAs had not been identified and signed off, thus delivery obligations by departments like Information Communication Technology Authority (ICTA) were not measured and SLA violations were not reported. In addition, IFMIS had no SLA with the end users as well.

In the absence of SLAs, actual delivery of services may not be quantifiable. The effects of lack of monitoring of inter-departmental SLAs had been experienced among the users where frequent downtime and network connectivity issues were a major concern reported by most of the users.

4.4.7. Inadequate Back-up Policies and Procedures

Well defined backup and archiving procedures are central to data management process. It was observed that the backup policies and procedures were not adequate. A single tape was being used to back up all data. This tape was being used, until it is full and subsequently replaced. Hyperion system's back up is stored for more than a month on the same tape.

In the event of back up failure, there was no practice of recording the failure instances. Further, there was no evidence to substantiate that root cause analysis for such failure instances were carried out. Such ineffective backup management may lead to possible data loss in case of media failure or disaster situation.

Efficient controls were not exercised for protecting the sensitive data. Disks were sent to Oracle support team without the data being erased. Sensitive data which might have been stored on the disk is running a risk of disclosure of information to third party.

4.5 IFMIS Security Issues

The following security issues were noted that could compromise the confidentiality, integrity and availability of data in IFMIS System:-

- **ICT Policies and Procedures not adequate** - the IFMIS department had not established a comprehensive security policies, standards and procedures covering various aspects of security control which were essential for the IFMIS system to operate and for security of Government financial data. These standards and policies would act as the baseline for IFMIS department to monitor existence and sustenance of such IFMIS security controls and promote good IT governance.
- **Lack of proper approval process for creation of new System IDs** – the approval process for creating new system IDs was not adequate. For example, Administrator IDs created for managing Sun Solaris Servers had no approval procedures. Without proper approval mechanism, creation of ghost IDs may go unnoticed and thus putting government information assets into risk.
- **Password Expiry not set** - Good practices require that passwords must be reset at least every 90 days. At the time of the audit, the configuration in IFMIS relating to password expiration indicated that the expiry period is set to “none”, which means the passwords never expire. This is a potential loophole that can be exploited and hence lead to unauthorized persons gaining entry to sensitive government data as well as carrying out fraudulent activities.
- **Duplicate Users** - Creation of more than one ID for a single individual entails risk in terms of misuse of such additional User ID. This creates accountability issues and also leads to ineffective utilization of user licenses. A review of the users available in the IFMIS system indicated that almost 50 users had more than one User ID created.
- **Weak remote access management control procedures** - There were no adequate remote management control procedures in place. A list of authorized personnel who were provided with remote access was not availed for audit review.

- **Supplier Master Maintenance (Duplicate Supplier Names)** - A review of the supplier master data in IFMIS indicated the existence of almost 50 cases of duplication of the same vendor. Similarly, the current field status settings of supplier master data do not mandatorily allow certain information like tax PIN to be captured. Presence of active duplicate supplier master records increases the possibility of potential duplicate payments, misuse of bank account information, reconciliation issues among others.
- **Lack of data encryption** - Data was transmitted through the IFMIS System in plain text making it prone to interception and hence security breach. Further, data that was moved from production environment to a cloned environment was not being protected. Data masking practices were not put into place to secure the data in cloned environment.
- **Inadequate Patch Management Practices** - The patch management process for administering patch updates was not effective. Patches applied on the Solaris server were found to be inconsistent while Oracle Application patches were applied only when there were issues. This increases the risk of worms and malicious codes targeting the system and system outage and data compromise.
- **Lack of regular Anti-virus management and Updates** - There was no evidence for regular anti-virus installation and regular signature updates. In the absence of an effective anti-virus management, the servers, PCs, laptops, computer networks and other technology equipment were at the risk of virus attack.

Lack of adequate ICT policies and procedures coupled with improper approval processes for creation of new system IDs together with the capability to create duplicate supplier names in IFMIS System with passwords that don't expire may have led to security vulnerabilities that have been exploited in NYS saga.

4.6. IFMIS Vendor Contracts Review

The review involved assessment of vendor performance in conformance to the scope and contracts in terms of Sizing & Procurement Decision Making, Selection Process and Awarding of Contract and Post Award Activities was done.

4.6.1. Cost of re-engineering IFMIS

The total commitment to the IFMIS system during the period 2010 to 2013 was Kshs. 5.9 billion. In addition, Kshs. 5.6 billion was planned to be spent on during the period 2013 to 2018 as summarized below:

Component Name	Pre-Reengineering Up to 2010	Re-Engineering 2010-2013	Re-Engineering 2013-2014	Total Commitment	Total Payments
Amount in K Sh. In Millions					
IFMIS Re-Engineering Consulting Cost:					
Cost commitment and payment Details Not Provided					
Oracle Applications Cost:					
- Oracle Financials	16.41			16.41	16.41
- Chart of Accounts	21.25			21.25	21.25
- Revenue to Cash		63.09		63.09	60.45
- Purchasing (P2P)		488.97		488.97	413.37
- Hyperion (P2B)		633.53		633.53	558.17
- Others (TCT - KTCIP)		1366.88		1366.88	956.47
Oracle Application Cost Sub-Total				2590.13	2026.12
Oracle Licenses:					
Oracle Licenses (Hardware + Applications)		1196.21	178.56	1374.77	1374.77
Support Services: - Oracle Premier Support for Servers - Server Support for Oracle Database, Applications & Financials - Other Support Services		131.55		131.55	131.55
Infrastructure Cost - Hardware:					
Hardware – Servers		331.38		331.38	331.38
Server Upgrade (CMU & RAM)		251.01		251.01	251.01
Infrastructure Support Cost – Network & Connectivity:					
Network Infrastructure		73.71		73.71	73.71*
Infrastructure Support Cost – End User Devices:		200.66		200.66	200.66

User Support Cost – IFMIS Academy (Training):					
IFMIS Academy Setup		762.02	217.62	979.64	892.64
Current Total cost of Ownership #				5932.85	5281.84
Future Estimated Cost as per Strategic Plan 2013-18				5615.00	
Total Estimated Cost of Ownership				11547.85	
# Marketing, General and Administration costs have been excluded to arrive at the Cost of ownership					
* Where payment information / cash book is not available for review, the total value of commitment is considered as total amount paid.					

4.6.2. Duplication of scope

During the year 2011/2012, M/s Oracle Egypt was awarded a contract worth US\$ 705,600 (approximately Kshs. 60,681,600 at then prevailing exchange rates) to supply license and implement the revenue to cash module which included implementation of cash management, accounts receivable and asset management functionalities. Further, during the year 2011/2012, M/s Oracle Egypt was also awarded another contract worth US\$ 250,000 (approximately Kshs. 21,500,000 at then prevailing exchange rates) to implement the modified chart of accounts structure and values for the Government of Kenya.

In the same year, M/s Transnational Computer Technologies was also awarded a contract worth US\$ 15,532,820 which included leveraging of the existing revenue to cash module including cash management and accounts receivable functionalities; and record to report module, with the re-engineered business processes and roll out IFMIS in all counties and MDAs. The scope of the record to report module included re-configuration of new chart of accounts structure and conversion. This is as detailed below:

Module	Vendor	
	Oracle Egypt	Transnational Computer Technologies
Revenue to Cash		
Contract Price	\$705,600	\$15,532,820 (Included other modules & functionalities)
Scope of Work	Provision of consultancy services for Implementation of the following Modules: <ul style="list-style-type: none"> • Cash Management • Account Receivable • Asset Management 	Consultancy services for roll-out of Financial modules including: <ul style="list-style-type: none"> • Accounts Receivable • Cash Management • Integration with Budgeting (for revenue forecasts)

Module	Vendor	
	Oracle Egypt	Transnational Computer Technologies
Record to Report		
Contract Price	\$250,000	\$15,532,820 (Included other modules & functionalities)
Scope of Work	Implementation of the new Chart of Accounts for the IFMIS System	Re-configuration of IFMIS solution with the new Chart of Accounts structure and values

It, therefore, appears that M/s Oracle Egypt was awarded on different occasions' similar contracts to M/s Transnational Computer Technologies. It is apparent that the general functionalities such as cash management, accounts receivable and new chart of accounts structure are clear duplication of work. This resulted in increased overall cost and there is a possibility that benefits accrued in the earlier implementation may be lost if a new vendor is given similar work.

4.6.3. Usage of contract documents not covering important contractual clauses

Audit review of contract documents for contracts entered into during the procurement of IFMIS revealed that the contracts did not include the following critical general and special conditions contrary to the requirements of Section 52(3)(c) of the Public Procurement and Disposal Act, 2005 thus exposing the government to legal risks with vendors:

- Contract termination clause
- Force Majeure clause
- Variation and severability clause
- Warranties
- Penalty clause for any delays
- Arbitration clause
- Change in law

Further, annexure reference to scope document, financial terms etc. had not been properly indexed.

5. Overall Conclusion on Effectiveness

Following the implementation of IFMIS Re-engineering Strategy Plan (2011-13), the impact of the IFMIS Effectiveness with regard to IFMIS Applications and Processes mapping to the IFMIS systems was low and the combined application level effectiveness of various solution tracks like Plan to Budget (P2B), Procure to Pay (P2P), Record to Report (R2R), and Revenue to Cash (R2C) stood at 16%.

The primary reasons for such low levels of applications is contributed by the following:

- The extent of configuration of the applications scores 45% weighted compliance against the system design envisaged and documented in the application blueprint.
- And only 28% weight of the above are being effectively adopted and utilized by the users amongst all entities of the GoK.

The root cause of the above state of effectiveness was analysed under the following major categories:-

- a. Core business functionalities not configured in the system with financial re-engineered processes not enforced.
- b. System features not utilized fully or adopted by the GoK users.
- c. Fundamental features and controls not made fully functional in the IFMIS system.

6. Recommendations

- 1) Complex Projects like IFMIS requires expertise in acquiring and managing technology projects. It is recommended that an IFMIS Program Management Office (PMO) be set-up. The PMOs should work closely with the IFMIS Directorate to provide levels of assurance to the IFMIS Apex Body.
- 2) It is essential that IFMIS department establishes a comprehensive security policy, standards and procedures covering various aspects of security control which are essential for the IFMIS system to operate and Government financial data to be stored in a secure and controlled environment.
- 3) To minimise the risk of legal exposure with the vendors, IFMIS team should use contract document templates pre-vetted by Legal team / Attorney General Office.
- 4) To mitigate the risk of errors and fraud, integration of IFMIS with other systems such as KRA, CS-DRMS, e-ProMIS should be completed.
- 5) It is recommended that the functionalities that have not been configured in the IFMIS system be effected in order of priority. An example include automation of the exchequer release process and bank reconciliation process.
- 6) Supplier master records should be reviewed and reconciled. In addition, the IFMIS team at Treasury should control the supplier creation process.
- 7) To increase the level of utilization among IFMIS users, it is recommended that users be adequately trained and supported.
- 8) Baseline documents for servers, network, database and application should be maintained and updated regularly.
- 9) It is recommended that a comprehensive review of the reporting requirements for all IFMIS stakeholders be gathered and built in the system.

Main Report

Chapter 1: Background

1.1 IFMIS in Kenya

The conception of IFMIS started in 1998 and the deployment of the system to National Treasury started in 2003. The IFMIS implementation requirement in Kenya originated from the Ministry of Finance and Economic Planning ICT Master Plan 2001-2005 that highlighted gaps and weaknesses within the Soft Issues Bid Evaluation Tool (SIBET) system that was in use at that time. This master plan was proposing development of different modules comprising of accounting, revenue management and asset management among others, and the establishment of interfaces with the Central Bank of Kenya (CBK) payment information system, Kenya Revenue Authority and the Ministry of Labour for the payroll and human resource management modules.

In 2003, the Ministry of Finance contracted a vendor to deliver the Oracle based IFMIS with the following modules procured:

- a) The Public Sector Budgeting
- b) Purchase Ordering
- c) Accounts Payable
- d) Accounts Receivable
- e) General Ledger (GL)
- f) Cash Management (CM)

In April 2010, the Government of Kenya initiated a project to develop a Master Plan for IT shared services across the 42 ministries and 175 local authorities in the GoK. The Government concluded that the investments in the current IFMIS must be balanced with the requirements of the new constitution and the need for automation. An executive mandate required a new, automated budgeting system for the FY 2011/12 budget cycle to achieve the following objectives:-

- To ensure all Govt. of Kenya agencies (Central and County) had timely and appropriate access to an integrated financial management system by June 2012.
- To ensure that the financial management system was fully aligned with the new Government structure and public financial management policies and regulations.
- To ensure that the financial management system interfaced appropriately with key agencies, including the CBK and the KRA.
- To ensure that the financial management system interfaced appropriately with the key systems, including pensions, payroll, budgeting etc.
- To ensure timely and accurate reports were produced from the financial management system.
- To ensure users had training and system access based on roles.
- To ensure that there was a secure and stable system with sustained infrastructure support

1.2 Initiation of IFMIS Re-Engineering (2011-13)

A complete overhaul of the approach to implementation of a PFM system was deemed necessary, leading to introduction of IFMIS Re-engineering, to introduce a full cycle end-to-end integrated approach for efficient and effective public financial management and service delivery to citizens. The National Treasury with an IFMIS Re-engineering Strategic Plan 2011-2013 launched the IFMIS Re- engineering in 2011. IFMIS Re-engineering moved from the earlier adopted modular approach (modules loosely linked to the General Ledger (GL), to a full cycle end-to-end integrated approach.

1.3 IFMIS Re-engineering Components envisaged

The components encompassing the IFMIS strategy of 2011-13 focused on:

- a) Business process re-engineering which involved change in strategic and operational policies in the government.
- b) IFMIS software application which showcased the integrated process flows and brought about integration of the various government entities on a common platform from budgeting to payments to record and reporting.
- c) ICT to Support which focused on providing the relevant infrastructure support to the operating of the IFMIS system in the form of hardware, connectivity and system administration functions.

- d) Communicate to Change with the focus on capacity building and bringing about the change in working culture up to the end user level through continuous learning and training mechanisms.
- e) Procure to pay
This component is aimed at creating an end to end automated process that starts at development of procurement plans, to the actual procurement of goods and services, to payment of suppliers for goods or services delivered.
- f) Plan to Budget
This component is aimed at providing a structured framework for development and deployment of a fully functional, automated planning and budgeting system, aimed at improving the accuracy and efficiency in the Government's planning and budgeting process.
- g) Record to Report
This component encompasses all activities that include the updating and maintenance of the general ledger, the reconciliation of sub ledgers to the general ledger and closing of books. It also includes recording, control and reporting on fixed assets at both National and County level.

Chapter 2: IFMIS Audit Approach and Methodology

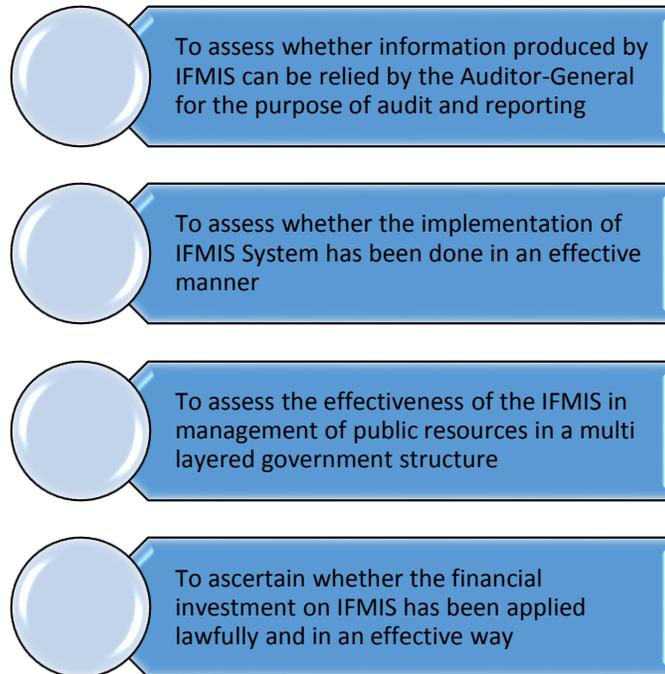
2.1 Objective of OAG's IFMIS Performance Review

The Office of the Auditor General undertook the review of the investments in IFMIS made so far, to evaluate the effectiveness of the IFMIS implementation and utilization as categorized under:

- a) Review and comparative analysis of the strategic intent of the IFMIS system solution with the actual application abilities configured and deployed.
- b) Review of the effective and efficient usage of the IFMIS abilities as a whole and analysis of the utilization under pre-determined core attributes.
- c) Review infrastructure set up and other technical governance required to be adopted at the IFMIS hosting site.
- d) Review of on-ground IFMIS adoption levels in the counties and MDAs, chiefly, for assessment of user confidence levels in the IFMIS system.
- e) Review of the financial investments and commitments discharged by the Government of Kenya and comparative assessment with the effective utilization and all other outcomes as above, to determine Result Based benefits.
- f) Review of strength and robustness of the overall project governance aligned to the size and complexities involved in managing and controlling implementation and sustenance of IFMIS.
- g) Review of strength and robustness of the overall change management functions aligned to the size and complexities involved in implementation and sustenance of IFMIS.

The reviews under the above channels were carried out independently at field level, which were eventually consolidated and inter-analyzed to arrive at the end conclusions aligned to the OAG's review objective and intent.

The key objectives of carrying out the IFMIS Effectiveness Review – Performance Audit was aimed at the following.



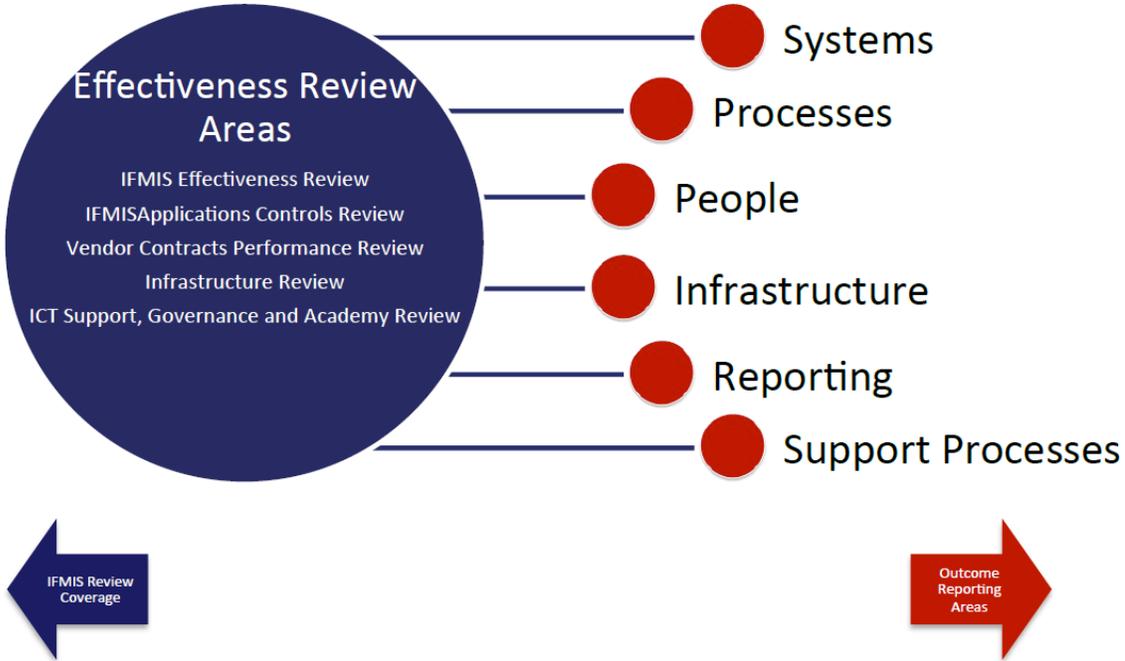
2.2 IFMIS Effectiveness Review Approach

The effectiveness review involved carrying out of following activities to address the critical imperatives as determined by the OAG objective of the performance audit

OAG Objective	Assessment Approach
To assess whether information produced by IFMIS can be relied by the Auditor-General for the purpose of audit and reporting	<ul style="list-style-type: none"> • Benchmarking with IFMIS Strategy Plan 2011-13 and assessment of adoption levels • Assessment of IFMIS maturity levels on investment, time and governance levels
To assess whether the implementation of IFMIS System has been done in an effective manner	<ul style="list-style-type: none"> • Review of the effective and efficient usage of the IFMIS abilities as a whole and analysis of the utilization under pre-determined core attributes

	<ul style="list-style-type: none"> • Developed IFMIS application effectiveness scoring model
<p>To assess the effectiveness of the IFMIS in management of public resources in a multi layered government structure</p>	<ul style="list-style-type: none"> • Review of on-ground IFMIS adoption levels in the counties and MDAs to assess the user confidence levels • Execution of IFMIS adoption index methodology • Strength and robustness of the overall change management functions as aligned to the size and complexities involved
<p>To ascertain whether the financial investment on IFMIS has been applied lawfully and in an effective way</p>	<ul style="list-style-type: none"> • Determination of benefit case realization on all components of IFMIS Universe and evaluation of sourcing decisions • Strength and robustness of the overall project governance as aligned to the size and complexities involved

IFMIS Effectiveness Performance Review Audit Areas



2.3 Methodology

A threefold methodology was adopted to review the IFMIS application:

- a. Assessment of the level of compliance of the configuration (Extent of configuration by vendors as against the scope of delivery).
- b. Assessment of the usage of the key transactions by the Ministries / Departments / Agencies / Counties, along with the business / system process being adopted.
- c. Assessment of the overall effectiveness of the application.

2.3.1 Configuration Review Methodology

- a. The functional requirements of each of the process cycles namely P2B, P2P, R2C and R2R are expressed as 'abilities'. The evaluation and assessment of the "abilities" and results thereof was based upon review of the configuration as defined for select entities (Ministries / Departments / Agencies / Counties). In the case of Oracle applications, for the purposes of such evaluation, a representation of "Organisation units" comprising 2 Counties, National Treasury and 2 Ministries, were considered, to determine the level of compliance of the "ability", with the stated requirement, as envisaged in the IFMIS Application Blueprint.
- b. The level of compliance to assess the configuration of the "abilities" in terms of its implementation in the IFMIS context was classified into "Fully Met", "Partially Met" and "Not Met. While the compliance classification relating to 'Fully Met' and 'Not Met' are self-explanatory, the 'Partially Met' classification was classified on the basis that the level of compliance i.e. the system ability vis-a-vis requirements was configured only for some of the entities that were reviewed.
- c. The review of the functionality or ability and related observations as part of the effectiveness review of Oracle Application was based on the configuration and data as it existed in the "Clone" instance. The review was carried out for the financial year 2013-14.
- d. Interfaces and system abilities of Hyperion Budgeting system were primarily assessed, based on their availability in the "production" environment and reported based on a walkthrough of the process provided by the concerned user. No independent assessment of the same could be carried out in the absence of related documentation and access to a separate "clone" environment. The review was carried out for the financial year 2013-14 to ensure a secure and stable system with sustained infrastructure support.

2.3.2 Utilization Review Methodology

- a. In addition to the "abilities" assessment in terms of the level of compliance of the application configuration, an assessment to understand the level of usage of the

IFMIS application by the GoK entities was carried out. Here, the key transaction processing functionalities within Oracle EBS was undertaken to assess the usage of the available functionality among the Gok entities. Analyzing the transaction data extracted from the "clone" system, replicated with live data set as on 10th May 2014 in the case of Oracle Application, carried out the utilization assessment.

- b. While the usage of the key functions was reviewed from one side, the system / business process being adopted at the ground level was also reviewed to assess the overall level of utilization of the IFMIS application. For example, in the P2P process cycle, utilization assessment of purchase requisitions, purchase orders and invoices not only provided an insight of the usage of the IFMIS system for processing these transactions by the GoK entities, but also provided an understanding of the current business process being practiced. The basis for determining the business / system process followed by the GoK entities was based on the survey conducted at the individual Ministry / Department / Agencies / Counties, as part of IFMIS adoption assessment.
- c. Based on the above two factors, the utilization aspect of the "abilities" was classified into "Fully Utilized", "Partially Utilized" and "Under Utilized". "Fully Utilized" represented where more than 75% of the GoK entities used a function in the manner the business process was expected to be carried out, while "Partially Utilized" represented the functions carried out by more than 50% and up to 75% of the GoK entities in the same business process expectation. The "Under Utilized" represented either the compliance of the business process was compromised, or transaction usage was low where less than 50% among the GoK entities used a function.
- d. The extent of usage of the IFMIS application at the ground level was drawn considering both the fully utilized and partially utilized cases. However, for computation purpose only 60% scoring was assigned for the partially utilized cases as against 100% scoring for the fully utilized cases.

