EFFECTIVENESS OF IFMIS IN PUBLIC SECTOR – KENYA CASE

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Agenda

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Mandate of the Auditor-General

• The mandate of the Auditor General was expanded by the Constitution of Kenya (COK) 2010 to respond to two levels of government; notably National and County Governments.

• The mandate is to essentially audit all Ministries, Departments and Agencies (MDAs) at National and County levels. It also includes;
  – Funds and Authorities;
  – Courts;
  – Constitutional Commissions and Independent Offices;
  – Assemblies (National & County) & the Senate;
  – Political Parties – Funded by Public Funds;
  – Public Debt;
  – Any other entity stipulated under the legislation; and
  – Any entity funded from public funds including state corporations.
IFMIS Defined

• What is IFMIS?
  – It is an automated system that is used for public financial management.

• IFMIS in Kenya
  – The Integrated Financial Management and Information System (IFMIS) system was first launched in 2003 in Kenya.
  – This however introduced only limited modules, with other financial management processes remaining manual.
IFMIS Re-engineering

- The first Phase of IFMIS Re-engineering: IFMIS Re-engineering Strategic Plan of (2011-2013)
IFMIS Re-engineered Components

• Re-engineering for Business Results: This component reviews the business processes for improved financial Management for Plan to Budget, Procure to Pay, Revenue to Cash and Record to Report

• Plan to Budget: A fully integrated process and system that links planning, policy objectives and budget allocation.

• Procure to Pay: To develop a fully integrated and automated supply chain management system.
IFMIS Re-engineered Components

- **Revenue to Cash**: Auto-reconciliation of revenue and payments with automatic file generation.
- **Record to Report**: Secure two way interface with CBK for accurate, up to date information on the GOK financial position and the production of statutory reports real time.
- **ICT to Support**: Dedicated IFMIS support functions for software, hardware and infrastructure.
- **Communicate to Change**: IFMIS Academy for capacity building and continuous learning.
IFMIS Modules

1. Accounts Payable
2. Accounts Receivable
3. Purchasing Order
4. Fixed Assets
5. General Ledger
6. Cash Management
7. e-Procurement
IFMIS Benefits

• Enables efficient resource allocation mechanisms;
• Improves management information for decision making;
• Establishes effective links between key players in accounting and financial management;
• Improves financial controls by availing reliable and timely financial information,
• Improves accounting, recording and reporting through timely, accurate financial data provision;
• Accelerates the pace / scope of economic growth;
• Enhances development partners’ confidence.
IFMIS Benefits, In Summary:

- Enable government reform
- Improve efficiency and controls
- Improve confidence through transparency
- Increase government revenue
- Reduce costs
- Improve budgets, planning and decision-making
Key IFMIS Implementation Steps:

- The preparation of the initial need assessment;
- Requirement gathering and delivery of system specifications;
- The design and delivery of a uniform chart of accounts across the public service;
- The preparation and delivery of accepted rules and procedures for the new system;
- The evaluation, selection and procurement of software and hardware applications;
- The system integration, testing and implementation;
- The audit/evaluation of project progress and results.
1. Institutional Challenges

- **Legal framework** – IFMIS must be underpinned by a coherent legal framework governing the overall public finance system.

- **Business processes** – IFMIS generally imply fundamental changes in operating procedures and should be preceded by a detailed functional analysis of processes, procedures, user profiles and requirement that the system will support.

- **Budget and account structure** – Implementing IFMIS requires that many government structures start working with common tools. For the information to be coherent, all administrative units at national, regional and local level need to adopt a common language in the form of unified budget classifications and charts of accounts.

- **Centralized treasury operations** – IFMIS reform is often accompanied by the consolidation of all government financial resources in a single treasury account or a set of linked accounts.
2. Political Challenges

• People – User Resistance

• Organization with its own unique features
  – Politics
  – Culture
  – Organization Structures
  – Standard Operating Procedures (SOP)

3. Technical Challenges
Challenges summary

- Inadequate planning;
- Poor communication between implementers, donors and government;
- Shortage of management capacity and resources;
- Changes in system design without full agreement of all;
- Poorly implemented trainings.
Integration of IFMIS with other third party systems

- **Kenya Revenue Authority (KRA)** – Account Receivable – Working with KRA and CBK to operationalize this interface.


- **Electronic Project Management Information System (E-PROMIS)** – Work in progress
Integration of IFMIS with other third party systems

- Pension Management Information System (PMIS) – Work in progress
- Government Human Resources Information System (GHRIS) – Work in progress
- Group Personal Accident (GPA) with IFMIS Accounts Payable.
- Note: Now implementing Service Oriented Architecture (SOA) to manage these integrations
IFMIS System Audit Process

- IT Governance (Review Organogram, Business Strategy, IS Policy)
- IT Controls
  - Physical and Environmental Controls,
  - Logical Access Controls,
- Application Controls (Module by Module)
  - Input Controls,
  - Processing Controls,
  - Output Controls, and
  - Master/Standing Data Files Controls,
- IT Security Controls (Security Policy)
- IT Operations,
- Change Management Controls,
- Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP),
- Development and Acquisition
- Outsourcing.
IFMIS Effectiveness Audit

- Public Sector Reforms & IFMIS
- IFMIS Performance Review
- Assessment of Systems & Processes
- Assessment of Financial Reporting from IFMIS
- Assessment of IFMIS Applications Acquisition & Vendor Performance Analysis
- Assessment of IFMIS User Adoption Levels
- Review of IFMIS Academy
- Assessment of IFMIS ICT Support & Governance
Reality Check

• Kenya enacted the New Constitution in 2010

• With the new constitution, two levels of government have been created, National and County.

• It is no longer a unitary government but stratified.

• Can IFMIS work as expected?
IFMIS Kenya Challenges

A. National Government

1. People Challenges – User resistance, Skills e.t.c

2. Technology Challenges
   – Hardware and software
   – Integration Issues. Still fully integration with third party systems has not been achieved.

3. Security Challenges
   – IT Security
   – Cyber attacks
IFMIS Kenya Challenges

B. County Government

1. People Challenges – User resistance, Skills e.t.c

2. Technology Challenges
   - Lack of full connectivity especial in County Governments
   - No connectivity in most of sub-counties in County Government
   - Most of the counties cannot handle Revenue Collection using IFMIS
   - Hardware and Software

Proposed Ideal Situation

- Have IFMIS for National Government (as it was initially planned to be)
- Design IFMIS for County Governments (County Government have their unique features)
- Integrate the two for monitoring purposes.
- In so doing you ease management and avoid single point of failure
References


THANK YOU