TAX ADMINISTRATION DIAGNOSTIC ASSESSMENT TOOL

Performance Assessment Report

Garissa County, Kenya

Moses G. Chamisa, Desterious Shilabukha, and Vihitha Beharee

July 2021

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TADAT™
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UN CDF

AFRICAN TAX ADMINISTRATION FORUM
FORUM SUR L'ADMINISTRATION FISCALE AFRICAINE

July 2021

TADAT is a collaborative undertaking of the following partners:

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PREFACE

An assessment of the system of tax administration of Garissa County (GCRD), Kenya was undertaken during the period April 12 - 28, 2021 using the Tax Administration Diagnostic Assessment Tool (TADAT). TADAT provides an assessment baseline of tax administration performance that can be used to determine reform priorities, and, with subsequent repeat assessments, highlight reform achievements.

A team comprising Messrs. Moses G. Chamisa (Team Leader, TADAT Expert) and Desterious Shilabukha (TADAT Expert); and Mme Vihitha Beharee (TADAT Expert) conducted the assessment. United Nations Capital Development Fund (UNCDF) and the African Tax Administration Forum (ATAF) led the assessment with support from the TADAT Secretariat.

The assessment team met Messrs. Issa Oyow (County Executive Committee Member - Finance and Economic Planning), Ismail Dabar (County Attorney), Sirat Aden Ali (Chief Officer – Finance), Samuel Kariuki (Director – Revenue Management), Patrick Okello (Director – Economic Planning and M & E), Abdirahman (Director – Budget Services), James Mukoma (Director ICT/Human Resource), and Abdinoor Ole Hussein (CEO – Municipality Disaster Management. The assessment team also met Ms. Zeinab Dunto (Director – Internal Audit), other county senior management team members, and several County revenue officers. Virtual field visits were made to the Director – Revenue Management and Township Sub-County offices.

The assessment team expresses its appreciation to Garissa County Revenue Department (GCRD) management and staff for the open, candid and active participation in the assessment. Particular thanks go to Messrs. Samuel Kariuki and James Mukoma for effectively facilitating the team’s work during the assessment.

A draft Performance Assessment Report (PAR) was presented to the GCRD during an exit meeting held on April 28, 2021. Following clarification by UNCDF and the TADAT Secretariat on concerns raised by the Garissa County authorities, the assessment results were accepted and endorsed on the County’s behalf by the Governor, H.E. Ali Bunow Korane. The TADAT Secretariat has cleared this PAR.

ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Plan
ACDI/VOCA	Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance
AHADI	Agile and Harmonized Assistance for Devolved Institutions
ATAF	African Tax Administration Forum
CA	County Attorney
CHRMAC	County Human Resource Management Advisory Committee
CIDP	County Integrated Development Plan
CPSB	County Public Service Board
CRA	Commission of Revenue Allocation
CRB	Counterfoil Register Book
DPBR	Directorate of Planning, Budget and Finance
DTA	Double Taxation Agreement
EACC	Ethics and Anti-Corruption Commission
GCP	Gross County Product
GCRD	Garissa County Revenue Directorate
HCR	Human Capital Risks
IAD	Internal Audit Department
IFMIS	Integrated Financial Management Information System
ISIC	International Standards Industrial Classification
IT	Institute of Internal Auditors
KNBS	Kenya National Bureau of Statistics
KRA	Kenya Revenue Authority
NPS	National Police Service
OAG	Office of the Auditor-General
OSR	Own Source Revenue
POA	Performance Outcome Area
RDC	Revenue Disciplinary Committee
SBP	Single Business Permits
TADAT	Tax Administration Diagnostic Assessment Tool
UNCDF	United Nations Capital Development Fund
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

The results of the TADAT assessment for Garissa County, Kenya follow, including the identification of the main revenue administration strengths and weaknesses.

Strengths

- Information on changes to laws and administrative procedures is updated annually and provided to taxpayers before publication.
- Electronic payment methods are available for all core revenue streams.
- GCRD monitors revenue streams and provides input to County revenue forecasting processes.
- Independent internal and external audits that provide oversight of financial and operational performance are routinely conducted.
- Annual reports, annual operational plans, and multi-year strategic plans are produced and made public in a timely manner.