2.3.3 Effectiveness Review Methodology

- a. Considering both the aspects of the level of compliance of the configuration and the Utilization factor of the "abilities", the overall effectiveness of the application was determined. The grounds on which the application effectiveness was arrived at is as explained in the below matrix.

Configuration / Utilization	Fully Utilized	Partially Utilized	Under Utilized
Fully Met	Effective	Partially Effective	Not Effective
Partially Met	Partially Effective	Not Effective	Not Effective
Not Met	Not Effective	Not Effective	Not Effective

- b. The overall effectiveness of the IFMIS application was drawn considering both the fully effective and partially effective cases. However, for computation purposes 60% scoring was assigned for the partially effective cases as against 100% scoring for the fully effective cases.

2.3.4 Scoring Methodology

Subsequent to the above three methodologies adopted to review the IFMIS application effectiveness, a scoring mechanism was developed using scientific and business logic. The tool kit thus developed determined the resultant effectiveness score at a process level for each of the core IFMIS processes. This was achieved by assigning weights to the individual process functions within the core process areas such as P2B, P2P, R2R, R2C, and Interfaces.

2.3.5 Configuration Index

Configuration is one of the aspects that determine the level of compliance of the system ability vis-a-vis requirements. This review brought to light, whether ability or a functionality that is supposed to have been built into the system had been configured or not. With respect to this, a configuration index was arrived at. The configuration index determines how much of the agreed functionalities had been configured in the application. In view of this, two reports have been built

1. IFMIS Application Configuration Index:
2. IFMIS Modular Application Configuration Compatibility Index:

2.3.6 Effectiveness Index

Effectiveness is a combination of Configuration and Utilization.

2.3.7 IFMIS Vendor Contracts Review Methodology

This entailed review of vendor contracts for assessment of vendor performance in conformation to the scope and contracts. The following aspects were covered in the review:

- a. Sizing and Procurement Decision Making
 - Project Planning and Project Management
 - Review of Strategic Plan document
 - Scope design vis-a-vis the Strategic Plan
- b. Selection Process and Awarding of Contract
 - Pre-tendering Activities (Expression of Interest)
 - Tender Publication
 - Opening & Evaluation of Technical & Financial Bid / Proposals / Quotations
 - Awarding of Contracts
- c. Post Award Activities
 - Contract Compliance
 - Milestone Progress Review
 - Audit of Milestone Payments made to vendors
 - Cost Benefit Realization Analysis

2.3.8 IFMIS User Adoption Level Assessment Methodology

IFMIS Adoption Levels focused on aspects pertaining to the level of IFMIS adoption at the ground level. The Adoption level considered the following aspects

- **Effectiveness of usage** – The main objective of this track was to measure the level of user confidence in utilizing the features installed in IFMIS.
- **Efficiency of usage** – Implementation of IFMIS was aimed at enhancing the level of efficiency at the operational unit level. One of the objectives of this review was to test whether the benefits from introduction of a completely integrated and automated system had trickled-down to the grass root levels. This study also aimed to bring out the difficulties faced by the users, which were indications of their confidence levels.
- **Support Function Operations** – Effectiveness of operations of the help desk and quality of infrastructure and continuous training were subjected to review since these influenced the level of adoption at the organizational unit levels.

2.3.9 IFMIS Support Processes Review Methodology

The review of the support processes entailed the following areas:

A. IFMIS – IT Organization

1. Review of organization chart

2. Review of Roles and Responsibilities of the IFMIS IT operation.

B. IFMIS Systems

Reviewed the following areas: -

1. Server and system configuration
2. Patch management procedure and compliance
3. Back-up practices and adequacy
4. Baseline document and hardening document of systems
5. Security practices in terms of verification of logs, anti-virus, approval of changes
6. Identity and access management – user management, group management
7. Incident and problem management – Logs, service-level agreement (SLA), Root Certification Authorities (RCA)
8. Remote access for administrators and users
9. Readiness for Disaster Recovery (DR) & Business Continuity Process (BCP)
10. Adequacy of monitoring of servers and corresponding follow-up actions

C. IFMIS Network

Reviewed the following aspects of IFMIS Network:

1. Overall network topology and responsibility of each of the service provider.
2. Bandwidth capacity of the network and availability to the end user
3. Network configuration and redundancy
4. Patch management of Network equipment
5. Baseline document and hardening document for network equipment
6. Security practices of log verification, Approval of changes
7. Identity and access management – user management and access permissions
8. Incident and problem management – Logs, SLA, RCA
9. Remote access for administrators
10. Preparedness for DR & BCP
11. Adequacy of monitoring and follow-up actions

D. End User Equipment

Reviewed the following areas: -

1. Configuration of equipment supplied
2. Current status and vendor support for maintenance of equipment
3. Connectivity and response time
4. Softwares installed
5. Anti-virus software installation and procedures for regular update

E. Data Centre

Reviewed the following areas: -

1. Data centre policy including the physical and environment controls

2. Adequacy of power to run all the equipment and back-up in case of mains failure
3. Variation of power from the mains
4. Capacity and redundancy of UPS to cater for the datacentre load.
5. Generator capacity to support the datacentre power requirement in case of mains failure and duration of supply
6. Earthing of all IT equipment and the voltage variation between Neutral and earth terminals
7. Earth pit maintenance for minimum resistance
8. Capacity and redundancy of Air-conditioners to support the data centre cooling and humidity requirements
9. Security of the datacentre for access, determine monitoring devices like CCTV and camera.
10. Availability of fire detection & suppression systems and periodic testing
11. Monitoring of all the above equipment in the datacentre
12. Maintenance contract with SLA and proof of maintenance for all the above equipment

F. Database

Reviewed the following:

1. Oracle database management policies and procedures
2. Change control procedure with respect to Patch management
3. Verification of Back-up procedures, practices
4. Monitoring of alert logs
5. Review of database environment version
6. User profile management
7. Review of database parameter settings
8. Encryption strategy for securing privilege information
9. Trusted relationship between databases
10. Gathering baseline data for performance tuning
11. Preparedness for BCP

G. Security

Reviewed the following security issues:

1. Security policy to determine if new threats and vulnerabilities are identified and acted upon
2. Monitoring of alert logs to identify and act on security incidents for all servers, network equipment, firewall, IDS, IPS and any other devices added to the network
3. Approval process for all changes like new patch updates, all port openings, change of firewall rules, anti-virus signature updates
4. Approve any new software to be procured
5. Guidance process for hardening of servers and network devices.

6. Change Advisory Board for any changes

H. Business Continuity Plan and Disaster Recovery Plan

Reviewed the following:

1. Whether the BCP fulfils the Organization Business Continuity requirements
2. If the risk assessment is done with impact and severity ratings
3. Availability of Emergency Response Team and definition of their roles and responsibilities
4. Mechanism to find details of all the resources in the building to safely evacuate in case of disaster.
5. Details of resources required for Business Continuity and their contact information and alternate contact information
6. Recovery Time Objective and Recovery Point Objective
7. Alternate location and definition of minimum required capacity during Business Continuity mode of operation.
8. Recovery procedures on bringing up the services at alternate site securely with data
9. Definition of Test procedures with period of testing and proof of testing

I. Asset Management

Reviewed the following:

1. Asset management policy defining asset management principles and records to be updated
2. Update of asset register with allocation and location details
3. How assets are tagged uniquely and made traceable
4. Procedures for testing the assets before accepting into store and updating asset register accordingly.
5. Asset allocation procedure
6. How Software licenses are allocated, de-allocated and tracked
7. How Annual Maintenance Contracts are updated and software licenses are renewed

J. Service Delivery

Reviewed the following:

1. Understand the SLA committed by service provider
2. Understand the Interdepartmental SLA commitments
3. Procedures adopted to maintain the committed SLA
4. Contact information of all SMEs, vendors and support personnel
5. Review of SLA with user departments and vendors
6. Guidance for Incident categorization

7. Follow-up procedures for closing the incident and problems
8. Root Case Analysis for the problems
9. Verify vendor reports for committed SLA and generate SLA reports for management.

Chapter 3: IFMIS Benefit Realization – Executive Dashboard

3.1 IFMIS Mandate for Kenya

The Reengineering Project initiated in 2010 developed a strategic blueprint on what needs to be achieved out of the IFMIS re-engineering exercise aimed at process reengineering, acquisition of software applications and services, upgrading infrastructure and capacity building by way of setting up of IFMIS academy.

GoK envisaged IFMIS as an integrated system with interfaces developed for all Government systems providing data into IFMIS for the purposes of reporting and consolidation onto a common platform. Systemic integration was to be brought about in two categories;

- i. Integration within IFMIS software systems themselves which required to manage the life cycle of fund management; and
- ii. Integration with external systems to facilitate seamless flow of financial information.

The core functions of budgeting, payments, revenue, accounting and reporting were to be tightly integrated with both inbound and outbound data flows between modules and Hyperion Budget Management System. Integration to independent systems owned by external bodies was to bring about execution of processes in a controlled and efficient environment. Similar inbound and outbound data flows were strategized between IFMIS and systems of Central Bank of Kenya, Kenya Revenue Authority, and Pension Management Systems, Project and Program management information systems to provide accurate, reliable and timely data to be fed into IFMIS for accounting and consolidated reporting, with confirmations returned back to the data originating systems.

Key strategic improvements that were to be delivered on implementation of the integrated IFMIS solution as envisaged by GoK were:¹

Budgeting	Revenue
<ul style="list-style-type: none">- Fully Integrated Plan to Budget process and system - Document the automation requirements for the Planning to Budgeting cycle- Provide a platform for programme based budgeting	<ul style="list-style-type: none">- Auto-reconciliation of revenue and payment- Secure and seamless integration with GPAY based on straight through processing

¹ IFMIS Re-engineering Strategic Plan 2011-13 of Republic of Kenya

<ul style="list-style-type: none"> - Automated system for commitment ceilings - Single, common Chart of Accounts - Enhance reporting capabilities to support budget planning 	<ul style="list-style-type: none"> - Automatic generation of EFT files and exchequer releases within IFMIS - Encryption, authentication and secure transmission of data - Automated revenue collections for improved cash forecasting
<p>Procurement</p>	<p>Reporting</p>
<ul style="list-style-type: none"> - Automated procurement process, from requisition to generation of System Purchase orders, Payment initiation, Online Approval, system generated Payment voucher to payment - Online tendering to award of contracts - Payment initiation, online approval and system generated payment vouchers - Enforcement of budgetary controls - Elevation of IFMIS from data capture to integrated financial management - Full automation of this process will ensure that requisitions are entered by user departments, LPOs are printed from IFMIS, payment invoices are properly matched to LPOs, payment validated and PVs are also automatically generated from the system. 	<ul style="list-style-type: none"> - Electronic transmission of bank statements from CBK - Secure two way interface between IFMIS and CBK for EFT instructions and statements - Automated bank reconciliation - Online maintenance of bank account details - Accurate and up to date information on the GoK financial position

3.2 IFMIS Outcome Expectations

3.2.1 Integration of Processes

Adoption of such standard accounting systems that are fully integrated was to eventually bring about integration and improvement in the execution of the business processes. The business processes were to be re-engineered to suitably accommodate and capitalize on the matured and sophisticated system processes and workflows. Re-engineering of working methodologies was triggered through the following guides:

- System form designs which allow data to be entered, maintained and distributed within the IFMIS system.
- System mandatory workflows which enable process accountability, operational controls and accuracy of transactions.
- Approval hierarchies which are configured to suite the GOK business processes and standardized through the workflows.
- Mechanism of error handling and system data assurance measures inbuilt in the IFMIS system
- Other data and process security, control and validation measures which require change in current functioning with training support, documentation, policy and standard support.

The above situations triggering process re-engineering were to be standardized through policy level changes and circulars, which GoK was expected to issue to all user levels to support the integration of such processes. These policy level changes involved operational policies, release of circulars, and changes in standard output formats or report formats.

The Strategic Plan of 2011-13 of GoK elaborates the process re-engineering considerations and the policy level recommendations, which were needed to support the successful implementation and adoption of the IFMIS system by all its users. The GoK Financial Management Business Processes brought into the IFMIS re-engineering plan were grouped in the core process categories of²: -

- Budgeting
- Exchequer Unit processes
- Expenditure Approval and Payment process covering:
 - Exchequer Budget releases
 - Manual payment approval
 - Purchase order processing
 - EFT process

²IFMIS Re-engineering Strategic Plan 2011---13 of Republic of Kenya

- Bank Reconciliation process
- Government Debt inflow and repayments managed by Public Debt Department
- Pension management processes of the Pensions Department
- Payroll and HR Management
- Procurement - Revenue collections, cash planning and allocations managed by KRA and CBK

3.2.2 Integration of People

The unified systems and processes targeted to bring together users and stakeholders in the entire cycle of finance management, accounting and reporting functions in the GoK. IFMIS was initially intended to integrate the Central ministries, commencing with the National Treasury and National Treasury functions with 10 other ministries in the early 2000s, followed by all the remaining ministries and department agencies (42 of them in total). Following devolution, the Strategic Plan of 2011 - 13 targeted to integrate all the 47 counties in the entire finance and accounting cycle, to ensure that County treasuries played their roles as required by Section 8 of the County Governments' Public Finance Management Transition Act. IFMIS also was also to unite departments within the National Treasury who are involved in managing and monitoring the movement of the funds and involved in consolidation of accounts and regulatory reporting. Core functions of the Exchequer, Public Debt department, Economic Reforms Department, Budget Supplies Department and Accountant General Office were expected to be automated and integrated in the IFMIS system.

3.2.3 Integration of Infrastructure

The success of IFMIS depends on the effective usage of the integrated system across all the people, situated across multiple geographies of the country. Sustained availability of the system with real-time upkeep and maintenance is critical to ensure people, processes and the IFMIS software solution stay connected and integrated.

GoK envisaged that the IFMIS Universe would also be supported under its e-Government Shared Services Strategy, wherein the technical support underpinning effective and efficient automation of all the IFMIS process levels was to be ensured, through a dedicated support function for software, hardware and infrastructure. Through this model, it was expected that an appropriate IFMIS Infrastructure Management mechanism and Data Centre would be set up and jointly maintained by GITS and ICT (Information and Communications Technology) Board of GoK to ensure network and application security, availability and reliability. The core objectives of this model were to: ³

³ IFMIS Re-engineering Strategic Plan 2011-13 of Republic of Kenya

- Ensure IFMIS has the required internal technical experts to provide support to the peripheral software and hardware required for IFMIS operation.
- Ensure IFMIS network and infrastructure is capable of supporting the increased use
- Ensure IFMIS is secure, available and reliable
- Ensure in the case of catastrophic failure that the Ministry of Finance is able to resume normal functions in a minimal amount of time

Service Level Agreement between MoF, GITS and ICT Board were to be established to provide such support, Data centre service, networks and other infrastructure. GITS and ICT Board were expected to develop and implement Operational Security Plan, Disaster Recovery, and Business Continuity Plan and establish Off-site Backup to protect GoK's financial data and ensure seamless functioning in the event of any disaster recovery.

Strategic actions for establishing a sizably manned helpdesk and call centre with competent staff were to be taken to cater to queries and requests from IFMIS users to address both IFMIS system as well as ICT infrastructure support calls. A web-based solution was envisaged to be implemented for online logging, recording, tracking and reporting on progress of logged issues.

In summary, the following were the key improvements to be delivered on implementation of the integrated infrastructure model as envisaged by GoK:

- Dedicated IFMIS support function for software, hardware and infrastructure
- Help desk and call centre with expert technical support
- Improved availability and system performance
- Operational security plan with BCP / DRP and back up recovery
- Support the e-Government Shared Services strategy

3.2.4 Integration of public / Government financial accounts

The government expected that through the implementation of integrated IFMIS system amongst all process levels and people levels, real time recording of transactions and accounting thereof, would result in accurate and up to date information on the GoK financial position. IFMIS system would enable generation of reliable operating reports and accurate accounting statements by individual MDAs for regulatory reporting and operational control purposes.

Likewise, the National Treasury is responsible for consolidation of the Appropriation Accounts as on 30th June every year, made by various MDAs and submission to Parliament every year. The end outcome and measure of successful implementation and utilization of the IFMIS system was for the National Treasury to be able to generate such consolidated statements directly from IFMIS without any manual intervention. Some of the critical standard financial statements that are submitted to the Parliament are enumerated below.

A. Financial statements that are generated by the Exchequer department and consolidated by the Accountant General of the National Treasury:

1. Summary of Payment made out of issues from the exchequer for consolidated fund services
2. Statement of receipts into and issues from the Exchequer Account

B. Financial statements that are generated by the Individual MDAs and consolidated by the Accountant General of the National Treasury:

1. Summary of Statement of Recurrent Revenue
2. Summary of Statement of Development Revenue
3. List of Pending Bills

C. Financial statements that are generated by the Public Debt / External Resources Department (ERD) and consolidated by the Accountant General of the National Treasury:

1. Summary of Statement of Outstanding Loans
2. Summary of Statement of investment by the Government in Local companies
3. Summary of Statement of participation by the government in Quasi government organisations and other statutory organisations
4. Summary of statements of Consolidated Fund Service

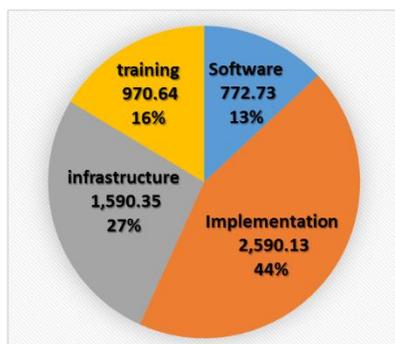
D. Financial statements that are generated by the ERD Department and consolidated by the Accountant General of the National Treasury:

1. Summary of Statements of Obligations guaranteed by the government

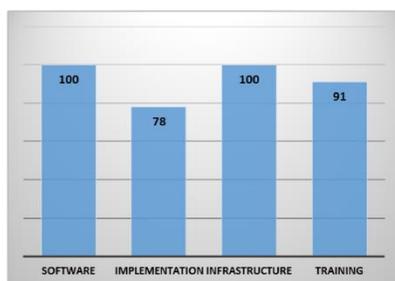
3.3 IFMIS Performance Review – Executive Dashboard

2013-18 Strategic Plan on IFMIS Enhancements Budgeted 5.6 Billion

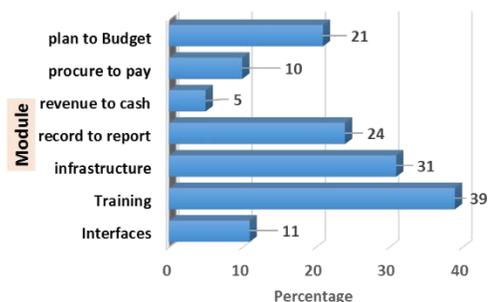
IFMIS Total Budget Committed for the Period 2010-13
5.9 Billion



Pay outs (As per Strategy)



Benefits Realization



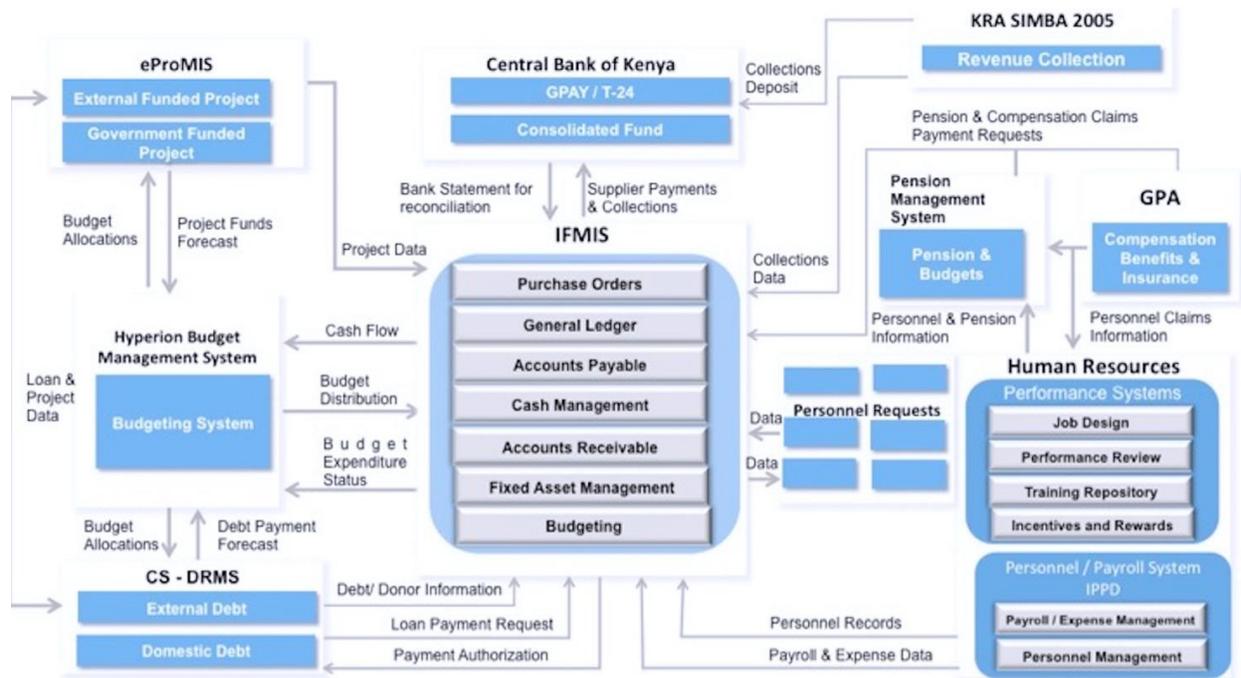
Top Highlights

1	The strategy and conceptualization of the system was very strong. However, budgetary allocation for KEY modules and Infrastructure has been weak leading to delay in the overall implementation.
2	The functional architecture for IFMIS interfaces to all Government systems was not in place except for interface on G PAY for all government payments and Hyperion for Budgeting and Planning.
3	The budgeting system (Hyperion) is not used during the initial stages of the budget preparation. Formalization of the sector and ministerial ceiling is manual and outside the system.
4	Among the 12 annual financial statements prepared by the National Treasury and submitted to the Auditor-General for audit, 10 of them have not been customized in IFMIS.
5	KES 5.9 Billion had been committed for the period 2010-13 and KES 5.6 Billion had been planned to be spent on IFMIS during the period 2013-18.
6	The revenue automation and revenue management is not handled in IFMIS.
7	Business Processes were to be fully automated as part of Re-Engineering process but some of these processes are still manual such as Exchequer requisition and release process, Bank Reconciliation process, Cash management, current cash balance and cash flow of the GoK entities.

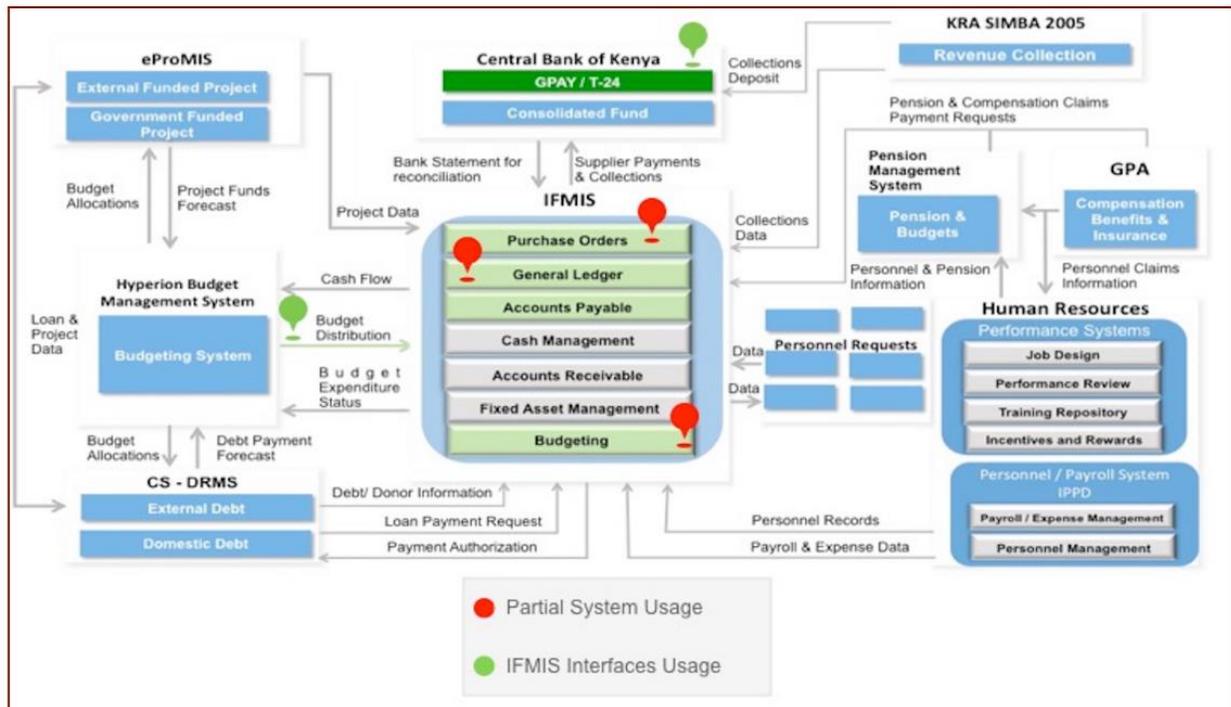
8	Training is not sufficient. The IFMIS academy needs to be overhauled with significant rebuild on the curriculum design and delivery model.
9	Centralized ICT help desk have very little impact on the ground level. The existing support model needs to be revised.
10	Project Governance, Project Performance monitoring and cost monitoring is very weak in the current set up.
11	A comprehensive security policy covering standards and procedures for various aspects of security control is not available with IFMIS IT.
12	A comprehensive Disaster Recovery and Business Continuity Plan/ policy was not available. Business Continuity Plans / Disaster Recovery drills are not carried out. Risk assessment for BCP has not been carried out. Emergency Response Team has not been identified. Business continuity plan is not available.

3.4 IFMIS Performance Review – Summary Indicators

IFMIS Applications Architecture Desired Based on the Re-Engineering Exercise in 2010



Actual Outcome Realized as of June 2014

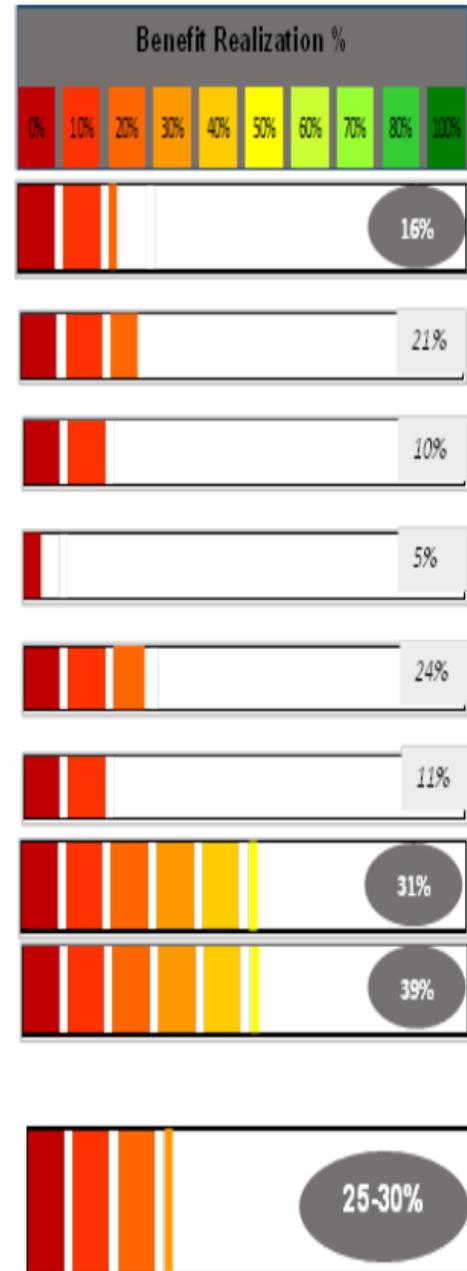


KEY NOTES

- Integration of IFMIS with external systems as shown in the above diagram is not complete except for G- PAY interface.
- The initial process in the budgeting system is carried out manually and finally uploaded in Hyperion system. Hyperion Budgeting is not used for effective planning and budgeting.
- Purchase Order (PO) and General Ledger (GL) modules in IFMIS have manual interventions and the features and capabilities are not configured or automated
- Some PFM reports are done manually and are not from the IFMIS system

3.5 IFMIS Benefit Realization – Summary

	Scope Transformation & Sourcing Contract Procedures	Cost (KSH in Mio)	Pay out %	Total Pay out %
Application	Weak	2590.13	78%	89%
<i>(Implementation)</i>				
<i>(License)</i>		772.73	100%	
P2B		633.53	88%	91%
<i>(Implementation)</i>				
<i>(License)</i>		193.70	100%	
P2P		488.97	85%	92%
<i>(Implementation)</i>				
<i>(License)</i>		441.27	100%	
R2C		63.09	96%	96%
<i>(Implementation)</i>				
R2R		37.66	100%	100%
<i>(Implementation)</i>				
<i>(License)</i>		137.76	100%	
Interfaces*				
TCT*		1366.88	70%	70%
Infrastructure**	Weak	1590.35	100%	100%
Training	Weak	979.64	91%	91%
For IFMIS Universe as a whole #		5932.85		89%
Range for the Actual Benefit Realization				



Category Tool	Benefit Realization %	Key Highlights
P2B	21%	<ul style="list-style-type: none"> • Insufficient milestone-completion-documentation in contract awarded to M/s Verve Ko of Ksh 697 million. • Workflow for the budget preparation process is not enabled. Various systems such as revenue planning system, macro-economic system, HR system, pension system, CS-DRMS system, e-ProMIS, which are intended to be integrated with Hyperion budgeting system, have not been realized. • Base workings for the budgets are prepared outside the system.
P2P	10%	<ul style="list-style-type: none"> • Some of the key control features, especially online approval of the supplier invoice processing, supplier payment processing, have not been activated. Key processes such as purchase requisitions, purchase orders remain manually • Many of the documents such as purchase orders, request for quotations, inspection notes, etc. are being prepared manually.
R2C	5%	<ul style="list-style-type: none"> • Duplication in the scope relating to Cash Management, Accounts Receivable and Asset Management modules in R2C awarded to TCT and M/s Oracle Egypt • Documentation prior to awarding the contract to Oracle Egypt, evidencing vendor evaluation is not available. Sufficient documentation to show completion of milestones/ evidence performance of work is not available. • Absence of exchequer release process, absence of cash management features such as cash positioning and cash forecasting. Absence of interfaces of external systems such as KRA, CS-DRMS with IFMIS. • Usage of manual cashbook is prevalent among the GoK entities.

		<ul style="list-style-type: none"> • Bank reconciliation is manual but the ability has been configured in IFMIS. • Revenue collection systems in counties are not linked with IFMIS
R2R	24%	<ul style="list-style-type: none"> • Duplication in the scope relating to implementing Oracle GL and Chart of Accounts awarded to TCT and M/s Oracle Egypt. Documents substantiating the selection and contracting process with Oracle Egypt Ltd. are not evidenced. • Journal vouchers approval mechanism had not been enabled. • Absence of some customized annual financial statements in the IFMIS system. • Accounting for fixed assets is manual despite the configuration enabled in IFMIS. • Inaccurate reports are generated from IFMIS - e.g. cashbook and appropriation account.
Interfaces	11%	<ul style="list-style-type: none"> • Absence of interfaces of various external systems with IFMIS system, including interface with KRA, Public Debt, Payroll, Pension, e-ProMIS. None of these interfaces have been rolled out in the IFMIS system, despite them being configured on the IFMIS side
Infrastructure	31%	<ul style="list-style-type: none"> • Assessment of sizing and specifications of network bandwidth based on number of users and existing technology environment within the GoK was not availed. • Infrastructure, in terms of hardware and connectivity does not meet satisfaction levels in some counties.
Training	39%	<ul style="list-style-type: none"> • Training is not practical. Overall training given to users is insufficient and not satisfactory as per the users. Duration of training is not sufficient for comprehensive knowledge transfer. • Curriculum provided by the Academy only partly matched with the business requirements. The curriculum should be made more practical.

- On the ground user feedback obtained through field surveys of the counties and ministries as part of IFMIS User Adoption and Effectiveness review reveal that most units have claimed to have not heard or experienced Learning Management System (LMS).

Chapter 4: IFMIS Systems & Processes Effectiveness Review

4.1 IFMIS Implementation Significant Positives

Significant Accomplishments

- **Single Chart of Accounts Structure (SCOA)**
Before implementation of IFMIS the chart of accounts used for the budgeting system was different from the one used within IFMIS. Implementation of a Single Chart of Accounts among all GoK entities has provided a common chart of accounts structure. This Single Chart of Accounts has unified the codes and classifications of both budgets and chart of accounts at a central level and complies with the standard framework recommended by international development partners. Further, this has not only facilitated linkage among the applications but has mainly facilitated in bringing about consolidated financial government accounts and also for comparative analysis of accounts and performance between multiple organization units.
- Implementation of a Single Chart of Accounts among all GoK entities has provided real time linkage between the budgeting Hyperion system and the IFMIS Oracle system. Therefore, the budget data is transferred from the Hyperion application to the Oracle E – Business Suite (EBS).
- Further, budget commitment ceilings that determine the expenditure limits are now recorded in the budgeting system, which can be centrally controlled and monitored. Itemized budgets are drawn from these ceilings. Development book, recurrent and supplementary books are maintained in the budgeting system for any ongoing financial year.
- Payment processes across the GoK have been activated in IFMIS. This includes creation of purchase requisitions, creation of purchase orders, fund availability check, perform inspection, recording of inspection and good receipt details, invoicing and processing of payments.
- Further, integration of the IFMIS system with Central Bank of Kenya for disbursing payments to suppliers has been implemented successfully, whereby the payments processed through IFMIS have real time linkage with the G PAY system for effecting the electronic payments. Following the mandate issued by the National Treasury to all the Gok entities this has been effectively followed and complied with and as a practice all payments are processed only through IFMIS.
- Bank Reconciliation is a process by which, bank statements are validated against the transactions (payables and receivables) accounted in IFMIS. This feature has been adopted recently by various ministries. However, this functionality has been activated for reconciling the payable transactions only.

- Among the activities within the scope of general accounting, recording of transactions (journals) is one of the key activities pertaining to accounting of data. Activities involving creating and posting of the journal entries have been configured in IFMIS. In addition to the posting of journal entries within the various application modules of IFMIS, the system has also facilitated receiving and posting of journal entries from external systems of IFMIS such as Hyperion via system interfaces.
- The standard feature of Oracle (EBS) for general ledger book closure has been activated within IFMIS. This ensures that the accounting period, once closed, restricts further recording of the transactions into the general ledger for the period being closed.
- The public financial management functions including core treasury functions are supported through a variety of application modules integrated to provide complete Public Finance Management System (PFMS) functionality. These application modules along with hardware components are associated with different types of software licenses (named user license, enterprise perpetual license, concurrent license, etc.) The licenses that have been procured for the use of application core modules and hardware components have been fully deployed among the GoK entities. This has been construed from field surveys, wherein approximate number of GoK users who have been trained in IFMIS range between 1200 and 1500, while the approximate number of users registered in Oracle (EBS) are slightly over 1500 users.
- Integration designs with external systems are complete and user acceptability tests conducted.

Significant Implementation Deficits

Despite all the implementation successes mentioned in the previous section, achieved since 2011, following the implementation of IFMIS Re-engineering Strategy Plan (2011 - 13), the impact of the IFMIS Effectiveness with regard to IFMIS Applications and Processes mapping to the IFMIS systems is low and the Combined application level Effectiveness of various solution tracks like P2B, P2P, R2R, R2C stand at best at 16 %.

Primary Reasons for such low levels of Applications is contributed by the following

- The extent of configuration of the applications scores 45% weighted compliance against the system design envisaged and documented in the application blueprint

- **And only 28% weight of the above are being effectively adopted and utilized by the users amongst all entities of the GoK. The root cause of the above state of effectiveness can be analyzed under the following major categories**
 - a. **Core business functionalities not configured in the system with financial re-engineered processes not enforced**
 - b. **System features not utilized fully or adopted by the GoK Users.**
 - c. **Fundamental features and controls not made fully functional in the IFMIS system**

4.2 Core PFM Processes not configured in IFMIS

Core PFM Processes not configured in IFMIS

A number of system functionalities that are critical for the PFM operations of Government have not been enabled in the IFMIS system. These include:

- 1. Absence of Exchequer Releases in IFMIS**
 - **The Exchequer releases to Ministries in accordance with the budget plans and expenditure requirement was manual as at the time of the audit. The Exchequer department maintained ledger tracking and accounting into the ledger receipts in CBK exchequer bank account from respective Receivers of Revenues (RoRs) manually.**
 - **At the time of our review reconciliation between Bank statement of exchequer and ledger extract of RoRs was carried out manually. Revenues from Counties and Ministries were not being captured at the Exchequer level.**

- 2. Budgeting**
 - **Budget preparation process is not workflow enabled. In the absence of it, the itemized budgets entered by the Government entities does not follow automated approval hierarchy based on delegated authorities as defined by the constitution**
 - **It was noted that other Government financial management systems had not been integrated within IFMIS. These included Pension, Debt Management System, HR & Payroll system, e-ProMIS and KRA system for revenue collections.**
 - **There were multiple production instances constraining comparative view and analysis of previous years' result / performances.**

- Provision for defining rules and parameters for auto allocation of budget data are unavailable increasing dependencies through manual interventions. This was as a result of a number of integration touch points having not been enabled in the Hyperion budgeting application, due to unavailability of data from other systems dealing with revenue planning, macro-economic, Human Resource, and Pension. The effect also arose from non-integration with CS-DRMS and e-ProMIS systems.
3. **Cash Flows Projections Configurations**
- Cash flow projections from the Oracle (EBS) have not been configured / developed
 - Absence of cash management features that determine the current cash balance and cash flow of the Government entities at any given time. In the absence of these features, real time cash planning and cash forecasting is not ascertainable through IFMIS.
4. **Government Procurement Processes**
- At the time of our audit, the procurement plan in IFMIS had not been enabled. Standard template as authorized by Public Procurement Oversight Authority (PPOA) has not been customized, thereby requisitions and subsequent purchases have no linkage to the procurement plan. Selection of supplier based on procurement method and sourcing process is not facilitated through IFMIS. The Oracle (EBS) standard quotation functionality and other functionalities in terms of Oracle e-procurement & Contract Management have not been enabled in IFMIS. In the absence of the same, invitation of open bids by suppliers, negotiation, evaluation of bids, request for proposal, etc. are all manual processes. Supplier relationship management comprising activities for recording and tracking supplier inquiry /compliant through Oracle i Supplier has also not been activated.
 - Also, as at the time of our Review the Procure to Pay Processes were not fully automated. Key functions such as purchase requisitions, purchase orders were running parallel in MDAs. Counties were not making requisitions through IFMIS.
 - Online approval of the supplier invoices and payment vouchers had not been enabled.
 - Journal Vouchers were approved manually and not in the IFMIS system.
5. **Fixed Assets Management**

- It was observed that the assets management was in a manual system. The Fixed Asset Registers were physically maintained thus making it difficult to produce financial statements with IFMIS.
 - The Fixed asset module, aimed at recording and reporting of the GoK's fixed asset has also not been activated within IFMIS.
6. Revenue Management
- Revenue management module in the counties was not automated using IFMIS. Counties continued to use a stand-alone "LAIFOM" for recording their revenue streams. However, this system is not integrated with IFMIS. The Revenue Management module is not part of IFMIS.
7. Financial Statements Generation
- It was observed that accurate financial position both at individual reporting level and government wide level was not possible within IFMIS due to the prevalent usage of manual cashbook. Monthly period closure procedures and routines within IFMIS are not effectively followed by the Government entities. Also, it was noted that of the twelve (12) annual financial statements prepared by the National Treasury, ten (10) of them have not been customized in IFMIS. Notable among these are Summary of statements of Consolidated Fund Service, Summary of Payment made out of Issues from the exchequer for consolidated fund services and Statement of receipts into and issues from the Exchequer Account.
 - Key regulatory reports prepared by Exchequer office, forming part of the financial statements submitted for the Government were manually compiled.

4.3 IFMIS Processes not adopted by the users

- Review of IFMIS usage across government entities revealed that IFMIS was not being utilized by all the users. The following are some of the users who were not in IFMIS:
 - Ministry of Defence,
 - National Intelligence Service,
 - Teachers Service commission,
 - Ethics and Anti-corruption Commission,
 - Commission for the Implementation of the Constitution,
 - Kenya National Commission on Human Rights,
 - Commission on Revenue Allocation,

- **Witness Protection Agency,**
 - **National Gender & Equality Commission, and,**
 - **Independent Policing Oversight Authority.**
- **Formalization of the sector & ministerial ceiling was being carried out manually. The budgeting system (Hyperion) was not being used during the initial stages of the budget preparation. The development of the MTEF guidelines, preparation of the Budget Outlook paper (BOPA), formulation of the sector working group and finalization of the Budget Policy statement were being done outside IFMIS. Also, review and approval of the itemized budgets was being carried out manually.**
 - **Consolidated cash flow statements are not generated through the Hyperion system.**
 - **The planning application is not used for any sort of comparative data analysis. Sector performance, program performance, trend analysis etc. are all manual processes.**
 - **At the time of the audit, the supplier creation process was managed manually and not in the IFMIS System with manual stores ledger cards being used to track the receipts and issuance of goods. Manually prepared inspection notes were adopted as legally acceptable documents for invoice processing, thus Supplier Invoice processing was based on the manual documents like LPO, Goods Receipt note and Inspection note. In some entities, the inspection results were captured in IFMIS, thus creating a parallel system.**
 - **Usage of manual cashbook is prevalent among Government entities. Counties have not been trained in carrying out bank reconciliations in IFMIS while in MDAs it is manually prepared with few locations adopting IFMIS in parallel.**

4.4 IFMIS Dependencies affecting the proper Functioning of IFMIS

IFMIS has dependencies that have affected the smooth running of the system. The following points support the arguments

- **It was observed that IFMIS servers are hosted in a shared data center managed by GITS (Government Information Technology Services). There were no proper controls on physical security at the data center such as CCTV surveillance systems.**

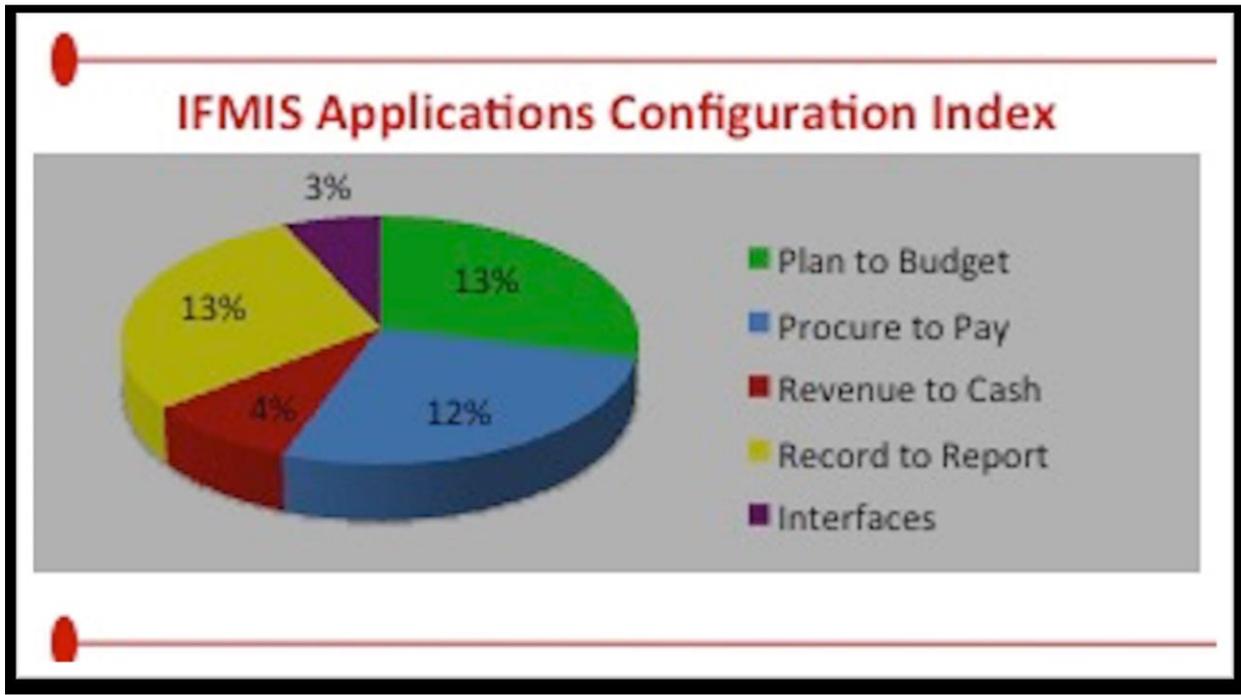
- It was observed that interdepartmental SLAs had not been identified and signed off, thus delivery obligations by departments like GITS, ICTA were not explicitly stated and understood. Service Level agreements are crucial where there is an involvement of multiple departments for establishing clear description of the service quality standards expected from each party.

4.5 IFMIS Performance Indices – Configuration – Utilization and Effectiveness indices

IFMIS Configuration Index

“Configuration Index” depicts the extent of configuration of IFMIS system Vis-a-vis what has been desired. It represents at an aggregate level, the extent of configuration of the various solution components part of the IFMIS implementation carried between 2010 - 14 period.

Summary of IFMIS Configuration

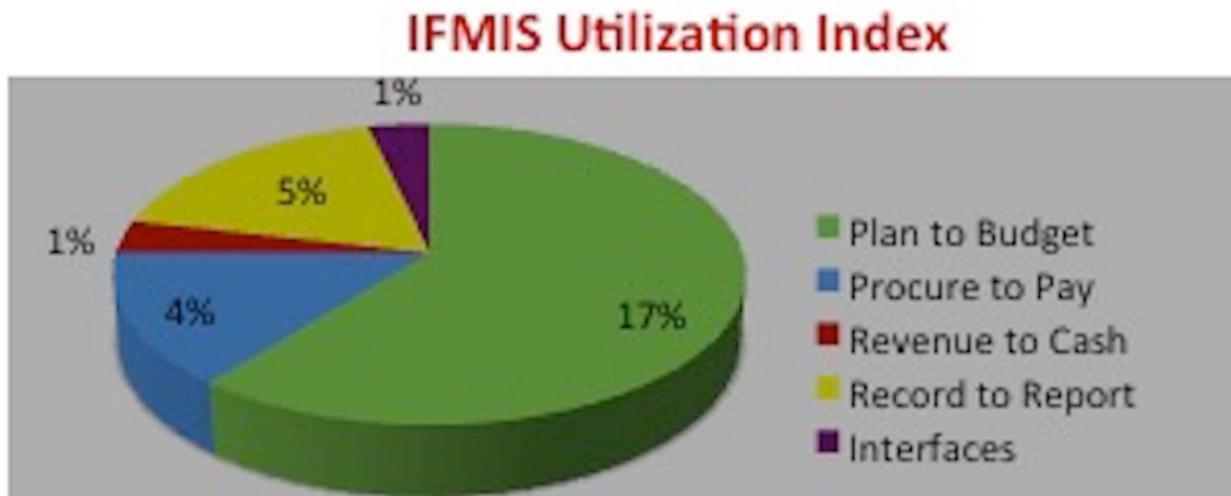


Combined Overall Configuration Index - 45 %

IFMIS Utilization Index

Mere configuration of the abilities in the IFMIS system is not sufficient. Utilization of the configured abilities measured the extent of the usage of each of the system abilities among the GoK entities. "Utilization Index" is a scientific demonstration of the extent of transformation of the features enabled in the IFMIS system to the actual usage of these features at all levels of the Government of Kenya (Ministries / Departments / Agencies / Counties),

The ensuing dashboard depicts the Utilization index of the overall IFMIS application. This view breaks down the index into the underlined modules, which aided in identifying the modules that drive the overall configuration index.