Weaknesses

- The integrity of the taxpayers' register is low due to manual, decentralized and multiple tax registers that are not integrated or routinely updated.
- Absence of effective risk management processes to identify, assess and mitigate compliance and institutional risks.
- GCRD does not have an automated call center.
- Lack of data/evidence to monitor the usage of established electronic payment platforms.
- The stock and flow of tax arrears is not monitored.
- Systematized and uniform processes and procedures for conducting inspections are not in place, and the quality of inspections is not monitored.
- Lack of an effective dispute resolution mechanism that is fair and independent.
- The revenue accounting system is manual and cannot, therefore, interface directly with the County's financial management system.
- An ombudsman does not exist at the County level, and there is no Internal Affairs Unit or well-developed framework to manage integrity.

The GCRD has attained significant achievements in creating a service-oriented approach to meet its mandate. It has a commendable level of transparency and accountability by making public its reports and plans, improved taxpayer engagement through increased public participation in meetings and seminars, it introduced mobile phone tax payment systems, and contributes regularly to the County's revenue and budgetary forecasting processes.

Although the GCRD has in place some good practices, many tax administration functions need to be strengthened. The TADAT assessment has highlighted several areas in which the tax system is either inadequate ('D' scores) or where performance is weak ('C' scores). The gaps identified can inform a reform agenda. For example, it was noted that: (i) all core revenue functions are manual; (ii) documented standard operating procedures for most functions are not in place: and (iii) risk management approaches are not used to manage both taxpayer compliance and institutional risks. In addition, there are is no (i) automated crosschecking of information to ensure the accuracy of taxpayer declarations, and (ii) there is no dedicated call center to manage taxpayer enquiries.

Table 1 summarizes the performance scores, and Figure 1 provides a graphical snapshot of the distribution of scores. The scoring is structured around the TADAT framework's nine performance outcome areas (POAs) and 32 high level indicators critical to subnational tax administration performance. An 'ABCD' scale is used to score each indicator; with 'A' representing the highest level of performance and 'D' the lowest.

Table 1: Garissa County, Kenya: Summary of TADAT Performance Assessment

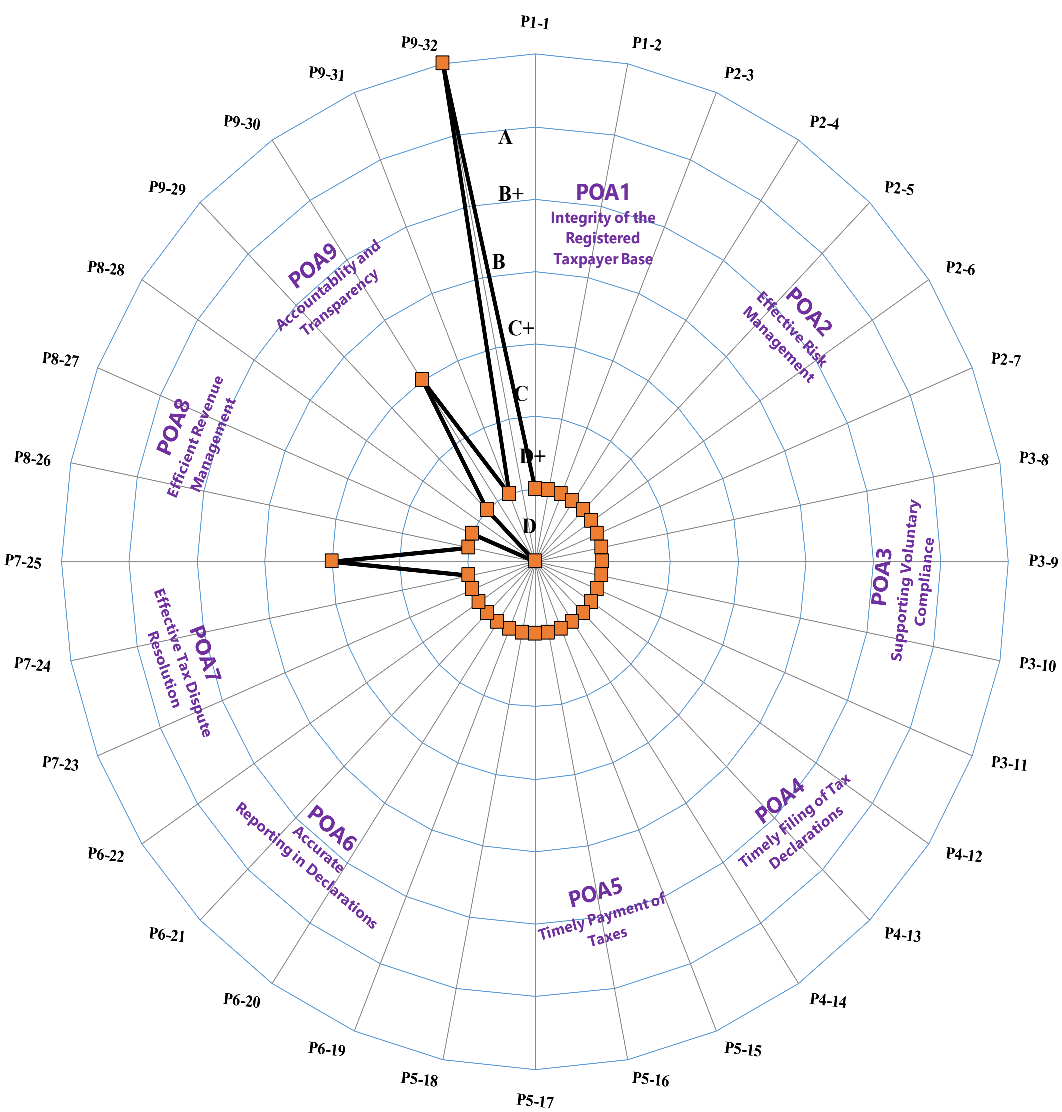
Indicator	Scores 2021	Summary Explanation of Assessment
POA 1: Integrity of the Registered Taxpayer Base		
P1-1. Accurate and reliable taxpayer information.	D	Accuracy and reliability of taxpayer information is low because of a manual and decentralized registration database. The taxpayer registers are not integrated nor are they updated routinely.
P1-2. Knowledge of the potential taxpayer base.	D	Initiatives undertaken to detect unregistered businesses and individuals for tax purposes are limited, and there is no evidence of use of third-party information to detect unregistered taxpayers.
POA 2: Effective Risk Management		
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	D	GCRD does not undertake intelligence gathering and research to identify compliance risks in respect of the main tax obligations. There is no process in place to manage compliance risks.
P2-4. Mitigation of risks through a compliance improvement plan.	D	GCRD does not have a compliance improvement plan or identify compliance risks and therefore do not mitigate risks that cover all core revenue