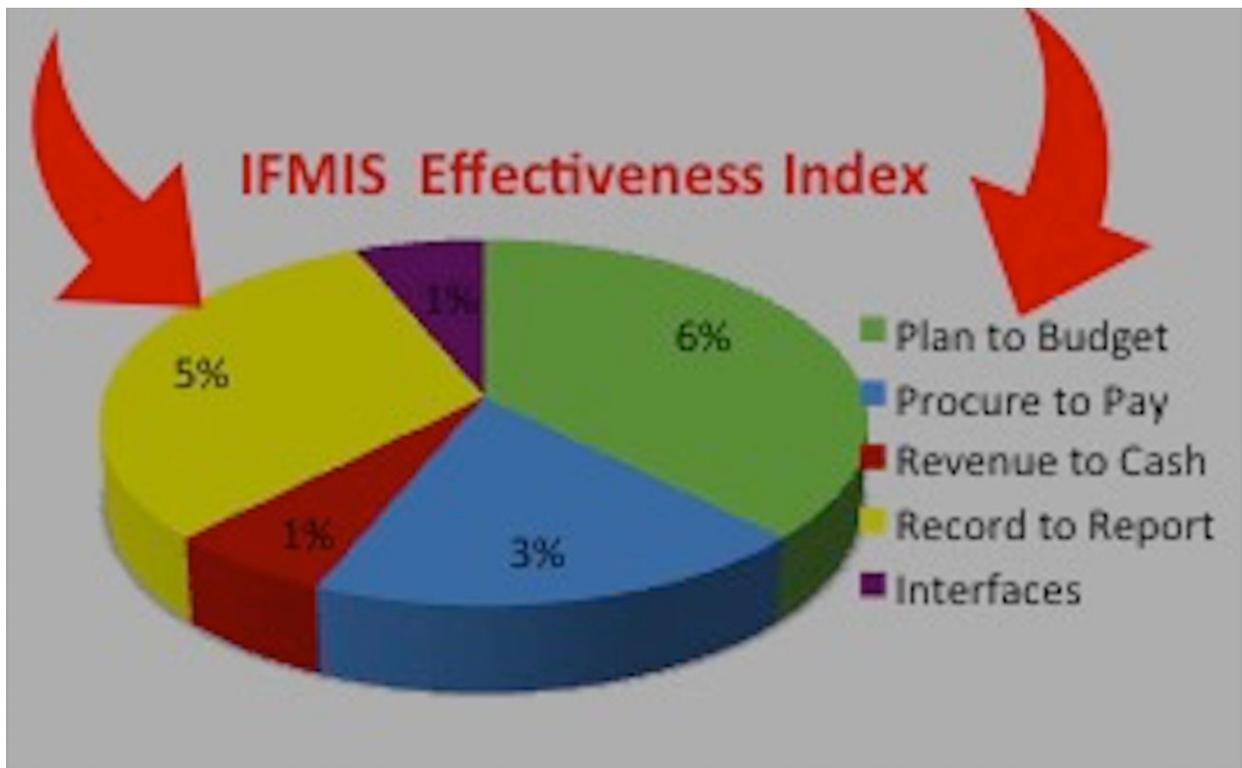


The overall utilization index of the IFMIS application is 28%. This is arrived based on scoring methodology adopted to measure the overall application utilization index, thereby assigning inter module weights to various components of the IFMIS system based on its relevance and importance within the GoK operations. This denotes the level of acceptance of the system at the ground level. While the IFMIS application has abilities and functionalities configured, the true usage of the IFMIS application among the various GoK entities is brought out through this index.

Combined Overall IFMIS Utilization index - 28%

IFMIS Effectiveness Index

Effectiveness Index is the combination of both configuration and utilization of the IFMIS application. It is the ultimate index that determines the utility value of the application. It took into account both the transformation of the business requirement to the extent of configuration and the configuration of the abilities to the extent of utilization, among the GoK entities. This is the comprehensive index that reflects the true position of the IFMIS application in the current environment.



Combined Overall IFMIS Effectiveness Index- 16%

Chapter 5: Reporting from IFMIS

Section 12(1) (e) of the Public Finance Management Act, 2012 requires that the financial management system designed and prescribed by the National ensure transparent financial management and standard financial reporting. Further, Sections 80 – 83 and 163 – 166 of the Public Finance Management Act, 2012 requires the individual MDAs and county government entities, and National and County Treasuries to prepare, consolidate and submit prescribed quarterly and annual financial statements to the Auditor-General within the stipulated timelines.

In addition, one of the primary objectives of the IFMIS implementation was to facilitate generation of reports, both at the individual reporting level among the GoK entities and county government entities and consolidation of government wide accounts to ensure:

- accuracy of information
- reliability of information
- real-time extraction of information
- consolidated view of government accounts
- compliance of reporting standard requirements of regulatory authorities

Audit review of the reporting module of IFMIS revealed the following:

5.1 Generation of financial statements for audit purposes

Out of the 12 annual financial statements prepared by the National Treasury, only the summary statements of recurrent and development appropriation accounts reports have been configured and customized in IFMIS. The following remaining ten (10) financial statements were not produced by the system:

- i. Summary of Payment made out of Issues from the exchequer for consolidated fund services
- ii. Statement of receipts into and issues from the Exchequer Account
- iii. Summary of Statement of Recurrent Revenue
- iv. Summary of Statement of Development Revenue
- v. Statement of Assets and Liabilities
- vi. List of Pending Bills
- vii. Summary of Statement of Outstanding Loans
- viii. Summary of Statement of investment by the Government in Local companies
- ix. Summary of Statement of participation by the government in Quasi-Government organizations and other statutory organizations
- x. Summary of statements of Consolidated Fund Service
- xi. Summary of Statements of Obligations guaranteed by the government

Further, although the module has customized the preparation of the statements of appropriation (recurrent and development) accounts, however, the accounts are still prepared manually. The other financial statements are prepared from manually maintained records and submitted to the Accountant General for consolidation. In addition, in the absence of seamless integration with various revenue sources, external systems such as

CS-DRMS, e-ProMIS, Pension and Payroll system, and in the automation of the exchequer release process, the production of annual financial statements by IFMIS is not feasible.

1.1 Accuracy of financial statements and other reports

The financial statements and reports produced by IFMIS were not user friendly and accurate. There were variances between the cash balance in the manual cash book and IFMIS reports. Users reported that they spent a lot of time performing bank reconciliations. Further, imprest tracking was done manually since the IFMIS report was inaccurate. In addition, manual adjustments have to be made to correct the appropriation accounts.

Although Oracle (EBS) provides an inherent ability to segregate the journal creation and approval/posting process, online approval of the journal vouchers has not been configured in the IFMIS system. Thus, the IFMIS system allows the preparer of the journal voucher to also approve/ post it. Rectification entries through journal vouchers was not put to use. As a result of problems with journal process, the accuracy of the figures in the financial statements and other reports will be affected.

Chapter 6: IFMIS Acquisition Review & Vendor Performance Analysis

6.1 Cost of Re-engineering IFMIS

During the period 2010/2011 to 2013/2014, the Government of Kenya had budgeted to spend Kshs 5,573 million for supply, installation and re-engineering of IFMIS. The budget was mainly drawn from IFMIS department allocation under the Ministry of Finance and Economic Planning and the World Bank sponsored Kenya Transparency and Communication Infrastructure (KTCI) project under the Information and Communication Technology Authority of Kenya as detailed below:

Project Sponsor	Amount (Kshs) millions
IFMIS Department	3,973
KTCI	<u>1,600</u>
Total	<u>5,573</u>

During the same period, the government made commitments totaling Kshs 5,895.19 million representing 105% of the budget. Out this amount, Kshs 5,244.18 million had been paid to contractors representing 94% of the budget. Further, the government had already spent Kshs 37.66 million to implement IFMIS upto the financial year 2009/2010 and therefore total commitments amounted to Kshs 5,932.85 million. In addition, the government estimated to spend an additional Kshs 5,615 million upto the financial year 2017/2018 on IFMIS bringing the total to be spent on the system to Kshs 11,547.85 million.

The breakup of total cost against every element of the IFMIS universe is tabulated here in below during the period 2010 – 13:

Component Name	Pre-Reengineering Up to 2010	Re-Engineering 2010-2013	Re-Engineering 2013-2014	Total Commitment	Total Payments
Amount in K Sh. In Millions					
IFMIS Re-Engineering Consulting Cost:					
Cost commitment and payment Details Not Provided					
Oracle Applications Cost:					
- Oracle Financials	16.41			16.41	16.41
- Chart of Accounts	21.25			21.25	21.25
- Revenue to Cash		63.09		63.09	60.45
- Purchasing (P2P)		488.97		488.97	413.37
- Hyperion (P2B)		633.53		633.53	558.17
- Others (TCT - KTCIP)		1366.88		1366.88	956.47
Oracle Application Cost Sub-Total				2590.13	2026.12
Oracle Licenses:					
Oracle Licenses (Hardware +		1196.21	178.56	1374.77	1374.77

Applications)					
Support Services: - Oracle Premier Support for Servers - Server Support for Oracle Database, Applications & Financials - Other Support Services		131.55		131.55	131.55
Infrastructure Cost - Hardware:					
Hardware – Servers		331.38		331.38	331.38
Server Upgrade (CMU & RAM)		251.01		251.01	251.01
Infrastructure Support Cost – Network & Connectivity:					
Network Infrastructure		73.71		73.71	73.71*
Infrastructure Support Cost – End User Devices:		200.66		200.66	200.66
User Support Cost – IFMIS Academy (Training):					
IFMIS Academy Setup		762.02	217.62	979.64	892.64
Current Total cost of Ownership #				5932.85	5281.84
Future Estimated Cost as per Strategic Plan 2013-18				5615.00	
Total Estimated Cost of Ownership				11547.85	
# Marketing, General and Administration costs have been excluded to arrive at the Cost of ownership					
* Where payment information / cash book is not available for review, the total value of commitment is considered as total amount paid.					

6.2 Vendor Contracts During the Period 2010-2013

The list of contracts received with description of work and value is as listed below:

S/ No	Vendor	No. of contracts	Contract Title	Budget Source	Contract Value (KES) Million
1.	M/s Dhanush InfoTech Ltd	4	Provision of Consultancy Services for development and Implementation of a Classroom and Virtual/Online Learning/Training Program of the IFMIS Academy	GoK	457.40
			Provision of Consultancy Services for development and Implementation of a Classroom and Virtual/Online Learning/Training Program of the IFMIS Academy	GoK	304.63

S/. No	Vendor	No. of contracts	Contract Title	Budget Source	Contract Value (KES) Million
			Provision of Consultancy Services for development and Implementation of a Classroom and Virtual/Online Learning/Training Program of the IFMIS Academy	GoK	217.62
			Provision of Oracle License contract signed in February 2014	GoK	178.57
2.	The Copy Cat Ltd.	5	Replacement of current servers from SUN FIRE E6900 to SUN SPARC ENTREPRISES M9000 servers	GoK	331.38
			Upgrade of CMU Board, RAM,	GoK	251.01
			Provision of support services for Oracle Database, Oracle Applications, Financials/Purchasing and Sun Microsystem Servers	GoK	77.81
			Provision of Support Service for Oracle Database Licenses Upgrade for IFMIS HARDWARE UPGRADE (M9000) Premier Back-to-Back Support	GoK	238.76
			Renewal of Oracle M9000 Technology Licenses	GoK	10.71
3.	Zinga Technologies Limited	2	Implementation of the procure to pay system	GoK	821.10
			Renewal of the procure to pay Licenses	GoK	30.79
4.	Oracle Corp.	1	Provision of Renewal of Oracle Support Licenses for a duration of One Year	GoK	44.92
5.	Verve.KO Ltd	2	Provision of Consultancy Service for IFMIS Plan to Budget Deployment – System Integrator (Including License cost)	GoK	730.50
			Variation order - Ministries from 24 to 44 and 47 counties	GoK	41.93
6.	Telkom Kenya Limited	1	Supply, Installation, Configuration & Commissioning of Countrywide Connectivity for IFMIS Rollout	ICTA - KTCI	73.71
7.	Transnational Computer Technologies Limited	1	Consultancy Services for Roll Out Of Financial Modules for Integrated Financial Management Information System (IFMIS)	ICTA - KTCI	1,366.88

S/. No	Vendor	No. of contracts	Contract Title	Budget Source	Contract Value (KES) Million
8.	Mbirwe Systems Ltd	2	Supply, Installation, Configuration and Commissioning of Hardware and Software for the IFMIS County Rollout (Lot 1) Desktop Computers 1720(No) Printers 142(No) Receipt printers 71(No) Scanners 71(No)	ICTA - KTCI	164.71
			Supply, Installation, Configuration and Commissioning of Hardware and Software for the IFMIS County Rollout (Lot 2): 1720 Uninterrupted Power Supply (UPS) Operational Acceptance will start when all sites have been tested, and have been vetted to be operational, by the IFMIS technical deployment and project management teams working with the different vendors, integrators and the local government teams.	ICTA - KTCI	23.30
9.	Technology Source Point Ltd	1	Supply, Installation, Configuration and Commissioning of Hardware and Software for the IFMIS County Rollout (Lot 3). (provision of 2 air conditioners) This includes maintenance of the system for 3 years beginning with operational acceptance	ICTA - KTCI	12.65
10.	Professional Marketing Services Ltd. in Joint Venture with AI is On Production Ltd.	1	Provision of Consultancy Services for IFMIS Communication Agency	ICTA - KTCI	448.00
Total Contract Value					5,826.38
Contract with Professional Marketing Services Ltd. in Joint Venture with AI is excluded from review					448.00
Total Contract Value excluding marketing services					5,378.38

S/. No	Vendor	No. of contracts	Contract Title	Budget Source	Contract Value (KES) Million
Total Cost of Ownership					5,933
% of Contracts provided in Value terms					91%

6.3 Budgeting for IFMIS

As per information provided, and as per information gathered from the Appropriation account book published by the National treasury, total amount of budget allocated to IFMIS was KSh. 3,973 Million. This budget was consumed for the contracts awarded and paid during the period. In addition to this, contracts were entered into by the ICTA team for IFMIS related development activities, under the Kenya Transparency & Communications Infrastructure Project for over K Sh. 1.6 Billion during the years 2011-12 and 2012-13.

In the Government sector, since all development expenditures are routed through the Budgeting process, it is very important that the budgets are prepared objectively, based on the commitments of the previous periods to be honoured during the current year and estimates of the current year commitments. It was observed that the budgets prepared did not honour past commitments and estimated current commitments.

In this process, it appears that a business case analysis enumerating the estimates prepared by IFMIS department substantiating the IFMIS budgets was not available. Thus, there is a possibility of commitments being made over and above the budgets approved, facing inability to discharge or vice versa. The Business case analysis used for the budgeting process should also be taken as a base cost in the Tendering process, to achieve an optimum price in the negotiation process.

6.4 Unutilised IFMIS Licenses

Licenses amounting to approximately Ksh 450 million were not effectively utilised. This is the amount that was spent towards the purchase of Oracle Advanced Procurement Suite. The suite was procured during the period 2012-13 at a cost of Ksh.332 million. These licenses were subsequently renewed during the period 2012 - 13 and 2013 - 14 at an approximate cost of Ksh.118 million. However, features of the advanced procurement functionalities such as Contract Management, Sourcing and Oracle e-Procurement were not put into use, until 2013-14. Though effort were made to enable the e-procurement functions from the financial year 2014-15, significant amount of investment already made had been left idle during the time period the applications were not put into effective use.

6.5 Duplication of Scope of Work

During the year 2011/2012, M/s Oracle Egypt was awarded a contract worth US\$ 705,600 (approximately Kshs. 60,681,600 at then prevailing exchange rates) to supply license and implement the revenue to cash module which included implementation of cash management, accounts receivable and asset management functionalities. Further, during the year 2011/2012, M/s Oracle Egypt was also awarded another contract worth US\$ 250,000 (approximately Kshs. 21,500,000 at then prevailing exchange rates) to implement the modified chart of accounts structure and values for the Government of Kenya.

In the same year, M/s Transnational Computer Technologies was also awarded a contract worth US\$ 15,532,820 which included leveraging of the existing revenue to cash module including cash management and accounts receivable functionalities; and record to report module, with the re-engineered business processes and roll out of IFMIS in all counties and MDAs. The scope of the record to report module included re-configuration of new chart of accounts structure and conversion. This is as detailed below:

Module	Vendor	
	Oracle Egypt	Transnational Computer Technologies
Revenue to Cash		
Contract Price	\$705,600	\$15,532,820 (Included other modules & functionalities)
Scope of Work	Provision of consultancy services for Implementation of the following Modules: <ul style="list-style-type: none"> • Cash Management • Account Receivable • Asset Management 	Consultancy services for roll-out of Financial modules including: <ul style="list-style-type: none"> • Accounts Receivable • Cash Management • Integration with Budgeting (for revenue forecasts)
Record to Report		
Contract Price	\$250,000	\$15,532,820 (Included other modules & functionalities)
Scope of Work	Implementation of the new Chart of Accounts for the IFMIS System	Re-configuration of IFMIS solution with the new Chart of Accounts structure and values

It, therefore, appears that M/s Oracle Egypt was awarded on different occasions' similar contracts to M/s Transnational Computer Technologies. It is apparent that the general functionalities such as cash management, accounts receivable and new chart of accounts structure are clear duplication of work. This resulted in increased overall cost and there is a possibility that benefits accrued in the earlier implementation may be lost if a new vendor is given similar work.

6.6 Incomplete contract documents

Section 52(3) (c) of the Public Procurement and Disposal Act, 2005 requires tender documents to include among other information, general and specific conditions to which the contract will be subject, including any requirement that performance security be provided before the contract is entered into. Further, the general conditions of a contract should remain unchanged; any amendments should be done in the contract control sheet.

Audit review of contract documents for contracts entered into during the procurement of IFMIS revealed that the contracts did not include the following critical general and special conditions thereby exposing the government to legal risks with vendors:

- Contract termination clause
- Force Majeure clause
- Variation and severability clause
- Warranties
- Penalty clause for any delays
- Arbitration clause
- Change in law

Further, annexure reference to scope document, financial terms etc. have not been properly indexed.

6.7 Insufficient Milestone-Completion Documentation

Section 68 (3) of Public Procurement and Disposal Act, 2005 requires that a procurement is not valid unless there is a written contract between the successful tenderer and the procuring entity. Further, Regulation 9 of the Public Procurement and Disposal Regulations, 2006 provides that a user department shall among other things maintain and archive records of contract management. As such, a contract file should be opened to record the actual performance of the requirement of the contract. The contract file shall among other things include part and final completion certificates as some of the important documents generated in the course of contract execution.

In the year 2011-12, M/s Verve Ko. was awarded a contract worth Kshs 558.17 to implement the Plan to Budget cycle in IFMIS including building and configuring interfaces with various data sources like general ledger, accounts payable, accounts receivable and the purchase system. It was agreed that a pilot implementation would be completed within 3 months and automation of the budgeting process and rollout to all 47 Counties by end of June 2012. Audit examination of the payment documents indicated that they were not supported by completion certificates to signify completion and acceptance of the services by the government.

Similarly, during the financial years 2011/2012, 2012/2013 and 2013/2014, M/s Dhanush InfoTech were awarded a contract to design and develop content for the IFMIS Academy. Audit review of payment documents for the year 2012/2013 indicated that the contract required training of 2,825 users from Counties and MDAs. However, the milestone completion requirements as required in the contract specified training of 2000 users in Classroom and 1000 users by online training and testing of performance assessment through LMS for 500 users.

6.8 Lack of End User Needs Assessment

During the year 2011/2012, M/s Mbirwe Systems Ltd was awarded a contract to supply end user equipment to counties which included 1720 desktops, 142 laser printers, 71 scanners (Lot 1) and 1720 uninterruptible power supply units (UPS) (Lot 2). However, there is no evidence that a needs assessment had been carried out to determine the quantity and hardware configuration before procurement of these equipment contrary to Regulation 8 (3) (z) of the Public Procurement and Disposal Regulations, 2006. In addition, no evidence of approval of this procurement and annual maintenance contract for all the equipment of the server room was availed for audit review. Also, the annual maintenance contract for UPS has not been renewed.

6.9 Vendor Performance Analysis & IFMIS Benefit Realization linked to Vendor Performances

6.9.1 Plan to Budget Processes

Strategic Intent to Scope of Delivery			Score Card		
Pre Engineering Vendor 2003-04	Verve KO 2011-12	TCT Ltd 2011-12	Strong	Medium	Weak
<ul style="list-style-type: none"> Implementation of Public Sector Budgeting Module: Projections Vs. Budget Oracle Workflow Integration with GL 	<ul style="list-style-type: none"> Supply of license & Implementation of following Oracle Modules: Hyperion Planning Hyperion Workflow Planning Build & Configure integrations 	<ul style="list-style-type: none"> Scope to leverage modules with the reengineered business processes and implement IFMIS in Ministries and Counties: 			Weak

<ul style="list-style-type: none"> • (Contract Details unknown) 	<ul style="list-style-type: none"> • Hyperion Capital Asset Planning • Hyperion FDQM & FDQM Adaptor Suite • Build & Configure Integration with Financial Modules 	<ul style="list-style-type: none"> • In-bound integration of budget output from Hyperion to Oracle General Ledger • Outbound integration for Hyperion to pick up actual balances from Oracle GL 	

Scope to Financial Commitment (Cost)

IFMIS Budget – Commitment Vs. Pay outs

2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
772.43	27.94	26.85	608.33	116.35	26.85
827.22			751.53		
Commitments (IFMIS) In K Sh. (Millions)			Payments (IFMIS) In K Sh. (Millions)		

Vendor Performance Analysis

Vendor Performance Analysis	Score Card			
Vendor Payments				91%
Configuration as per scope of work		44%		
Utilization			56%	
Overall Effectiveness	21%			
Overall vendor scope to benefit realization	WEAK			

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Vendor Scope Gaps	In the year 2011-12, M/s Verve Ko. was awarded a contract to implement Plan to budget cycle in IFMIS. It also included Build & configure interfaces with various data sources like GL, AP, AR and the Purchase system. It was agreed that a pilot implementation will be completed within 3 months and automation of the budgeting process in the remaining counties by end of FY 2011-12, and rollout to all 47 Counties by June 2012.
Vendor Performance Analysis	The following provides a brief explanation of the key system functionalities that have not been configured in the Hyperion system
	Editing and Maintenance of Data
	<ul style="list-style-type: none"> • Hyperion, being a planning application is intended to facilitate maintenance of budget data as required by the Budget Outlook Paper (BOPA), Sector Working Group and Budget Policy statement. It is also required that the budget books such as Development book, recurrent book, Supplementary, Program based budgeting, are maintained in the Hyperion system, across years, by means of which a comparative view of previous year's data / result / performance along with the actuals at various level in the entity hierarchy is meant to be carried out through the Hyperion system. • However, in the current setup the Hyperion system does not provide mechanism for maintaining historical information due to the current practice of creating new application instance every year. Hence, the stated requirement is not achieved through the Hyperion system.
	<ul style="list-style-type: none"> • The planning application is intended to allocate a portion of the total budget to counties, marginalised fund, etc. and provide rules for automatically allocating resources based on pre-defined parameters available within the Hyperion application. This requirement has not been addressed in the Hyperion system. The procedures for capturing such dynamic percentage are not available in the system. • Facility for computing and presenting variances in the manner prescribed by GoK, providing data aggregation or grouping functionalities and providing for automating the cost allocation rules, such facilities have not been enabled in the Hyperion system.

	<ul style="list-style-type: none"> • Necessary data forms required for addressing the budgeting requirement of the Debt Management Department (DMD) were not developed in the Hyperion application. The budgeting requirements of this department are completely manual and not enabled through the Hyperion application.
	<p>Multi-Dimensional view of Data</p>
	<ul style="list-style-type: none"> • Hyperion planning application does not provide a way for aggregating and viewing budget and actual data based on the classification of the functions of the government (COFOG). • The Hyperion planning application is intended to capture vehicle expenditure details by the level of Hierarchy e.g. Head of Department, Manager, etc. However, the current setup does not provide the required data intersection to enter the vehicle expenditure data.
	<p>Access Management</p>
	<ul style="list-style-type: none"> • It is intended that the auditors are provided with adequate access rights for reviewing the configurations, calculation logics, transactional data and reports, across the Hyperion system, on an ongoing basis. In the current setup, the auditors have been given access only to the extent of viewing the reports; they have not been given permission for reviewing the configurations, business calculation logic, among others.
	<p>Interfaces</p>
	<ul style="list-style-type: none"> • The interface between the revenue planning system and the Hyperion budgeting system for transfer of the revenue data such as income tax, import duty, excise duty and value added tax (VAT), data in relation to the government grants, etc. has not been implemented. • The interface between the macro-economical system and the Hyperion budgeting system for transfer of the revenue data such as income tax, import duty, excise duty and value added tax (VAT), data in relation to the government grants, etc. has not been implemented. • The interface between the HR system and the Hyperion budgeting system for transferring the forecasted and budgeted information relating to the payroll and expenses of the employees has not been implemented. • The interface for transferring the forecasted debt repayments from CS-DRMS system to Hyperion and budget allocation of

	<p>debt repayments from Hyperion to CS-DRMS system has not been implemented.</p> <ul style="list-style-type: none"> • The interface for transferring the project and program financials from the eProMIS system to the Hyperion Budgeting system has not been implemented. Likewise, the interface for transferring the budget allocations of the various projects and programs from the Hyperion Budgeting system to the eProMIS system has also not been implemented. • The cash flow projections intended to be transferred from the IFMIS system to the Hyperion Budgeting system has not been realised.
	<p>Workflow Management</p>
	<ul style="list-style-type: none"> • The necessary workflow configuration with options for notifications, re-routing and escalation, etc. have not been defined in the Hyperion system. In the absence of the workflow definition, review and approval of the budget process is not carried out using the Hyperion system.
<p>End User Feedback</p>	<ul style="list-style-type: none"> • Manual Treasury Operations – The end users indicated that the initial steps in the budgeting processes such as formulation of MTEF guidelines, sector working group report, Budget Outlook paper (BOPA), Budget policy statement (BPS), formulation of ceilings were carried out manually. The itemized budgets that are prepared by the individual MDA / county do not follow the work flow process. The IFMIS core team for the purpose of review, transfers the data from one version to another version manually. • The data required by Budget Supplies Department for formulating budget from various support departments like, Debt Management Department, External Resource Department, Economic Affairs Department, Pensions Departments are manually collected.
	<ul style="list-style-type: none"> • Base Workings - Base workings for preparing budgets continue to be made manually, though Hyperion has a functionality to set limits/ logic for simulating the budgets. Such functionalities are seldom used at the organization unit levels. Data can be keyed in even from sub county levels directly into the Hyperion system and be approved by officers at the county levels. Taking advantage of such work flows built into the software would save substantial time spent in consolidation of figures of sub counties by the personnel at county and would

	<p>enhance accuracy of figures in the consolidated county budgets. The process in practice is to directly upload the final budgets – tabled and approved by the respective county assemblies.</p> <ul style="list-style-type: none"> • A new instance of the Hyperion Solution is created for every financial year. Previous year’s data does not automatically flow into the new instance. As a result, previous year’s data is manually fed in. Much time is spent on this. Such manual intervention also affects the accuracy of the figures entered.
	<ul style="list-style-type: none"> • Budgets for every head of expenditure are set in the initial budget. These may be revised upwards or downwards in supplementary budgets. Downward revisions can currently be made to an amount lower than the actual amount spent till such revision. • Persons involved in the budgeting process need to obtain an overall picture of the current scenario that will form the basis for the preparation of the supplementary budgets. For keeping themselves abreast of the current scenario, they would need access to actual expenses incurred. However, such access is not provided to them. In the absence of such access, data regarding the actuals is being pulled out from various reports that is time consuming.

6.9.2 Procure to Pay Processes

Strategic Intent to Scope of Delivery			Score Card		
Oracle Egypt 2009-10	Verve KO 2011-12	TCT Ltd 2011-12	Strong	Medium	Weak
<ul style="list-style-type: none"> • Supply of license and Implementation of Oracle Applications & Financials Including • Purchasing • Accounts payable 	<ul style="list-style-type: none"> • Supply of license & Implementation of following module • Oracle Purchasing • Oracle Accounts Payable • I Procurement 	<ul style="list-style-type: none"> • Scope to leverage modules with the reengineered business processes and implement IFMIS in Ministries and Counties: • Accounts Payable • Purchasing Module • Inventory Module • Integration of I procurement. 			Weak

Scope to Financial Commitment (Cost)

IFMIS Budget – Commitment Vs. Pay outs

2011-12	2012-13	2013-14	2010-11	2011-12	2012-13	2013-14
12.80	502.15	362.92	12.80	220.06	568.63	52.37
930.24			854.16			
Commitments (IFMIS) In K Sh. (Millions)			Payments (IFMIS) In K Sh. (Millions)			

Vendor Performance Analysis

Vendor Performance Analysis	Score Card		
Vendor Payments			92%
Configuration as per scope of work		49%	
Utilization	14%		

Overall Effectiveness	10%		
Overall vendor scope to benefit realization	WEAK		

<p>Vendor Performance Analysis to scope of delivery</p>	<p>Review of the configuration of the system functionality against the solution blue print indicates that the following requirements have not been enabled in the IFMIS system:</p> <ul style="list-style-type: none"> • Procurement Planning A standard approved template of Procurement Plan has not been customized in IFMIS. In the absence of the required template in IFMIS, further procurement activities i.e. requisition and purchase orders could not be referred to an approved procurement plan, for the items being procured. • Supplier Master Maintenance The Oracle EBS has inherent functionality to mandatorily maintain select fields such as Name. Additionally, based on an organization’s requirement, required fields can be defined as mandatory. In the current setup, apart from the inherent mandatory fields, no other additional fields have been defined as mandatory in the IFMIS system. • Purchase Requisition Management The standard Oracle (EBS) functionality for recording purchase requisitions have been enabled in the IFMIS system. However, necessary approval workgroup has not been defined for certain GoK entities. Review and approval of the purchase requisition documents, for those entities, happen outside the system. • Quotation Management The Oracle (EBS) standard quotation functionality and other functionalities in terms of Oracle e-procurement & Contract Management have not been enabled in IFMIS. In the absence of these features, the pre-qualification supplier process, including, creation of an electronic portal, electronic processing of application, invitation of open bids by
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suppliers, negotiation, evaluation of bids, etc. are not carried out through IFMIS.

- **Inspection Process**

Necessary setup has been configured in the IFMIS system for performing inspection and capturing the inspection results. However, Inspection note / certificate has not been customized for the select GoK entities reviewed.

- **Invoice Processing**

Invoice approval workflow has not been configured in the IFMIS system, thus the review and approval of the invoices are carried out manually among the GoK entities. Also, a review of the Invoice Tolerances configuration indicates that, IFMIS, at present allows unlimited variance in terms of price and / or quantity. This is because necessary setup for defining invoice tolerance has not been configured adequately.

- **Payment Processing**

The functionality intended to approve the payment process is not an in built functionality of Oracle (EBS) but requires customization. However, in the current system setup no such feature enhancement has been carried out. Further, in the absence of the invoice approval workflow in the IFMIS system, a workflow for approval of payments is highly required from control perspective.

- **Address Vendor Inquires**

Handle disputes and exceptions: This involves addressing issues / disputes arising during the procurement process, comprising of various activities such as recording the supplier communication relating to inquiry or complaint, routing complaint / inquiry to the appropriate user, tracking resolution within agreed timeframe, including escalation to the respective department user where resolution is not complete, notifying resolution to supplier are to be handled through the Oracle / supplier module. However, this has not been enabled in the IFMIS system.

	<p>In the absence of key functions such as procurement plan, quotation management and other control features such as approval of requisitions, invoices and payment vouchers, efficiency and accuracy of the procurement process may be compromised, apart from vendor not being monitored effectively to fulfil contractual obligations. This has brought manual interventions at various stages and users are forced to use parallel system, thus affecting the intended objective of the IFMIS implementation.</p>
<p>End User Feedback</p>	<ul style="list-style-type: none"> • Procurement Plan , PR and PO Cycle - With a view to move to e-governance or paperless governance, the task force’s policy recommendations included recognizing electronic purchase requisitions, tenders, bids, purchase orders, etc. as legally acceptable documents. However, process of raising purchase requisitions, creating purchase orders, taking receipt of goods and generation of inspection note are being carried out manually in 80% of the organization units. Since raising purchase orders and receiving materials are not done in IFMIS, payment vouchers are also being prepared manually. Though such functionalities are fully configured, low levels of usage is attributable to insufficient and ineffective training. • Funds Availability - Government operations are budget driven. The fund availability is checked at various stages like Purchase requisition, LPO/LSO stage, invoice validation and finally during Payment stages. In this process, situations arise where users are able to create purchase requisitions since funds are available but are not able to create LPOs since the funds are not available at a later stage. Such concerns have to be escalated to the IFMIS department and resolved to encourage better usage of the abilities configured in the system. • Supplier balances - Supplier balances are not reflected while creating a purchase order. The users who wish to know the balance before making a purchase order is currently required to refer to various reports. • Supplier Life Cycle Management - All purchases made in counties /MDAs need approval from Purchase committee.

Purchase committee initiates RFP (Requisition for Proposal/Quotation) and invites quotations using various procurement methods, based on value of Purchase. RFPs are not being prepared using IFMIS, i-procurement module is not implemented in IFMIS

- **Receiving Process** - Receipt of stock-able items like stationery, etc. are not made in IFMIS system though the functionality was configured in the system. Counties do not perform this function in IFMIS. A few of the MDAs use this function in IFMIS along with the manual system.
- **Inspection, Acceptance and Certificate** - After receipt of any item or service, inspection is being carried out by authorized personnel. The inspection note is the supporting evidence which assures that item purchased or service received is of acceptable quality and it ensures that all terms and conditions as per the purchase order / Contract are complied with. Presently, Inspection certificate is not prepared from IFMIS. This process is carried out manually in the grass root level.
- **Payment Processing** - Payment vouchers are prepared manually on the basis of invoice; goods receipt confirmation, Delivery note, copy of PO and inspection note from IAC. The supporting documents for payment processing such as PO, inspection certificate are not from IFMIS; these are all referred from the manual book.
- **Master Creation** - IFMIS core team handles master creation centrally, as far as ministries are concerned. This helps to avoid duplication of masters. However, the delay in master creation from IFMIS core team in treasury brings a cascading effect of delay in making payments to suppliers.
- **At the point of reporting this activities were work in progress.**

6.9.3 Revenue to Cash Processes

Strategic Intent to Scope of Delivery			Score Card		
Unknown 2003-04	Oracle Egypt Ltd 2011-12	TCT Ltd 2011-12	Strong	Medium	Weak
<ul style="list-style-type: none"> • Implementation of Oracle Financials: • Cash Management • Accounts Receivable • (Contract Details unknown) 	<ul style="list-style-type: none"> • Supply of license & Implementation of R2C: • Cash Management • Accounts Receivable • Asset Management Module 	<ul style="list-style-type: none"> • Scope to leverage modules with the reengineered business processes and implement IFMIS in Ministries and Counties: • Cash Management • Accounts Receivable • Integration with Financial Module 	<div style="border: 1px solid black; width: 60px; height: 20px; background-color: red; margin: 0 auto; display: flex; align-items: center; justify-content: center;">Weak</div>		

Scope to Financial Commitment (Cost)

IFMIS Budget – Commitment Vs. Pay outs

2011-12	2012-13	2013-14	2010-11	2011-12	2012-13	2013-14
63.09			55.10	5.35		
63.09			60.45			
Commitments (IFMIS) In K Sh. (Millions)			Payments (IFMIS) In K Sh. (Millions)			

Vendor Performance Analysis

Vendor Performance Analysis	Score Card			
Vendor Payments				96%
Configuration as per scope of work	24%			

Utilization	5%			
Overall Effectiveness	5%			
Overall vendor scope to benefit realization	WEAK			

Vendor Scope Gaps	<p>Contract to Transnational Computer Technologies was awarded in the year 2011-12. The scope included leveraging the existing R2C modules with the reengineered business processes and roll out of the IFMIS in all Counties and MDAs. The scope includes:</p>
	<ul style="list-style-type: none"> • Revenue to Cash: <ul style="list-style-type: none"> ○ Cash Management ○ Accounts Receivable ○ Integration with Budget • Implementation of Custom Extensions / objects for <ul style="list-style-type: none"> ○ Exchequer Process ○ Reconciliation reporting ○ Cash position worksheet & Cash forecasting ○ Debt Management
	<p>However, in the same year 2011-12, M/s Oracle Egypt Ltd was originally awarded a contract for implementing Revenue to Cash module. This contract is awarded within the IFMIS budget and includes implementation of Cash Management, Accounts Receivable and Asset Management modules.</p>
	<p>Review of the configuration of the system functionality against the solution blue print indicates that the following requirements have not been enabled in the IFMIS system.</p> <ul style="list-style-type: none"> • Revenue Collection: This sub process of the Revenue to Cash business process involves recording and accounting of the revenue collections made by KRA and the GoK entities. In the current setup, the 'Miscellaneous Receipt' functionality of the Oracle (EBS) serves to account the revenue collections of the GoK entities. However, the interface intended to transfer the revenue collections from KRA into the IFMIS system has not been implemented.

	<ul style="list-style-type: none"> • Exchequer Process: The exchequer release process comprises of various functions such as management of public funds by the exchequer unit, fund distribution to GoK entities, etc. The exchequer process is not a standard solution of the Oracle (EBS), instead it must be customized. In the current system setup, no such “custom” functionality for exchequer release management process has been implemented.
	<ul style="list-style-type: none"> • Bank Reconciliation: Bank reconciliation is a key function of the Revenue to Cash (R2C) process, which involves reconciliation of the bank statement received from CBK, with the transactions posted in the General ledger. This feature has been activated for reconciling the bank statement with the payable transactions posted in the General ledger of the IFMIS system. However, the same has not been enabled for reconciling the revenue collections. • Cash Position: The ‘Cash Position’ sub process of the Revenue to Cash business process is a planning tool, aids in determining the current cash balances of various bank accounts, at any point in time. This is achieved by defining custom reporting worksheets (templates) using a combination of various parameters. In the current system setup, no such cash position templates are available to generate the current cash position. • Cash Forecasting: Projecting the cash needs and evaluating the liquidity position is another functionality that was intended to be performed through the IFMIS system. However, this has not been implemented. In the absence of customized worksheets, real time cash planning and cash forecasting cannot be ascertained using IFMIS. • Debt Management: CS-DRMS is an integrated tool for recording, monitoring, analyzing and reporting public debt for the government. This system was proposed to be integrated with IFMIS for processing loan payment request and related accounting. This interface however has not been realized. • Fixed Asset: The Fixed asset module, aimed at recording and reporting of the GOK’s fixed asset has not been enabled. <p>Most of the core activities of the R2C business function, such as the Interface requirement between KRA and IFMIS system, automation of the exchequer release process, bank reconciliation</p>

	<p>of collections, cash positioning and cash forecasting, Interface between CS-DRMS system and IFMIS, have not been implemented in IFMIS. This adversely affects the performance of the vendor against the contractual obligations. Revenue collections may not be appropriately tracked through IFMIS system, thus usage of manual cashbook has become inevitable among the GoK users.</p>
<p>End User Feedback</p>	<ul style="list-style-type: none"> • Interfacing stand-alone systems for revenue collection - Counties use a legacy system, “LAIFOMS” for recording revenue collections. This software is neither interfaced with IFMIS nor are revenues manually transferred to IFMIS. Thus, R2C module is not utilized at the county level. Ministries seldom use the functionality to record revenues in IFMIS. Records for such revenue continue to be manual. Also, the interface for transferring the revenue collections of KRA into the IFMIS system has not been implemented. Further, such revenues are also not manually transferred to IFMIS using the “Miscellaneous Receipt” functionality. • Bank Reconciliation In most of the GoK entities the bank reconciliation process is manual. Counties have not been trained for using the BRS. A few MDAs have been trained, recently, however it is parallel. • Cash Position and Forecasting - Cash position and forecasting functionalities are not available in IFMIS. This is due to non-recording of revenues in IFMIS, as a result of which the cash inflows are not captured in the system. This process is currently manual. • Viewing Chart Of Accounts - Every county, ministry and department is functionally unique. Nature of expense and revenue varies for every organizational unit. For instance, Mining License fee is applicable for Mining ministry where as Fuel fee is applicable for Ministry of Energy and Petroleum. Currently, the entire chart of accounts is displayed for every ministry and county. Displaying all account heads, irrespective of applicability to a county/ MDA could lead to booking revenue and expense under incorrect heads.

6.9.4 Record to Report Processes

Strategic Intent to Scope of Delivery			Score Card		
Unknown 2003-04	Verve K.O 2011-12	TCT Ltd 2011-12	Strong	Medium	Weak
<ul style="list-style-type: none"> • Implementation of Oracle Financials: • General Ledger • (Contract Details unknown) 	<ul style="list-style-type: none"> • Supply of license & Implementation of Oracle Financials: • General Ledger • Implementation of New Chart of Accounts 	<ul style="list-style-type: none"> • Scope to leverage modules with the reengineered business processes and implement IFMIS in Ministries and Counties: • Oracle General Ledger Module • Standard Oracle Reporting and tools • Re-configuration of IFMIS with New Chart of Accounts 	<div style="border: 1px solid black; width: 60px; height: 20px; background-color: red; color: white; display: inline-block; padding: 2px;">Weak</div>		

Scope to Financial Commitment (Cost)

IFMIS Budget – Commitment Vs. Pay outs

2011-12	2012-13	2013-14	2010-11	2011-12	2012-13	2013-14
16.41	118.95	40.06	55.10	16.41	118.95	40.06
175.42			175.42			
Commitments (IFMIS) In K Sh. (Millions)			Payments (IFMIS) In K Sh. (Millions)			

Vendor Performance Analysis

Vendor Performance Analysis	Score Card			
Vendor Payments				100%

Configuration as per scope of work	24%			
Utilization		26%		
Overall Effectiveness	24%			
Overall vendor scope to benefit realization	WEAK			

<p>Vendor Scope Gaps</p>	<p>The contract to Transnational Computer Technologies (TCT) was awarded in the year 2011-12. The scope included leveraging the existing R2R modules with the reengineered business processes and roll out of the IFMIS in all Counties and MDAs. The scope included:</p> <ul style="list-style-type: none"> • Record to Report: <ul style="list-style-type: none"> ○ Oracle GL Module ○ Standard Oracle reports ○ Configuration of new Chart of Accounts & Conversion • Implementation of Customer Extensions / objects for: <ul style="list-style-type: none"> ○ Integration of external systems to GL, Inter-agency operations, Financial, Regulatory & Management Reporting <p>M/s Oracle Egypt Ltd was originally awarded a contract in 2009-10 for implementing Oracle Financials, including implementation of Oracle GL. Also, another contract was awarded to Oracle Egypt in 2011-12 for implementing the modified Chart of Accounts structure.</p>
<p>Vendor Performance Analysis to scope of delivery</p>	<p>The following requirements have not been configured in the system:</p> <p>Consolidated Financial Statements</p> <p>The primary objective of implementation of the IFMIS system was to enable the National Treasury to generate consolidated financial statements for the country as a whole and such financials be integrated and can be relied for the purpose of audit by the Auditor General. The following are the key reports as required by the Public Financial Management Act, 2012:</p> <ul style="list-style-type: none"> • Summary of recurrent appropriation accounts • Summary of development Appropriation accounts

- Summary of Statement of Recurrent Revenue
- Summary of Statement of Development Revenue
- Statement of payments made out of issues from the Exchequer for consolidated fund services
- Statement of receipts into and issues from the Exchequer Account
- Summary of Statement of Outstanding Loans
- Summary of Statement of Obligations Guaranteed by the government
- Summary Statement of Investment by the Government in Local Companies
- Summary of Statements of Consolidated Fund Services
- Summary of statement of participation by the government in quasi government organisations and other statutory organisations.
- List of Pending Bills
- Statement of Assets & liabilities

The Treasury department is required to prepare financial statements for audit and certification. However, these statements are manually prepared. Apart from the statement of (both the development and recurrent), no other reports are available in the IFMIS system and are prepared based on manual records only.

Posting Journal Vouchers

Though Oracle (EBS) provides an inherent ability to segregate the journal creation and approval/posting process, online approval of the journal vouchers have not been configured in the IFMIS system. Thus, the IFMIS system allows the preparer of the journal voucher to also approve/ post it.