Indicator	Scores 2021	Summary Explanation of Assessment
		streams, the four main compliance obligations or taxpayer segments.
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	D	GCRD does not monitor progress nor evaluate the impact of compliance risk mitigation initiatives as no compliance risk management process is in place.
P2-6. Management of operational risks.	D	GCRD does not manage operational risks as no structured risk management process is in place. A business continuity programme or plan for the Revenue Directorate has not yet been developed.
P2-7. Management of human capital risks.	D	GCRD does not have any processes in place to identify or manage human capital risks. The capacity to support effective management of human capital risks is absent.
POA 3: Supporting Voluntary Compliance		
P3-8. Scope, currency, and accessibility of information.	D	The range of information on taxpayers' main obligations is limited and does not include customized products for disadvantaged groups. Although information is available at no cost at county revenue offices, no other service delivery facilities and self-service channels are available.
P3-9. Time taken to respond to information requests.	D	GCRD does not have a dedicated and automated call center and, therefore cannot monitor the time taken to respond to taxpayers' requests.
P3-10. Scope of initiatives to reduce taxpayer compliance costs.	D	Although GCRD has implemented some measures to reduce taxpayer's compliance costs by introducing mobile tax payment systems, the Garissa County website does not provide for frequently asked questions. Additionally, secure online facilities are not available.
P3-11. Obtaining taxpayer feedback on products and services.	D	Taxpayers provide feedback to Garissa County through public participation in the annual review of the Finance Bill, and ad-hoc stakeholder meetings or informal public market engagements. No internal or external taxpayer surveys are conducted.
POA 4: Timely Filing of Tax Declarations		
P4-12. On-time filing rate.	D	Data provided is unreliable to assess this indicator objectively.
P4-13. Management of non-filers.	D	Actions taken to follow-up non-filers are inadequate, and related processes are not fully automated.