Inter-Agency Accounting

Inter-agency accounting refers to when one ministry or agency acts as an agent on behalf of another ministry / agent for the purpose of procuring goods / services and such necessary accounting between two such ministries or agency needs to be carried out. Necessary configuration relating to Intercompany accounting has not been configured in the IFMIS system

<p>End User Feedback</p>	<p>Accuracy of reports</p> <p>Though the functionality of generating essential reports from IFMIS was rolled out, utilization of such reports by the users was low. Low utilization percentages were due to generation of non-user friendly reports and inaccuracy of the information contained in them. For instance,</p> <ol style="list-style-type: none"> (1) Differences were observed between cash balance as per manual books and IFMIS report. Much time was spent by the users in reconciling the differences; (2) manual tracking of imprest balance lying with staff was carried out since the report from IFMIS is not dependable; (3) Manual adjustments have to be made to ensure that the “Appropriation Account” depicts the correct figures. <ul style="list-style-type: none"> • Fixed Assets Accounting Fixed asset accounting and tracking is carried out manually in all the OUs. This is due to lack of effective training on the module. • AR related entries Accounts Receivable (AR) related entries flow into R2R module. However, with non-recording of revenues in IFMIS through the R2C module by counties and most of the MDAs, entries related to AR did not flow into this module. • Rectification Entries There is a possibility of using wrong account heads while making supplier invoices. Rectification is to be done in the R2R module by passing journal entries. Such ability was not put to use in any of the OUs. Non-passing of rectification entries shall affect the accuracy of figures in reports like Budget vs. Actual. • Period End Processing Period end processing is the functionality in any ERP where all system related issues will be resolved and the system will be available for next period without carrying forward any hassles of the past. This functionality is essential to have a smooth operation in the ensuing period. Users at the grass root level were not aware about such an ability built into the system
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6.9.5 Interfaces to / out of IFMIS

Strategic Intent to Scope of Delivery			Score Card		
Inbound Interfaces	Outbound Interfaces	TCT Ltd 2011-12	Strong	Medium	Weak
<ul style="list-style-type: none"> • CBK - IFMIS • KRA - IFMIS • PMIS-IFMIS • IPPD-IFMIS • IFMIS-CS-DRMS • IFMIS-Hyperion Budgets • Hyperion - eProMIS • eProMIS - CSDRMS 	<ul style="list-style-type: none"> • IFMIS – CBK • KRA - IFMIS • IPPD - PMIS • IPPD - IFMIS • CS-DRMS-IFMIS • Hyperion - IFMIS • eProMIS – IFMIS • eProMIS-Hyperion • Hyperion-CSDRMS • CS-DRMS - Hyperion • GPA - IFMIS • GPA - PMIS • GPA - IPPD 	<ul style="list-style-type: none"> • Scope of interfaces in TCT contract • CBK (Inbound & Outbound) • KRA (Inbound) • C-DRMS • eProMIS • PMIS • IPPD • GPA 	<div style="border: 1px solid black; width: 100px; height: 100px; margin: 0 auto; background-color: red; color: white; display: flex; align-items: center; justify-content: center;">Weak</div>		

Scope to Financial Commitment (Cost)

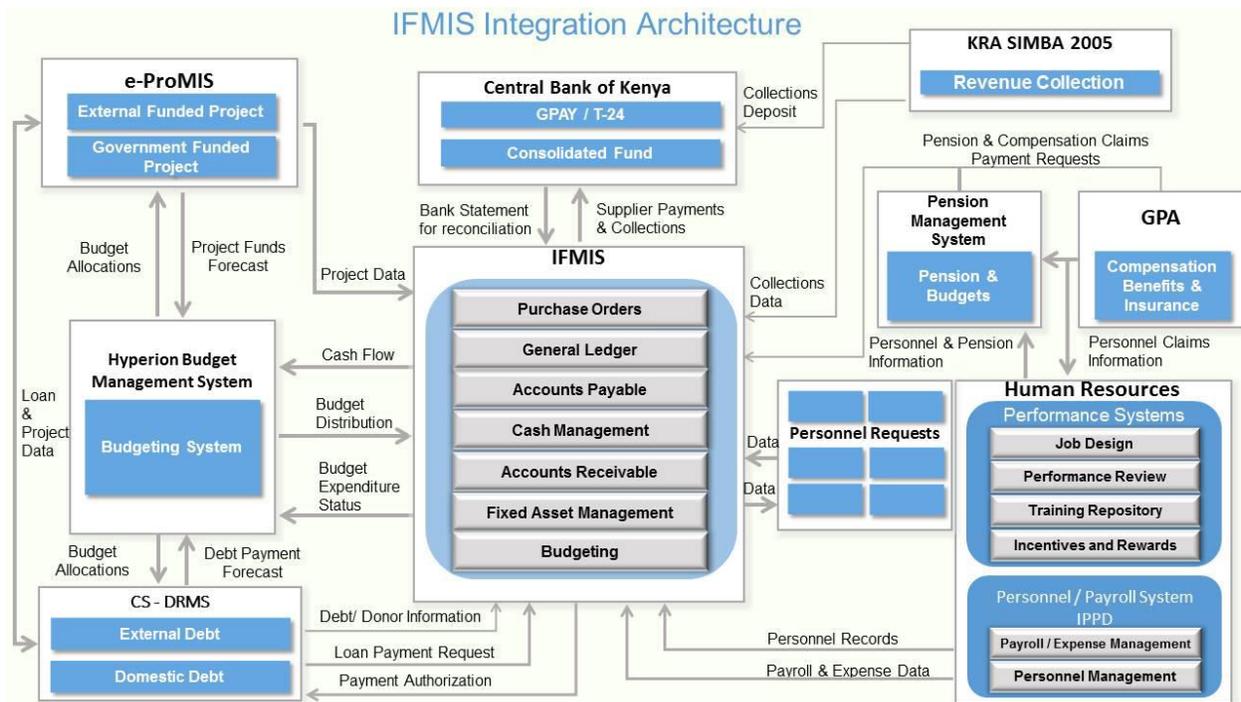
Vendor Performance Analysis

Vendor Performance Analysis	Score Card			
Vendor Payments	Part of contract			
Configuration as per scope of work		28%		
Utilization	15%			
Overall Effectiveness	11%			
Overall vendor scope to benefit realization	WEAK			

Vendor Scope Gaps

Contract to Transnational computer Technologies (TCT) was awarded in the year 2011-12. The total cost of contract was Kshs1,366.88 million, provided from ICTA budget. The contract that was awarded to TCT covered implementation of various modules such as Accounts payable, Accounts Receivables, Oracle Financials, among others. In addition, the integration touch points between various external systems and IFMIS were added to the scope of work of the TCT.

Against the overall contract value of Ksh.1,366.88 million, ICTA has processed payments to the extent of KSh.956 Million. However, the invoice document attached as a support towards payment processing, neither carry the name of the vendor, nor has been stamped or signed by the vendor representative.



Vendor Performance

The following provides a brief explanation of the Interfaces that have not been enabled in IFMIS

- Interfaces with Oracle (EBS)

<p>Analysis to scope of delivery</p>	<ul style="list-style-type: none"> ○ KRA Interface: The interface intended to transfer the revenue collections from the KRA system into IFMIS has not been realised. ○ GPA Interface: The interface intended to integrate the insurance payment request with the IFMIS system, has not been implemented. All the Insurance payment processes are handled manually. ○ PMIS Interface: The Pension Management Information System (PMIS) interface for transferring the pension payment request into the IFMIS system, is not operational. This interface is yet to be realised. ○ GHRIS / IPPD Interface: The interface handling data exchange between the (IPPD/GHRIS) system and IFMIS towards payment processing of payroll and employee emoluments including allowances and expenses, is not operational in IFMIS. ○ CS-DRMS Interface: The interface intended to be integrated with IFMIS for processing loan payment request and related accounting has not been implemented. ○ eProMIS Interface: This is an inbound interface to IFMIS. The objective is to receive information on the receipt of various donations and grants by development partners as recorded in IFMIS, for specific projects. This interface for transferring the project and program information from eProMIS to IFMIS system has not been implemented.
<p>Interfaces with Hyperion Budgeting system:-</p>	
	<ul style="list-style-type: none"> ● IFMIS Interface: This is both an Inbound and Outbound interface to the Hyperion budgeting system, where the budgeting data is transmitted from the budgeting system to IFMIS. Likewise the actual expenditure values are transferred from the IFMIS books to the Hyperion books. While this interface has been realised, the cash flow projections intended to be transferred from IFMIS to the budgeting system has not been implemented. ● CS-DRMS Interface: This is also an inbound and an outbound interface with the Hyperion budgeting system, where the debt repayment projections are sent from the CS-DRMS system to the Hyperion system. Similarly, the budget

	<p>allocations for debt repayment are transferred from the Hyperion system to the CS-DRMS system. In the current setup, this interface, including inbound and outbound has not been implemented.</p> <ul style="list-style-type: none"> • eProMIS interface: The interface between the eProMIS system and the Hyperion Budgeting system for transferring the project and program financials, has not been implemented. • Impact: Absence of automated interfaces increases inefficiencies due to manual interventions, and also leads to possible errors and delays in recording the financial information in IFMIS.
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6.9.6 Infrastructure and Support

Strategic Intent to Scope of Delivery			Score Card		
Copy Cat 2011-12	Mbirwe Systems Ltd 2011-12	Kenya Telecom 2012-13	Strong	Medium	Weak
Server Infrastructure: <ul style="list-style-type: none"> • M 9000 Server • Technology License • Upgrade of Servers(CMU & RAM) • Licensing for Additional Servers • Support Services 	Supply of End user Equipment: <ul style="list-style-type: none"> • Supply and implementation of 1720 Desktops, 142 Laser Printers, 71 Scanners (Lot 1) • Supply and implementation of 1720 UPS (Lot 2) 	Network Infrastructure: <ul style="list-style-type: none"> • Supply, Installation, Configuration & Commissioning of Country wide connectivity for IFMIS rollout. 	Weak		

Scope to Financial Commitment (Cost)

IFMIS Budget – Commitment Vs. Pay outs

2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
45.97	1270.01		45.97	1270.01	
1,315.98					
Commitments (IFMIS) In K Sh. (Millions)			Payments (IFMIS) In K Sh. (Millions)		

ICTA Budget – Commitment Vs. Pay outs

2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
	274.37				274.37
274.37					
Commitments (IFMIS) In K Sh. (Millions)			Payments (IFMIS) In K Sh. (Millions)		

Vendor Performance Analysis

Vendor Performance Analysis	Score Card		
Vendor Payments			100%
Benefits realisation		34%	
Overall vendor scope to benefit realization	WEAK		

Vendor Scope Gaps	The contract was awarded to Mbirwe Systems Ltd to supply 1720 Desktop, 142 laser printers, 71 scanners and 1720 UPS for use by counties. However, there is no evidence of an
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	<p>assessment study substantiating that need assessment and sizing analysis substantiating the quantity, volume and hardware configuration prior to procurement of these equipment have not been evidenced along with associated purchase approval documentation.</p> <p>Further, the Annual Maintenance Contract for all the equipment of the server room has not been evidenced. For certain equipment such as UPS, the annual maintenance contract was originally available; however the same has not been renewed.</p>
<p>Vendor Performance Analysis to scope of delivery</p>	<p>Service Delivery:</p> <ul style="list-style-type: none"> • Interdepartmental SLA requirements have also not been identified and signed off, thus delivery obligations by departments like GITS, ICTA etc. are not measured, SLA variations are not reported. • A centralized incident management tool is not available. Network team has a separate tracker, Copy Cat vendor maintains record of incidents in a separate system. Consolidated view of incidents, problems, and service requests is not available. <p>In addition, the review of the system processes indicate weaknesses in the following areas:</p> <ul style="list-style-type: none"> • Adequate policies/ procedures pertaining to back-up of data, including storage, retention and retrieval of IFMIS data have not been framed up. Efficient controls and processes are not in place for securing the government data. When a disk is repaired, the same is replaced by the service provider. The data available in the disk is not erased before handing it over to the third party. • Backup media management is not efficient. Single tape is used to back up all data. The tape is used until it is full. Potential threat of data loss in case of failure of the backup disk. • Sensitive / privileged data such as government financials, etc. is not encrypted and stored in the database. Backup tapes are also not encrypted. • Access control with respect to data centre is poorly managed. Environmental controls like temperature, humidity and voltage parameters are not checked

	<p>regularly. Maintenance of fire extinguishers is not regular (the last maintenance was in 2011). Fire detection and suppression systems were tested 2 years back.</p> <ul style="list-style-type: none"> • The general upkeep of the data centre operations is not as per expected standards. For instances, Power panel is left open, some of the floor tiles are left open, server racks are not locked, cables are not dressed properly; some of the cables were routed in open from rack to rack. Out of available 2 UPS one is not working. • Anti-Virus management is not in place. Systems and network do not have security interface for alarming new threats and vulnerabilities. Anti-virus policies have not been framed up. • The patch management process for administering the patch updates is not effective. Different versions of the patches are noticed in the Solaris servers. Oracle Application patches is applied only when there are issues. There is no practice of updating the patches regularly as and when communication is received about the latest release. A consolidated patch tracker / register is not available. Patch management policies have not been defined for various areas of IFMIS IT operations, such as network, OS and servers. • Password management process is not strong enough, generic user IDs are used in servers. No processes in place for reviewing and identifying threat / vulnerabilities on servers and networks. • The remote management control procedures are not effective. List of authorized personnel who are provided with remote access is not readily available. Practice of approving the remote login requests is not in place; hence it is not ensured that the access is provided only to an appropriate authority. • In the event of failure, it is necessary that the configuration details along with initial setup instructions, patch management, etc. are readily available to rebuild the servers, networks, database and application. In the current environment, such base line document is not available.
Users Feedback	<ul style="list-style-type: none"> • Hardware

	<p>As a part of IFMIS rollout in counties and MDAs, IFMIS core team had supplied systems to every County. The users informed that the IFMIS department had provided with these machines. However, some of them were not working. As a result, the existing systems were replaced with systems purchased out of the organization unit’s budget.</p> <ul style="list-style-type: none"> • Connectivity Being an integrated system, a high-speed Internet connection is required for seamless operation of IFMIS. In order to ensure effective IFMIS roll out and implementation, proper connectivity and bandwidth is required at all OUs. Good connectivity will encourage increased usage of the system. For IFMIS roll out, networking arrangements have been done by IFMIS core team. However, most of the users opine that the connectivity speed is slow. A lot of time is spent on generating reports. During the visit, we observed that the connection was initiated but not connected in many counties and MDAs. • Power Outages Counties, especially in the remote areas, face the issue of frequent power cuts. In some units, UPS was not functioning/ being used. This impacted the smooth operation of IFMIS in the following way: <ul style="list-style-type: none"> ▪ Large amount of data, being entered into IFMIS was often lost due to frequent disruption of power. The lost data could not be retrieved and the entire data had to be re-typed. The users of budgeting where they need to enter numerous line items before a record can be saved in IFMIS often face this. ▪ A power disruption in the Treasury also has cascading in terms of availability of updated information.
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6.9.7 IFMIS Academy

Strategic Intent to Scope of Delivery	Score Card		
Dhanush InfoTech	Strong	Medium	Weak

2011-12 , 2012-13, 2013-14		
<ul style="list-style-type: none"> • Provision of Consultancy services for the development and implementation of an: • In Classroom Training • Online Learning programs • Virtual / E-Learning / CBT program 	<ul style="list-style-type: none"> • Design and develop content for the Academy: • Aligned to and in the style recommended by the IFMIS Academy • Develop for all learning channels • Content matched with Industry standards 	Weak

Scope to Financial Commitment (Cost)

IFMIS Budget – Commitment Vs. Pay outs

2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
457.39	304.63	217.62	320.17	350.49	221.98
979.64			892.64		
Commitments (IFMIS) In K Sh. (Millions)			Payments (IFMIS) In K Sh. (Millions)		

Vendor Performance Analysis

Vendor Performance Analysis	Score Card		
Vendor Payments			91%
Benefits realisation		39%	
Overall vendor scope to benefit realization	WEAK		

Vendor Scope Gaps	<p>In the year 2012-13, the contract required training of 2825 users from Counties and MDAs. However, the milestone completion requirements as required in the contract specifies training of 2000 users in Classroom and 1000 users by online training and testing of Performance assessment through LMS for 500 users.</p> <p>Further, although the vendor provide invoice with an attached report, such supporting does not detail out the actual date of training or the batch details. Also, the reports from the LMS system or document evidencing review by operational heads, to substantiate such supporting document provided by vendor are not available</p>
Vendor Performance Analysis to scope of delivery	<p>Approval of Course Material:</p> <p>It was observed that IFMIS user manuals were not version controlled. No document elaborating the publication date, version, description and authors of the document was available. Thus, updating / changes to training manuals could not be tracked. Further, in the absence of control over updating, basis for certifying completion of the first milestone for year 3 could not be ascertained. Pilot implementation of the manuals as committed in the contract was not adhered to. The manuals currently do not clearly demarcate the syllabus for various categories of users.</p> <p>Training need assessment: Inadequate assessment of training needs bears direct impact on the roll out of the IFMIS implementation. User satisfaction is highly affected thereby the adoption of the IFMIS system among the GoK entities may also be affected.</p>
Users Feedback	<ul style="list-style-type: none"> • Duration - Most of the Users at all the OUs were trained only for about 5 days in the IFMIS Academy. On the job training was given to the users for about 1 to 2 days. The maximum duration of on-job training provided to the users was only 5 days. During interaction with the users, most of the users voiced their concern about the duration of the training not being sufficient. • Learning Management System - Learning Management Systems allows trainers to manage training programs by uploading all their training material to a central location. This allows learners to access

the learning materials at any time and from anywhere with Internet access. Learning Management Systems come bundled with advanced quiz & test making tools. It saves time and money. It is easy to customize the content and update. It is easy to schedule the training to mobile work force. Learners can also communicate with their trainers and peers through online discussion forums, making learning much more interactive, engaging and personalized for learners. These features were strategized in the strategic plan 2011-13. The vendor has developed some of the features mentioned above.

- **Curriculum** - Most of the users felt that the training was not completely in tandem with their requirements. The right people were not given the right type of training.

- **Training of Senior Staff** - Senior most persons in the organization unit were not trained in most of the OUs. Senior persons, who are on top of the organization ladder, have a view of the bigger picture. Once they are trained effectively, it is easier to guide the persons in charge of specific modules. Currently, staff at lower levels of the organization structure only have modular knowledge and such knowledge is not transferred upwards to the senior persons for them to see the overall picture

- **Retention of trained personnel** - With frequent movement of well trained personnel from one OU to another, it is difficult to retain good talent. Knowledge transfer to the next level also does not happen.

Chapter 7: IFMIS User Adoption Levels

7.1 IFMIS User Adoption Levels

The purpose of this review was to ascertain the overall IFMIS adoption index within the country of Kenya in entirety. This was the final result after considering various attributes that influence the adoption strength. It is a measure of the user confidence levels.

This depiction also brings out, the extent to which each of the constituent categories drives the overall adoption index.

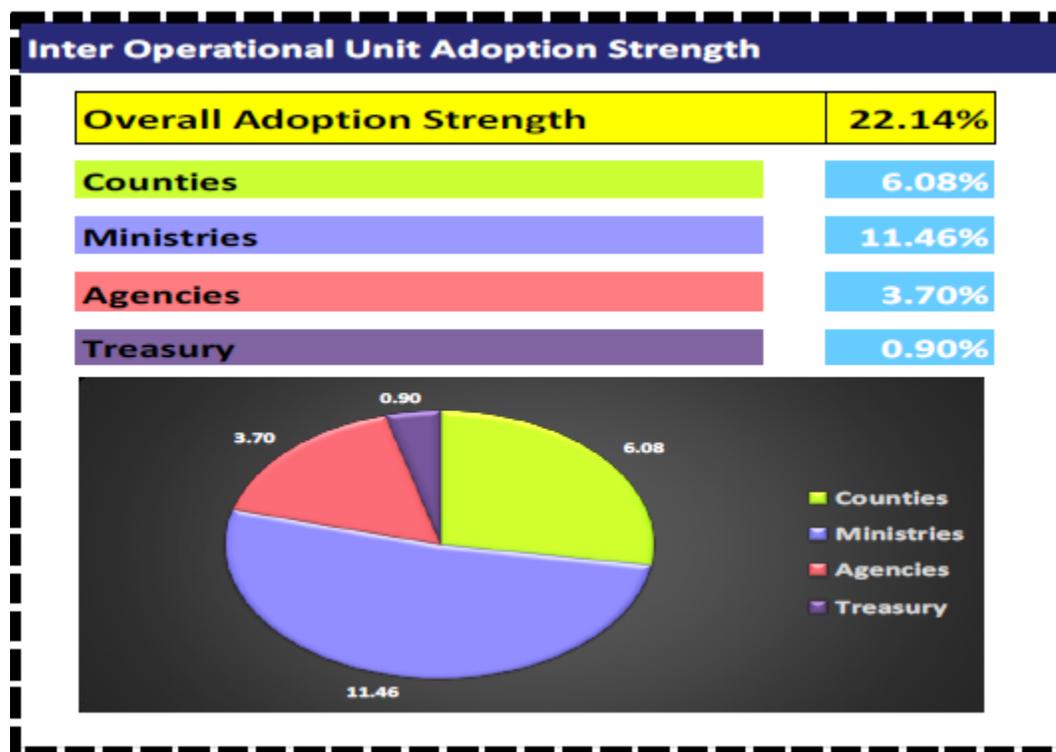
General users of IFMIS are spread across counties, ministries and agencies. The main functions carried out by the users in these three categories are divided into five modules: Plan to Budget (P2B), Procure to Pay (P2P), Revenue to Cash (R2C), Record to Report (R2R) and Interface.

The National Treasury is the apex financial body in Kenya. In addition to the functions under the five modules, the National Treasury also has unique financial processes and departments like Budgeting, Public Debt, Pension, Human Resources, and operations with Central Bank of Kenya and Kenyan Revenue Authority and consolidation of financial statements.

7.1.1 Overall IFMIS adoption

The overall IFMIS adoption index among the entities is 22.14% as depicted below. This level of adoption is mainly attributed to ministries, which contribute about 11.46% to the overall adoption index. The level of adoption by the National Treasury is 0.90%.

Score Card



Ministries have a higher adoption index in using IFMIS when compared to Counties and Agencies. The high adoption in ministries has been attributed to the following reasons:

- Ministries staff are well-trained and have been effectively deployed. However, staff in the counties were not able to obtain a comprehensive view of the system. In addition, the IFMIS Champions who were intended to support staff at the county level were not available. This led to partial usage of P2B and P2P and non-usage of R2R and R2C modules.
- Ministries and Agencies benefit from good infrastructure in the form of good internet connectivity. However, only some counties have fibre link connectivity. Hence, they face longer system down times than ministries.
- Further, counties were formed after devolution in 2012 and therefore started using IFMIS only after 2012. Most of the ministries on the other hand were using IFMIS since 2004.

The low adoption of IFMIS of 0.90% by the National Treasury was attributed to non-usage of IFMIS for most of its processes. All critical functions such as budgeting, revenue allocation including exchequer processes, extraction of reports for consolidation of financials, etc., performed by the National Treasury, are currently being carried out manually. Interfaces with outside systems such as GHRIS, DRMS, etc. have not been established.

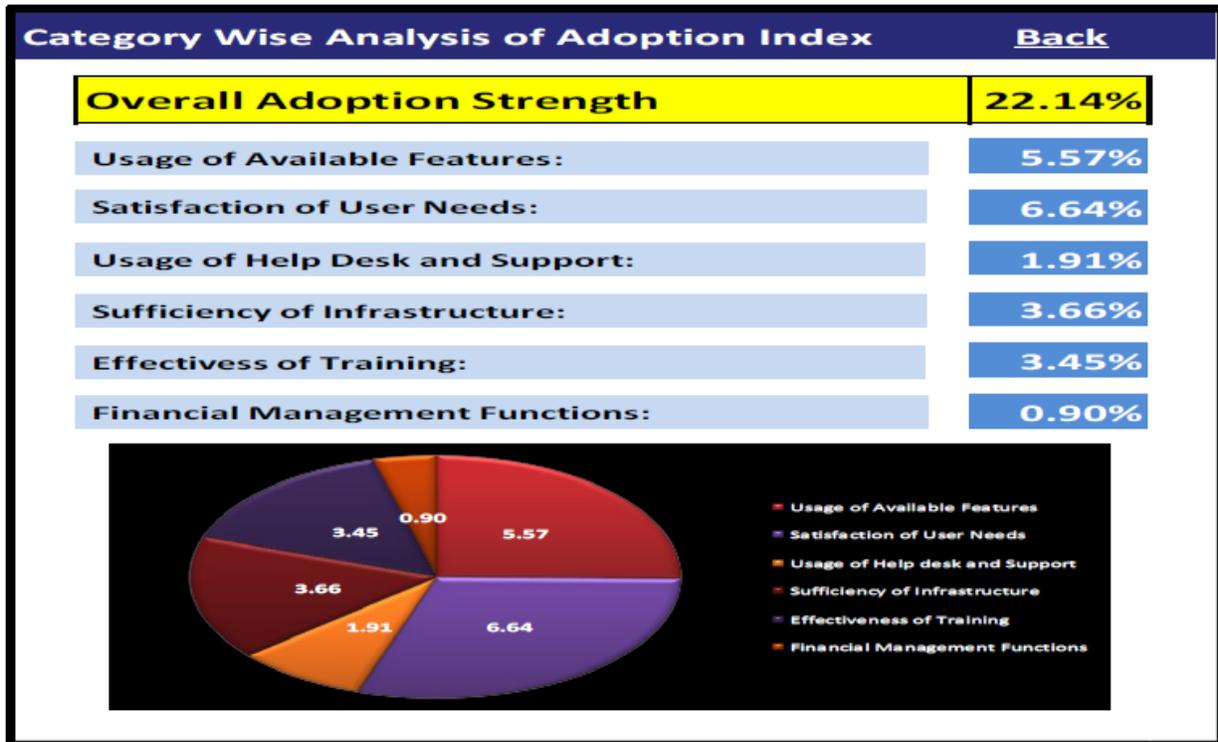
7.1.2 Root cause Analysis of Low Levels of IFMIS Adoption

Studying the adoption index from the viewpoint of attributes provided an insight into the reasons for low levels of adoption. This review uses the following attributes to arrive at the major root causes for low IFMIS adoption index:

- Extent of usage of available features
- Satisfaction of user needs
- Usage of help desk and support
- Sufficiency of infrastructure
- Effectiveness of training
- Financial Management Functions

Analysis of the attributes indicated that satisfaction of user needs contributes the most to the overall adoption index as shown below. Financial management function consists of functions performed by the National Treasury, which contributes the lowest, 0.9%, to the overall index. This is due to the fact that most of the processes continue to be done manually and IFMIS is not used for the same.

Score Card



7.1.3 Entities using IFMIS

There are nine (9) government entities which do not use IFMIS. These entities maintain manual records for recording and accounting their business transactions. Among them are:

- Ministry Of Defence
- National Intelligence Service
- Teachers Service Commission
- Ethics and Anti-Corruption Commission
- Commission for the Implementation of the Constitution
- Kenya National Commission on Human Rights
- Commission on Revenue Allocation
- Witness Protection Agency
- National Gender & Equality Commission
- Independent Policing Oversight Authority

Chapter 8: IFMIS Applications Controls

8.1 IFMIS Applications Controls Methodology

The following points summarize the approach and methodology used to conduct the Application Controls review:-

- Developed a controls audit program for the applications in scope using the ISACA / COBIT controls framework as a baseline.
- Evaluated the controls either by way of reviewing the configuration setup, negative testing of scenarios, reviewing report output, executing scripts and extracting data from clone instance of the live database, reviewing interface controls through live process walkthrough with assistance of functional users, among others.
- For each of the applicable control attributes, control outcomes were documented along with necessary audit evidence.

8.2 Risk Level or Category

In order to provide an indication as to the significance of risk involved and the priority with which the same needs to be addressed, all risks were rated in accordance with the classifications given below:

High Risk	Risks that need to be addressed with utmost priority. Indicates that this risk can have a substantial impact on the controls environment that includes integrity of the business process, data, reporting and access, as the case maybe.
Medium Risk	Risks that need to be addressed immediately after or in parallel to the “High” risks. These are important to maintaining the integrity of the control environment and have a moderate impact on the integrity of the business process, data, reporting and access, as the case maybe. These risks if not addressed appropriately can become substantial and lead to higher consequences.
Low Risk	Risks that have minimal impact on the controls environment, they represent housekeeping or hygiene issues that if addressed can help in improving the effectiveness of the controls environment to which they relate. Conversely, failure to address these risks may lead to long-term inefficiencies and non-compliance thereby adversely affecting the existing control framework.

This section of the report documents the observations and recommendations from the Application Controls Review of the IFMIS application.

8.3 System Administration

The ensuing dashboard presents a risk matrix of the control observations relating to the system administration functionality of the IFMIS application, following which the summary of the individual observations are listed.

	High	Medium	Low
System Administration			
Password Expiration			
User and Data Auditing			
Accounting Data Access Set Security			
Generic User IDs for Privileged access			
Inactive Users			
Duplicate Users			
Users with access to multiple ledgers			
Segregation of Duty Conflicts			
Users with access to critical GL Chart of Accounts Setup			
Default Privileged User IDs have not been disabled			
Password Re-use			
Sign-On Notification			

8.3.1 Password Expiry not set

Good practices require that passwords must be reset at least every 90 days. At the time of the audit, the configuration in IFMIS relating to password expiration indicated that the expiry period is set to “none”, which means the passwords never expire. This is a potential loophole that can be exploited and hence lead to unauthorized activities in an IT environment.

8.3.2 Duplicate Users

Creation of more than one ID for a single individual entails risk in terms of misuse of such additional User ID. This creates accountability issues and also leads to ineffective utilization of user licenses. A review of the users available in the IFMIS system indicated that almost 50 users had more than one User ID created.

8.4 Plan to Budget

The ensuing dashboard presents a risk matrix of the control observations relating to the Plan to Budget functionality of the IFMIS application, following which the summary of the individual observations are listed.

	High	Medium	Low
PLAN TO BUDGET			
Version Management			
Workflow approval based on approval hierarchy			

8.5 Procure to Pay

The ensuing dashboard presents a risk matrix of the control observations relating to the Procure to Pay functionality of the IFMIS application, following which the summary of the individual observations are listed.

	High	Medium	Low
PROCURE TO PAY			
<i>Purchase Order Approval Group and Limits</i>			
<i>Fund Check Control in purchasing</i>			
<i>Supplier Master Maintenance (Duplicate Supplier Names)</i>			
<i>Invoice Processing – Invoice Approval</i>			
<i>Invoice Processing – Price and Quantity Tolerances</i>			
<i>Hold Unmatched Invoice</i>			
<i>Purchase documents – Document Security options</i>			

<i>Purchasing documents – Self approval of Purchase Order document</i>			
<i>Item Definition – Maintenance of Approved Supplier List</i>			
<i>Document Sequence Numbering</i>			
<i>Supplier Master – Maintenance of mandatory fields</i>			
<i>Pre-Dating of Payments</i>			
<i>Custom Report – Incorrect Logo</i>			
<i>Invoice and Payment Document Sequencing</i>			
<i>iProcurement –Enable Check Funds – Profile Option</i>			
<i>iExpenses –Enable Policy – Profile Option</i>			

Supplier Master Maintenance (Duplicate Supplier Names)

A review of the supplier master data in IFMIS indicated the existence of almost 50 cases of duplication of the same vendor. Similarly, the current field status settings of supplier master data do not mandatorily allow certain information like tax PIN to be captured. Presence of active duplicate supplier master records increases the possibility of potential duplicate payments, misuse of bank account information, reconciliation issues among others.

8.6 Record to Report

The ensuing dashboard presents a risk matrix of the control observations relating to the Record to Report module functionality of the IFMIS application, following which the summary of the individual observations are listed.

	High	Medium	Low
Record to Report			
Journal Approval			
Journal Source – Freeze Journal			

Cross Validation Rules			
Manual JV Transactions affective bank transactions			
Accounting Calendar setup			
Enforce Segment value security for FSG reports			
Accounting Period – Open / Close			

Chapter 9: IFMIS Support Processes Review

9.1 The review in this section looked at three areas:

(i) IFMIS Academy

The IFMIS Academy aimed to be the centre of excellence in the provision of innovative life-long professional development programmes tailored for IFMIS users and other stakeholders. The IFMIS Academy therefore developed in-house capacity to provide user training and optimize use of the IFMIS system. “Capacity Building” and “Change Management” are critical success factors for the Academy as defined in the strategic plan 2011-13.

(ii) IFMIS Help Desk

The help desk arrangement that existed previously was not well institutionalized. It was an informal set up with no log history, register of issues, etc. An IFMIS Service/ Help Desk was thus conceptualized in the strategic plan 2011-13 as the solution to the currently existing fragmented support framework. The re-engineered service/ help desk was intended to be a comprehensive system, with a web based solution to be implemented for online logging, recording, tracking and reporting on progress of logged issues.

(iii) IFMIS Project Management and Governance

Project governance provides a framework within which project decisions are made. It is a critical element of any project in which accountabilities and responsibilities of respective persons in charge are chalked out. Project management and governance pivotal structure which drives the effective execution of the IFMIS project and enables continuous monitoring of progress with constant evaluation of the performance and achievements mapped to end objectives.

9.2 IFMIS Academy

The National Treasury / IFMIS Department established IFMIS Academy in May 2012 as a key capacity building institution for the IFMIS users at the MDAs and Counties.

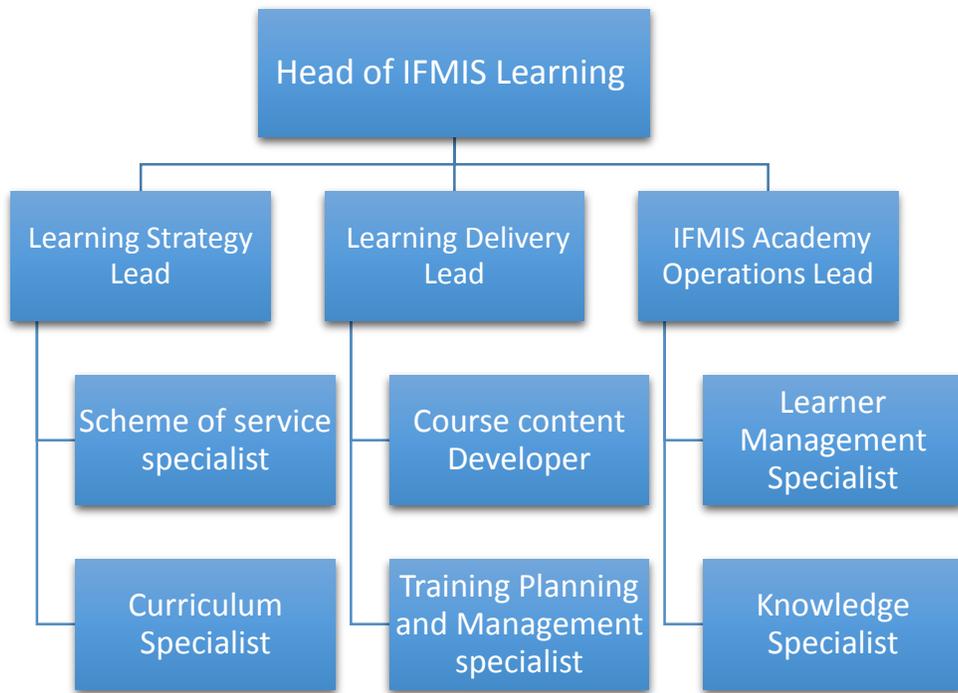
The Academy is mandated to develop the training curriculum. It is also responsible for the design, development and maintenance of course content. The Academy is also mandated to create online training materials, design an approach to learning, provide administration and support as well as conduct and manage trainings. Trainings are mainly conducted at the Kenya School of Government (KSG) premises.

IFMIS Academy objectives are to:

- Ensure the National Treasury has the required documentation and training tools to support IFMIS Users and Technical Staff through training,

- Increase the competency of existing IFMIS users and expand user base to develop a workforce capable of using all the tools to complete their tasks with utmost ease,
- Provide staff from both National and County Governments with personal development plans tailored to their role, current skills and aspirations,
- Develop and deliver tailored training courses and materials that equip IFMIS Department staff with the skills to do their work effectively and efficiently,
- Develop more IFMIS experts and IFMIS Super Users through capacity building,
- Foster a learning culture by providing frequent and regular professional training opportunities.

Strategy & Governance



The following observations were noted on the review of the Academy:

Observation # 1	IFMIS Performance Measures and KPI's not defined
	The IFMIS Department had not established a mechanism to assess extent of impact the Academy has on the end users. Feedback was taken from the users and assessments carried out at the end of each training session, with the objective of evaluating the trainers and also determining the understanding levels of the users. This assessment was found to be inadequate in determining the success of the functioning of the Academy.

	<p>The ultimate success of the Academy should be evaluated based on resultant impact of the training the users demonstrate through routine government operations, using IFMIS system effectively and efficiently. This Program for assessment was yet to be established and implemented by the IFMIS department.</p>
IFMIS Operational Controls	
Observation # 2	Module Assessment Methodology Parameters set by vendors not by IFMIS Team
	<p>It was observed that the trainee module assessment methodology, examination and certification rules were defined and applied by the vendor based on parameters devised by them. No evidences were available to demonstrate the involvement of the IFMIS department in evaluating these methodologies (i.e. minimum pass mark, the number of attempts allowed per user to successfully complete the performance assessment, etc.) and confirming the suitability for government users before implementation. Further, from the sample list of participants who had successfully completed the course, it was noted that participants with scores of 40 were classified as having passed the course.</p>
Observation # 3	Monitoring Mechanism
	<p>The vendor provided a framework for communication and reporting to the IFMIS department. The purpose of such meetings was to keep the IFMIS department abreast of the status of the project and operations of the Academy. Minutes of the meetings were not available for audit review as evidence that the planned meetings took place. Also, quarterly reports prepared by the IFMIS Academy on the performance of the vendor with regard to meeting targets and updates on the work done were not provided for verification of meetings occurrence, adequacy and comprehensive coverage.</p>
Observation # 4	Screening of Trainers
	<p>The training agreement between the National Treasury, IFMIS Academy and the Service Provider provided for qualifications, experience and listing of the trainers that the service provider would use to deliver on the assignment.</p> <p>It was observed that the IFMIS department did not have in place a process for monitoring compliance of the evaluation and hence was unable to ensure adherence to the terms of the contract.</p>

Operational Delivery Process	
Observation # 5	Completion of milestones prescribed in the contracts with service provider to be ensured by the Academy management before sign off and release of payments.
	<p>The National Treasury and IFMIS Academy management entered into an agreement on the terms to be met before sign off. The terms included the following:</p> <ul style="list-style-type: none"> • Development of online training system, training on use of system and User Acceptance Test (UAT), • Roll out of training system to 24 Ministries and logging in of 50 users, and, • Sign off of online training system. <p>Interviews with IFMIS users obtained through field surveys of the counties and ministries as part of IFMIS User Adoption and Effectiveness review revealed that there was a general lack of knowledge or experience on the LMS. This was contrary to the assertion made in completion report which was understood to mean that some action in LMS had been taken to satisfy the milestone requirements and was not necessarily achieved for the purpose of training.</p> <p>This also brings to light inefficiencies in certifying completion of milestones mentioned in the contract.</p>
Observation # 6	Issues in the Implemented LMS to be resolved by the vendor
	<p>The following gaps were identified in the implementation of the LMS through a review of the system against the LMS user manual:</p> <ul style="list-style-type: none"> • Though feature for blogs and forums was created with an intention to promote interaction among trainees, these features were inactive. • A blog could not be created since it requires a group. However, groups were inactive. • Though the training calendar was featured on the website, it did not contain hyperlinks for online registration for the courses. • The website did not show the list of online users as indicated in the LMS user manual. • LMS user manual was not updated after revisions in the LMS website. The updated features and changes to the websites were therefore not captured in the manual

	<ul style="list-style-type: none"> Folder management did not exist on the website though it was mentioned on the LMS user manual.
Observation # 7	UAT for LMS to be carried out upon implementation
	<p>The vendor developed the e-Learning/LMS Module in the year 2012-13 to extend e-Learning and online training to the users of IFMIS.</p> <p>As per the terms of the contract with the vendor, User Acceptance Test was to be conducted upon completion of development of the LMS. User Acceptance test would involve testing various scenarios and a formal session with the actual IFMIS users, to assess the functioning of the system as per the requirements, followed by a formal sign off document. The standard contents of a UAT sign off document included the Objectives, Test Methodology, Test Environment, Roles and Responsibilities, Deliverables, Test Cases, Defects (if any) and the remediation plan.</p> <p>However, user acceptance test was not conducted for the Learning Management System developed by the service provider.</p>
Observation # 8	Technical and Commercial Arrangement with KSG to be formalized amongst all the parties concerned – KSG, IFMIS department and the service provider
	<p>The Academy has partnered with Kenyan School of Government (KSG) to provide infrastructure for in-classroom training sessions. However, no formal documentation evidencing such arrangements was available for audit verification. The agreement with the Delivery Service provider is also silent about the infrastructure requirements. The commercial arrangements agreed upon and the compliance of the same in the manner of pay outs is unclear. It was therefore not possible to establish whether the Government got value for the money outlay on this project.</p>
Observation # 9	Training Need Analysis and Assessments not comprehensively covered
	<p>Evaluation of training needs was the focus of the inception document provided by the vendor for all three years. Such need assessment helps to understand the existing skills of the users and their capability. It also helps to address the training needs arising out of such a study. This ensures that the training is effective and</p>

	<p>focused. The proposed methodology to be adopted by the vendor for analyzing the training needs was as follows:-</p> <p>The expected learning outcomes from the training need analysis were:</p> <ul style="list-style-type: none"> • Areas which each person is expected to understand and perform • User knowledge of the process during different stages of training and at the end of training. • Training delivery on business process flow through an LMS (Learning Management System) and post training assessment of employee would be evaluated. <p>The need for evaluation of training needs was re-iterated in the contract entered into for year 2. One of the specific outputs from the Academy arising out of the contract entered for 2012-13 was to conduct regular needs assessment of IFMIS users to establish current, expected and desired competencies.</p> <p>In 2013-14, it was agreed that the training courses and training methodology used would be evaluated. Adjustments and improvement on the training course in collaboration with the IFMIS department would be carried out based on the results of need analysis.</p>
<p>Observation # 10</p>	<p>Training Delivery Basis of number of trainees not clearly defined</p>
	<p>The contracts entered into with the vendor for carrying out the operations of the academy for year 11-12, 12-13 and 13-14, stipulated the number of users to be trained through various channels. Basis of arriving at the above number of users was not available. Further, the total users to be trained as per the table given above (2825 users) was not in tandem with the number of users to be trained in 12-13 as per the milestones to be achieved by the vendor (2000 class room training; 1000 online training). It is also to be noted that contracts for the other 2 years (2011-12 and 2013-14) did not provide such break-up of users to be trained.</p> <p>It was therefore not possible to establish the criteria, class size and numbers trained.</p>

	<p>The contract for the year 12-13 provided the organization unit wise break-up of the number of users to be trained:</p> <table border="1" data-bbox="643 317 1443 625"> <thead> <tr> <th data-bbox="643 317 1289 363">Category</th> <th data-bbox="1289 317 1443 363">Number</th> </tr> </thead> <tbody> <tr> <td data-bbox="643 363 1289 409">Ministries</td> <td data-bbox="1289 363 1443 409">720</td> </tr> <tr> <td data-bbox="643 409 1289 455">Treasury</td> <td data-bbox="1289 409 1443 455">300</td> </tr> <tr> <td data-bbox="643 455 1289 501">Counties</td> <td data-bbox="1289 455 1443 501">705</td> </tr> <tr> <td data-bbox="643 501 1289 548">Departments, Agencies, Commissions</td> <td data-bbox="1289 501 1443 548">100</td> </tr> <tr> <td data-bbox="643 548 1289 594">Auditors</td> <td data-bbox="1289 548 1443 594">1000</td> </tr> <tr> <td data-bbox="643 594 1289 625">Total</td> <td data-bbox="1289 594 1443 625">2825</td> </tr> </tbody> </table>	Category	Number	Ministries	720	Treasury	300	Counties	705	Departments, Agencies, Commissions	100	Auditors	1000	Total	2825
Category	Number														
Ministries	720														
Treasury	300														
Counties	705														
Departments, Agencies, Commissions	100														
Auditors	1000														
Total	2825														
Observation # 11	Annual Training Plan														
	<p>The contract provided that the vendor shall provide an annual plan for training. Such a plan would enable scheduling courses based on the requirements of users. The initial process followed for finalizing the annual training was done by the vendor in consultation with the IFMIS Director during the initial stages of implementation of the IFMIS Academy. However, evidence that the initial process was conducted was not availed for audit verification. Further, annual training plans approved by the IFMIS Academy Director for subsequent years were not provided for audit verification. Such training plans should also be based on the need assessment analysis carried out by the vendor at the beginning of every year which had not been conducted.</p>														
Observation # 12	SLA for IFMIS Academy help desk														
	<p>The vendor in the inception report for Year 3 (2013-14) had mentioned that one of the expected learning outcomes for Year 3 would be the effective use of LMS helpdesk. It was also mentioned that this LMS helpdesk would eventually be integrated with the IFMIS Help Desk. The inclusion of help desk operations in the scope for year 3 reiterated the fact that a Super User group was not created to run the Help Desk Operations of the Academy.</p>														

9.3 ICT Support Help Desk Review

IFMIS Help/ Service Desk was intended to act as a catalyst in the “Change Management” process. It was designed to be a comprehensive system that provided real-time support for users at various organization unit levels. The features envisaged in the IFMIS Re-engineering Strategic Plan 2011-13 were - online logging, recording, tracking and reporting on progress of logged issues, thereby making it a complete Call Management System (CMS). It was observed that the IFMIS Centralised Support Model had limitations given the geographical dispersion and coverage of Counties. The adoption of automated help desk support was limited especially at the County level. The IFMIS Centralized ICT support model did not have enough and adequate on ground day to day support, reinforcement of training and ensure the users use the system.

9.4 IFMIS Project Governance Review

Project governance methodology provides a framework within which the managerial functions are carried out. One of the critical standard project management function is project cost monitoring wherein project direct and indirect costs is monitored to ensure that:

- a) Costs incurred match the results and deliveries to be received.
- b) Potential cost impact of project delays are determined and impact assessed.
- c) Payouts are within the budgeted commitments.
- d) Likely cost overruns are proactively detected and pre-empt relevant course of action to reduce the levels of such overruns.

The following observations were noted:-

Observation # 1	Weak Governance necessitating IFMIS Governance Charter
	<p>The IFMIS department, which is in charge for the overall management of the project, is required to prepare and document an overall project management plan. This should include, among others, general description of the project, approach and methodology, scope of contracts, dependencies, project objectives, target dates and schedule of activities. It should also include details of leadership, processes, roles and responsibilities, information requirements, and organizational structures. This ensures that investment in the project is aligned with the strategies of the IFMIS department.</p> <p>Maximizing the application of available opportunities is the first step in Governance. Such a plan acts as the guiding light for the entire implementation and maintenance of the IFMIS application,</p>

	<p>infrastructure and services. Plan is a baseline document, which creates a framework within which the entire IFMIS implementation needs to be carried out and provides direction to the entire department.</p> <p>Documentation to evidence the existence of such plan/framework was not available for verification and hence inferred that such an annual integrated and comprehensive activity plan has not been made for IFMIS project management.</p>
Observation # 2	<p>Inadequate Risk Management practices warranting Risk Management Framework with mechanism to assess risks, monitor and mitigate with appropriate controls to be established</p>
	<p>Section 12 (2)(i) of the Public Finance Management Act, 2012 stipulates that it is the responsibility of National Treasury to monitor the financial aspects of risk management strategies and governance structures for the National Government and the National Government Entities. It was observed that the IFMIS Department had not developed a risk management policy nor conducted risk assessment for the IFMIS project which would have advised on the controls to be put in place. Awareness of the potential risks would help the department to avoid or minimize the potential negative impact, thereby increasing significantly, the chances of success of IFMIS implementation. It is advisable for the IFMIS department to establish a prudent Risk management framework identifying the risks involved in the IFMIS project management and the mitigating controls. Prioritization of action plan based on significance of risks identified should be carried out.</p> <p>The strategic plan 2011-13 stipulated the following process for risk management:</p> <ul style="list-style-type: none"> • That the process of identifying and assessing risk will be continuous throughout the period of IFMIS Re-engineering. • The IFMIS Re-engineering process will have inbuilt mechanisms for vigilance, proactive identification and management of anticipated project risks as part of the wider change management strategy. • A risk register will be maintained and kept up to date in response to changes during the implementation.

	<ul style="list-style-type: none"> • There will be need for the project implementation team to assign an officer to continuously update the risk management matrix and propose proactive measures to detect, deter and / or eliminate the risk. • Once a risk is identified, IFMIS Department Risk Management team will assess the potential impact of the risk, and the likelihood or rating of the risk depending on the level of intensity: high, medium, low or non-existent. • Proposals for management of material risks will be developed. These will include the required action, responsible person, due date and status. <p>Audit review of the risk management processes revealed that no officer was appointed by the project implementation team to oversee the risk profiling activity. Further, the department does not maintain a risk register with details as envisioned. Also, evidence of deliberations on risk assessment and mitigating controls during weekly review meetings and action plans developed were not availed for audit verification.</p>
Observation # 3	Weak Quality Controls in place - Suitable IT Service Quality Management System to be established
	<p>A Quality Management System (QMS) should be established for any project implementation. It should provide a standard, formal and continuous approach to quality management and should be aligned with business requirements.</p> <p>The QMS should be designed to identify project quality requirements or criteria. This should address the key processes, their sequence and interaction; policies, criteria and methods for defining, detecting, correcting and preventing non-conformity by employees, other departments and external service providers. QMS helps define the departmental structure for quality management, covering the roles, tasks and responsibilities. Managing the size and complexity of a project such as IFMIS would warrant an appropriate QMS framework to be designed and implemented, as part of the Project Governance procedures. It was noted that a comprehensive Quality Control System had not been put in place for the IFMIS Project Quality Control.</p>

Observation # 4	Effective Resource Management
	<p>The timing of the need of resources should be determined within the project schedules. A resource plan, which describes the type of resource needed and the timing of that need, is critical to effective resource management. As the project schedule changes, the resource plan must also be flexible to adjust as these changes occur. KPIs must also be defined for each of the resources in order to measure their performance, competencies and also to evaluate further training needs. The training plan for the department is also designed to enhance the skills and competencies of the resources, which aids in achieving the individual goals and targets defined.</p> <p>IFMIS Management explained to the audit team that the IFMIS resource allocation plan was contained in the work plan and resource procurement plan. However, such documentation was not provided for verification. Consequently, it was not possible to confirm that a resource management plan was put in place.</p>
Observation # 5	Performance Monitoring
	<p>Performance management reporting, including accurate, timely, and relevant project reports to senior management, provides a thorough review of the progress being made towards the identified objectives of the project. Through this review, the organization can assess performance and can also identify the short falls that are to be addressed.</p> <p>Performance metrics are the basis for sound and rigorous project management and governance. For a project to have good governance, it must be able to see where true value is being added to its projects. Having a well-defined set of performance metrics provides management with the means to measure success and determine what areas need to be focused on, in order to improve the effectiveness and efficiency of projects. With performance metrics, one can gauge the progress that the projects are making towards achieving its objectives.</p> <p>It was observed that the IFMIS Project Management and Governance team has not defined the performance metrics or key performance indicators for IFMIS implementation.</p>

Observation # 6	Cost Monitoring
	<p>One of the critical standard project management function is project cost monitoring where in project direct and indirect costs is monitored to ensure that</p> <ul style="list-style-type: none"> • costs incurred match the results and deliveries to be received • potential cost impact of project delays are determined and impact assessed • pay outs are within the budgeted commitments • proactively detect likely cost overruns and pre-empt relevant course of action to reduce the levels of such overruns. <p>Project Management team generally maintains a Project MIS which captures project component-wise Budget, actual cost to date, variance, future commitments and expected commitments etc. Such information is required to be captured Vendor-wise, department wise and project component-wise. This will help to monitor cost over runs and reasons for variances can also be identified through this MIS.</p> <p>It was observed that the IFMIS department does not monitor costs. This was taken to be part of the procurement department’s function, which is an independent department within the National Treasury. The procurement department, however, only procured and processed payments under the directions of the IFMIS department playing only an administrative role. The procurement department did not have the technical expertise to evaluate the nature of IFMIS projects and project potential cost overruns among other things.</p>
Observation # 7	Lack of Adequate Documentation
	Contract Closure Documentation -
	<p>Documentation for Closure of Contracts to be maintained by the IFMIS Department</p> <p>Procedures for formal acceptance of contract performance and contract ending thereof should be documented. This ensures a complete trail from the commencement of the contract until closure.</p> <p>Documents evidencing project/ contract closure procedures were not availed for verification. Consequently, it was not possible to ascertain how the various contracts were closed and whether the projects had attained the required status as at closure.</p>

	<p>Document relating to change in Scope of Contracts to be maintained</p> <p>Any request for variation in the scope of contracts should be documented accurately and approved accordingly by authorised officers. This forms the basis of release of variation orders to vendors.</p> <p>Documents evidencing contract variations/ revisions and the approvals thereof were not availed for verification. Also, trail of changes made to scope of contracts were not made available for verification.</p> <p>Consequently, it was not possible to establish the validity of the project variations made.</p>
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Chapter 10: IFMIS ICT Infrastructure Review

10.1 IFMIS ICT Infrastructure Review

Asset Acquisition	<p>IFMIS infrastructure is broadly classified into the following 3 sections.</p> <ul style="list-style-type: none"> • Servers • Network • End- user equipment <p>The ensuing dashboard projects a critical matrix of all the observations resulting from the assessment of acquisition procedures of the above mentioned IFMIS infrastructure elements, following which the summary of the individual observations are listed.</p>
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	High	Medium	Low
Asset Acquisition			
Server			
Network architecture and bandwidth requirements			
End user equipment Assessment			

	<p>Network Architecture and Bandwidth Assessment:</p> <p>The entire network topology for running the public financial system is managed by three entities – two (2) being GoK departments and the third being a third party entity. IFMIS department provides and manages the network connectivity within the IFMIS (Treasury) premises. The network infrastructure from Treasury (data centre) to various ministries / departments and agencies is managed by Government Information Technology Services (GITS) / Information and Communication Technology Authority (ICTA), through the infrastructure provided under the Government Communication Core Network (GCCN). Further, network is extended to all 47 counties by Kenya Telkom who manages the end user connectivity through wireless connectivity and wired E1 connectivity.</p>
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	<p>The extensive roll-out of IFMIS across various entities of the government necessitates that real time transactional processing is achieved among the government entities. While computing hardware forms an integral part of the organisation’s infrastructure for storing and processing the data, it is the network infrastructure that interconnects systems for allowing real-time collaboration and information sharing. Applications that require real-time processing of high volume of data streams require a reliable and high-bandwidth network infrastructure.</p> <p>The underlying network infrastructure design and capacity does not seem to adequately cater to the needs of the IFMIS application standard uptime requirements and that of the end-users. Most of the county users have reported frequent downtime of the application ranging anywhere between 2 to 4 days continuously while, ministries have reported slow response time and sometimes downtime extending to one day.</p> <p>IFMIS relies heavily on the overall network infrastructure of the government and appears to have undertaken minimal or no efforts for study and determination of network specifications to meet IFMIS standard requirements specifically.</p> <p>To achieve 99.9% of the system availability as expected and stated in the performance contract, it is of critical importance that the service level agreements (SLAs) drafted among the various service providers are reviewed and monitored on timely basis, which currently is not in practice. Such regular monitoring of the network performance not only improves reliability, but also assures continuous availability of the network bandwidth.</p>
Asset Control & Management	<p>The ensuing dashboard projects a criticality matrix of all the observations arising out of the review of asset control and general accepted asset management practices to be adopted. Summary of the individual observations are also listed below.</p>

	High	Medium	Low
Asset Control & Management			
Security			

Security Policies, including Internet access management,	High		
network policy and others	High		
Business Continuity and Disaster Recovery Plan	High		
Asset Management	High		
Maintenance of Asset Register and Software Licenses Asset Inventory	High		
IT Organization Chart		Medium	

Asset Maintenance

The following projects a criticality matrix of all the observations that have been classified under the “Asset Maintenance” section.

	High	Medium	Low
Asset Maintenance			
Data Center	High		
Service Delivery			
Service Level Agreement	High		
Reporting - Incident Management		Medium	
Back-up			
Back-up Management	High		
Back-up Media Management	High		
Configuration – Systems, Database and Applications	High		
Patch Management		Medium	
Security			
Database – Encryption Strategy	High		
Anti-Virus Management	High		
Password Policy	High		
Remote Access		Medium	

Chapter 11: Causal Analysis – Summary of Key Learning

11.1 Summary of Key Learning

11.2 Cause and the IFMIS Domino Effect

None of the causal analysis pointed out to technology. Technology is available for a given price point. More pertinent Causal analysis will be leveraging on technology and making technology work for its intended purpose.

11.3 IFMIS Absorption Capacity Gap

- Software and technology comes with significant features. While determining project outcomes as complex as IFMIS, a lot of emphasis is laid on the 'featurability of the software'. However in reality, the extended and comprehensive features are not used at all after spending significant amount of public resources. Factors contributing to such low levels of usability are extent of configuration of the applications and of those configured to what extent they are utilized in an effective manner.
- There is a significant gap between the usability and ground level IFMIS absorption. The ability to consume more can arise not out of software features rather out of effective capacity building. The current IFMIS Training model requires significant overhaul along with deploying support clusters that can enhance the support.

11.4 Summary of Key Learning

# 1	Implementation approaches, although often sharing common technical features, depend also on the Country Context.- Recognition, management support, willingness to engage in change and establish capacity are critical issues.
# 2	IFMIS implementation involves substantive government wide (often frame-breaking) change in the manner in which Public Budgeting and Financial Management Processes take place. – The core IFMIS Group vision/strategy must recognize this; commitment to specific PFM changes is essential for successful IFMIS implementation.
# 3	IFMIS although often perceived as a technical IT based issue has both Hard (ICT, Software, Processes) and Soft Dimensions(Power, Politics, Culture, People) – The IFMIS design, implementation and change management processes need to reflect this
# 4	The intended scope of an IFMIS can vary, from simple General Ledger System to a comprehensive system addressing Budget, Revenue, Financial Management, Resource Management, Payroll, Accounting, Financial Reporting,

	Auditing and Accountability processes across Central and Local Government & Public Sector Agencies. – Scale, scope and sequencing of the changes are very important.
# 5	Competent Transition Management Capacity is a key issue in ensuring successful IFMIS implementation. This requires PFM, ICT and CM skills. - IFMIS Project Management teams should encompass these skill sets
# 6	Capacity building during the transition stage facilitates sustainable operational capacity. Implementation is a major learning opportunity.
# 7	PFM is an extensive area. Change is continuous. Implementation does not end with functionality/coverage but rather with internalized capacity.

Chapter 12: Corroborating OAG IFMIS Review with PEFA Report

<p>Public Expenditure and Financial Accountability Framework (PEFA) (www.pefa.org)</p>	<p>PEFA Program</p>
	<ul style="list-style-type: none"> • The Public Expenditure and Financial Accountability (PEFA) Program was founded in 2001 as a multi-donor partnership between seven donor agencies and international financial institutions to assess the condition of country public expenditure, procurement and financial accountability systems and develop a practical sequence for reform and capacity- building actions. A Steering Committee comprising these agencies manages the Program, while the Secretariat implements the PEFA activities. <ul style="list-style-type: none"> ○ The PEFA Program builds on the principles of the Strengthened Approach to Supporting Public Financial Management Reform that is embodied in three components and closely aligned with the Paris Declaration on Aid Effectiveness. ○ A country-led agenda, "i.e.," a government-led reform program for which analytical work, reform design, implementation and monitoring reflect country priorities and are integrated into governments' institutional structures; ○ A coordinated program of support from donors and international finance institutions, "i.e.," in relation to both analytical work, reform financing and technical support for implementation; ○ A shared information pool on public financial management, "i.e.," information on PFM systems and their performance that is commonly accepted by and shared among the stakeholders at country level, thus avoiding duplicative and inconsistent analytical work. ○ The Program provides its services through the PEFA Secretariat. The PEFA Program's main activities are:

	<ul style="list-style-type: none"> ▪ Development and maintenance of the PFM Performance Measurement Framework (PEFA Framework); ▪ Support and guidance to the users of the PEFA Framework ▪ Promotion of training programs and materials for assessors and assessment managers (consultants, donors and government staff) and, ▪ Monitoring of the rollout of the Strengthened Approach and application of the PEFA Framework for lesson learning and dissemination.
	<p>PEFA Framework</p>
	<p>Under the Public Expenditure and Accountability (PEFA) Program, the public financial management (PFM) Performance Measurement Framework (PMF) (or PEFA Framework) has been developed as a contribution to the collective efforts of many stakeholders to assess whether a country has the tools to deliver three main budgetary outcomes:</p> <ul style="list-style-type: none"> • aggregate fiscal discipline • strategic resource allocation • efficient use of resources for service delivery <p>The objectives of the Framework are to:</p> <ul style="list-style-type: none"> • provide reliable information on the performance of Public Financial Management (PFM) systems, processes and institutions over time; • contribute to the government reform process by determining the extent to which reforms are yielding improved performance and by increasing the ability to identify and learn from reform success; • facilitate harmonization of the dialogue on PFM performance, reform needs and donor support between government and donors around a common PFM performance • Assessment and therefore contribute to reduce transaction costs for country governments.

	<ul style="list-style-type: none">• By providing a common pool of information for measurement and monitoring of PFM performance progress, and a common platform for dialogue about PFM reform that aims to contribute to the development of effective country-owned PFM systems.
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Public Expenditure and Financial Accountability Framework (PEFA) Results for Kenya in 2012 and relevance to IFMIS

PEFA Assessment Score Card – Kenya 2012	A+	A	B+	B	C+	C	D+	D
B – Cross Cutting Issues Comprehensiveness and Transparency								
Classification of Budgets								
C – Budget Cycle								
C1 – Policy Based Budget making								
Orderliness and participation in the annual budget process								
Multi-year perspective in fiscal planning, expenditure policy and budgeting								
C 2 - Predictability & Control in Budget Execution								
Transparency of taxpayer obligations and liabilities								
Effectiveness in collection of tax payments								
Effectiveness of payroll controls								
Competition, value for money and controls in procurement								
Effectiveness of internal controls for non-salary expenditures								
Effectiveness of internal audit								
C 3 - Accounting, Recording and Reporting								
Timeliness and regularity of accounts reconciliation								
Availability of information on resources received by service delivery units								
Quality and timeliness of in-year budget reports								
Quality and timeliness of annual financial statements								
C 4 – External Security and Audit								
Scope, nature and follow-up of external audit								
Legislative scrutiny of the annual budget law								
Legislative scrutiny of external audit reports								
D - Donor Practices								
Financial information provided by donors for budgeting and reporting on project and program aid								

<p>Corroborating OAG IFMIS Performance Report conclusions and PEFA Conclusions on PFM and Impact of IFMIS on PFM Reforms</p>	
<p>Observation # 1</p>	<p>OAG’s IFMIS Performance Report Coverage</p>
	<p>Comprehensive assessment and review of IFMIS system with the following coverage</p> <ul style="list-style-type: none"> • IFMIS strategy to scope of service delivery • IFMIS Acquisition Process • Review of systems, configurations, control risks • Utilization Reviews • Adoption levels by users • Integration Assessments • Service Delivery contracts review • Infrastructure assessment • Governance, ICT Support and Capacity building assessments
	<p>PEFA’s Outcome on Budgetary Process, Reporting and Financial Reporting System (IFMIS)</p>
	<ul style="list-style-type: none"> • Effectiveness of payroll controls - B+ • Competition, value for money and controls in procurement - C+ • Effectiveness of internal controls for non-salary expenditures - C • Effectiveness of internal audit - C • Accounting, Recording and Reporting (Overall) - D <ul style="list-style-type: none"> ○ Timeliness and regularity of accounts reconciliation - D ○ Availability of information on resources received by service delivery units - D ○ Quality and timeliness of in-year budget reports – C+ ○ Quality and timeliness of annual financial statements - C

	Outcome Assessments Corroborate weak enforcement of PFM reforms especially on areas of accounting, Recording & Reporting mechanism – Key desired results out of the IFMIS Initiative NOT FULLY DELIVERED
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Chapter 13: Recommendations and Conclusions

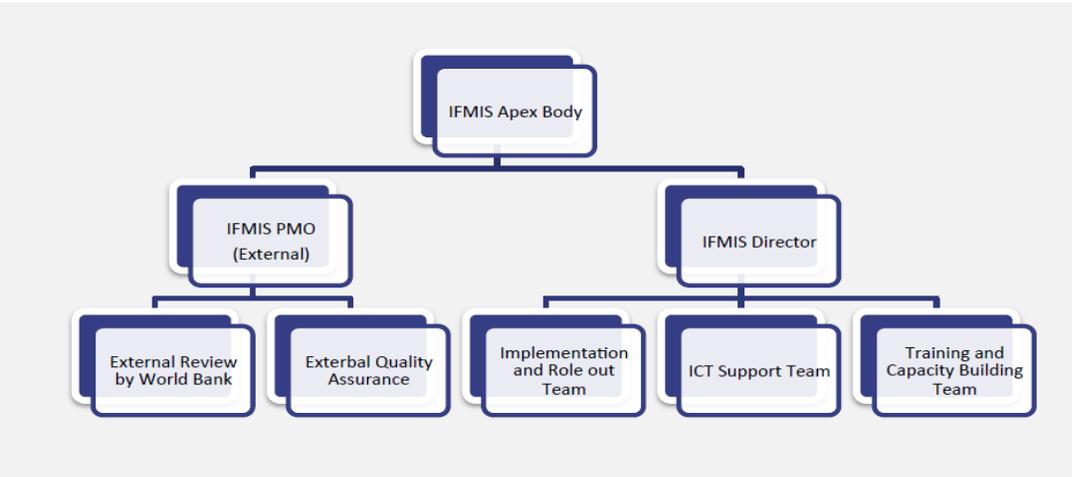
13.1 Recommendations

Strategic Recommendations	
Recommendation # 1	Inclusive approach to Stakeholders & Stakeholder expansion
	<p>National Treasury spearheaded the existing IFMIS Implementation. Even though the Strategic blue print articulates stakeholder groups comprising of Deputy Prime Minister and Minister of Finance (Chair), Permanent Secretary / Treasury, Financial Secretary, Auditor General, Assistant Minister for Finance, Economic Secretary, Governor or Director Banking, Commissioner General Kenya Revenue Authority to a very large extent the project has been under the direction and supervision of National Treasury and the IFMIS technical team under national treasury.</p> <p>IFMIS is a national level initiative touching the nerve of accounting, recording and reporting system touching varied stake holders</p> <p>IFMIS Ecosystem cuts across the Government function and a critical information super highway connecting Kenya's Public Financial Management</p> <p>Managing IFMIS requires active participation of expansive stakeholders and there is a need to enhance the stakeholders participation in the running of IFMIS</p>



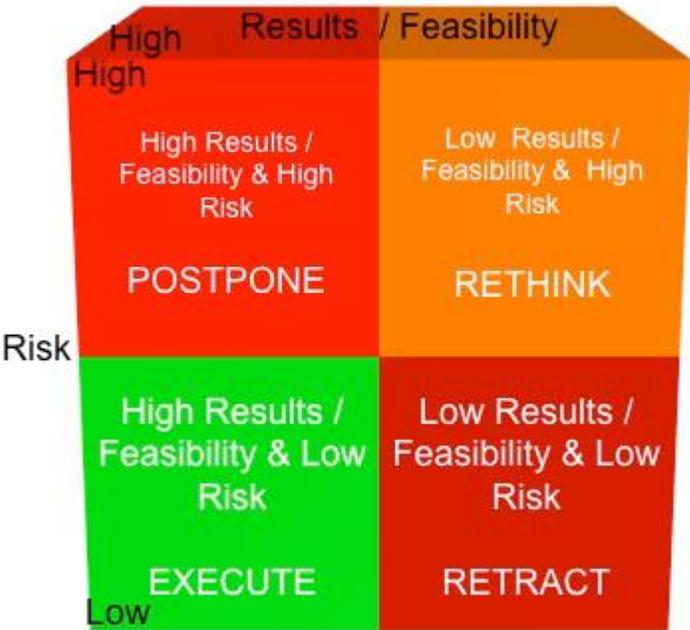
Recommendation # 2	Strengthen the IFMIS Apex Body to oversee effective governance
	<p>Strengthen the IFMIS Apex body that will oversee the strategy and execution of IFMIS. In the context of devolved governments where IFMIS is rolled in all 47 counties, representation from Counties become very critical to the success of the IFMIS governance right through strategy to execution</p> <p>The following are the recommended members of the IFMIS Apex body</p> <ul style="list-style-type: none"> • National Treasury. • Council of Governors. • Controller of Budget. • Commission for revenue allocation. • Office of the Auditor-General.

Role of the IFMIS Apex Body	
	<ul style="list-style-type: none"> • Provide Strategic direction to the IFMIS roll outs during the period 2015-18 period • Ensure the IFMIS utilization are maximized and develop strategies for enhanced adoption • Define KPI's and outcome measures • Periodically review the performance measures. • Provide Governance mechanism • Review IFMIS Acquisition process
Recommendation # 3	IFMIS Operating Structure – Setting up of independent PMO
	<p>Complex Project like IFMIS requires expertise in acquiring and managing technology projects. It is recommended to develop an IFMIS Program Management Office (PMO) that will report to the Apex Body on the effective functioning of the IFMIS. The PMO will work very closely with the IFMIS Project Director and the team to provide levels of assurance to the IFMIS Apex Body.</p> <p>The Operating Structure for IFMIS PMO is recommended as under:</p>



	<p>Role of PMO</p> <p>Governance: ensuring that decisions are taken by the right people, based on the right information. The governance role can also include audit or peer reviews, developing project and programme structures and ensuring accountability.</p> <p>Transparency: providing information with a single source of the truth. Information should be relevant and accurate to support effective decision-making.</p> <p>Reusability: stopping project teams from reinventing the wheel by being a central point for lessons learned, templates and best practice.</p> <p>Delivery support: making it easy for project teams to do their jobs by reducing bureaucracy, providing training, mentoring and quality assurance.</p> <p>Traceability: providing the function for managing documentation, project history and organizational knowledge.</p>
Recommendation # 4	Develop IFMIS Integrated Governance Model
	<p>IFMIS Projects are complex to manage and require structured approach to Governance involving international standards. The Governance Involves strong program and project management, adoption of processes while acquiring vendors to run the program. A comprehensive robust Governance structure covering all the above aspects must be put in place</p>
Recommendation # 5	Develop IFMIS Projects Prioritization Matrix
	<p>IFMIS Projects implementation / roll out can be arrived based on two factor criteria</p> <ul style="list-style-type: none"> • Project Feasibility and Result - Factors influencing Return of Benefits – ROB and benefits accrued • Project Risks - factors influencing Total Cost of Ownership including Risks <p>Based on the two factors , following possibilities can be determined</p> <ul style="list-style-type: none"> • Projects involving high risks , but also result in high benefits, Postpone

	<ul style="list-style-type: none"> Projects having high risks , but resulting in low benefits, Rethink Projects having Low Risks , resulting in high benefits, Execute Projects having Low risks and result in low benefit, Retract <p>Some of the factor influences are provided as under</p>	
	Risk Factors	Project Feasibility / Results Factor
	Budget Availability Data Availability Resource Availability Technology Availability Stakeholder readiness Process Readiness Implementation Complexity Project Dependencies	Strategic Alignment Process Improvement Customer Satisfaction Impact Time Frame to Business Total entities affected Internal system exits Type of Audience Cost Reduction Usage / Customer affected Innovation involved
	<p>The resultant total score of Return of Benefits (ROB) factors is compared with total score of Total Cost of Ownership (TCO) of each project / initiative and placed appropriately under either of these quadrants.</p>	



Recommendation # 6	<p>Mitigate risk of legal exposure with vendors</p> <ul style="list-style-type: none"> To minimise the risk of legal exposure with the vendors, IFMIS team should use contract document templates pre-vetted by Legal team / Attorney General Office.
Recommendation # 7	<p>Develop Support Centre Hubs at Counties</p> <ul style="list-style-type: none"> One of the reasons for low levels of utilization of IFMIS at grass root level is lack of day to day on-going support / reinforcement of training at counties. The centralized support help desk providing remote support or on call support is not adequate given the current levels of adoption , change management aimed at PFM reforms It is recommended to develop a support –hub across Kenya to provide regular day to day support .The whole initiative can be monitored and tracked by the IFMIS Project team and the central Help Desk
Recommendation # 8	<p>IFMIS Capacity Building Framework</p> <p>The IFMIS Academy course design is narrow in scope and does not address the competency framework as designed by the strategic blue print for the Academy. A Series of steps are recommended to build the IFMIS Capacity to deliver and IFMIS absorption capacity at grass root levels</p> <ul style="list-style-type: none"> Develop a comprehensive IFMIS Capacity Building Framework - Long term Strategic Plan required to address the IFMIS Absorption rate issue and develop a robust capacity enhancement plan Revamp IFMIS - IFMIS Academy Curriculum needs to comprehensively revamped to reflect the core PFM processes and also address all the competency framework defined for IFMIS Academy On the Field Support Team - Recruit College Graduates and put them on intensive training program and deploy them on support hubs to address the change management and IFMIS Absorption issue Evaluation - Periodic Review and Evaluation of IFMIS Capacity Building in line with overall IFMIS Strategy
Recommendation # 9	<ul style="list-style-type: none"> It is essential that IFMIS department establishes a comprehensive security policy, standards and procedures

	<p>covering various aspects of security control which are essential for the IFMIS system to operate and Government financial data to be stored in a secure and controlled environment.</p>
Recommendation # 10	<ul style="list-style-type: none"> To mitigate the risk of errors and fraud, integration of IFMIS with other systems such as KRA, CS-DRMS, e-ProMIS should be completed.
Recommendation # 11	<ul style="list-style-type: none"> It is recommended that the functionalities that have not been configured in the IFMIS system be effected in order of priority. An example include automation of the exchequer release process and bank reconciliation process.
Recommendation # 12	<ul style="list-style-type: none"> Supplier master records should be reviewed and reconciled. In addition, the IFMIS team at Treasury should control the supplier creation process.
Recommendation # 13	<ul style="list-style-type: none"> To increase the level of utilization among IFMIS users, it is recommended that users be adequately trained and supported.
Recommendation # 14	<ul style="list-style-type: none"> Baseline documents for servers, network, database and application should be maintained and updated regularly.
Recommendation # 15	<ul style="list-style-type: none"> It is recommended that a comprehensive review of the reporting requirements for all IFMIS stakeholders be gathered and built in the system.
	<ul style="list-style-type: none"> It is essential that IFMIS department establishes a comprehensive security policy, standards and procedures covering various aspects of security control which are essential for the IFMIS system to operate and Government financial data to be stored in a secure and controlled environment.