Indicator	Scores 2021	Summary Explanation of Assessment
P4-14. Use of electronic filing facilities.	D	The GCRD does not have an electronic platform for filing of tax declarations.
POA 5: Timely Payment of Taxes		
P5-15. Use of electronic payment methods.	D	Electronic payment methods are available for all core revenue streams. However, no evidence was provided to assess the extent to which electronic payment methods are used.
P5-16. Use of efficient collection systems.	D	Withholding at source and advance payment systems are not used.
P5-17. Timeliness of payments.	D	The data provided is unreliable to assess this indicator objectively.
P5-18. Stock and flow of tax arrears.	D	The GCRD does not monitor the stock and flow of tax arrears.
POA 6: Accurate Reporting in Declarations		
P6-19. Scope of verification actions taken to detect and deter inaccurate reporting.	D	The GCRD carries out some but not comprehensive inspections to determine the accuracy of the information reported by taxpayers. The inspections cover all core own source revenue streams but are not selected centrally based on assessed risks.
P6-20. Use of large-scale data-matching systems to detect inaccurate reporting.	D	No information system is in place for large-scale automated crosschecking to verify, with third parties, information reported by taxpayers.
P6-21. Initiatives undertaken to encourage accurate reporting.	D	There is no system of public and private rulings in place. Some cooperative compliance arrangements are in place for banks that include preferential treatment on inspections and payment of taxes. However, these arrangements are not documented.
P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels.	D	GCRD's monitoring of the extent of inaccurate reporting is limited. GCRD has conducted a gap analysis study in 2019. However, it does not monitor and report on the extent of inaccurate reporting.
POA 7: Effective Tax Dispute Resolution		
P7-23. Existence of an independent, workable, and graduated dispute resolution process.	D	GCRD does not have an appropriately graduated mechanism of administrative review to handle tax disputes. The dispute resolution mechanism is multi-layered.
P7-24. Time taken to resolve disputes.	D	Time taken to resolve disputes is not monitored.

Indicator	Scores 2021	Summary Explanation of Assessment
P7-25. Degree to which dispute outcomes are acted upon.	C	Some ad hoc analysis of the dispute outcomes is considered for contribution in the policy and legal changes in the Garissa County Finance Act
POA 8: Efficient Revenue Management		
P8-26. Contribution to government tax revenue forecasting process.	D	The GCRD Revenue Director and Accountant provide input to the County's revenue forecasting processes; however, performance reports are provided quarterly and tax expenditures are not monitored and reported.
P8-27. Adequacy of the tax revenue accounting system.	D	The GCRD does not have an automated revenue accounting system that meets government standards. No regular system audits are conducted.
P8-28. Adequacy of tax refund processing.	N/A	Not applicable – GCRD does not have any revenue stream that is eligible for a refund.
POA 9: Accountability and Transparency		
P9-29. Internal assurance mechanisms.	D	The GCRD has an independent Internal Audit Directorate (IAD) that reports, functionally, to the County Audit Committee and administratively to the Chief Officer-Finance. However, there is no central repository of internal control policies, procedures and processes. GCRD has a Human Resources Policy that clearly states the code of ethics and cooperates with other relevant anti-corruption agencies. However, there is no internal affairs unit.
P9-30. External oversight of the tax administration.	C	The Office of the Auditor-General (OAG) provides independent external oversight. However, mechanisms to investigate suspected wrongdoing by the GCRD are weak. A national anti-corruption commission exists, and it investigates cases of misconduct or corruption. However, there is no ombudsperson at the County level.
P9-31. Public perception of integrity.	D	GCRD does not monitor public confidence in the revenue directorate.
P9-32. Publication of activities, results and plans.	A	An annual report is produced covering the financial and operational performance. In addition, the Annual Development Plan (ADP) and County Integrated Development Plan (CIDP) are published in advance of the plan period.

Figure 1: Garissa County, Kenya: Distribution of Performance Scores



Indicator	Score
P1-1	D
P1-2	D
P2-3	D
P2-4	D
P2-5	D
P2-6	D
P2-7	D
P3-8	D
P3-9	D
P3-10	D
P3-11	D
P4-12	D
P4-13	D
P4-14	D
P5-15	D
P5-16	D
P5-17	D
P5-18	D
P6-19	D
P6-20	D
P6-21	D
P6-22	D
P7-23	D
P7-24	D
P7-25	C
P8-26	D
P8-27	D
P8-28	N/A
P9-29	D
P9-30	C
P9-31	D
P9-32	A

I. INTRODUCTION

This report documents the results of the TADAT assessment conducted in Garissa County, Kenya during the period April 12-28, 2021 and subsequently reviewed by the TADAT Secretariat. The report is structured around the TADAT framework of nine POAs and 32 high-level indicators critical to tax administration performance that is linked to the POAs. Fifty-three measurement dimensions are taken into account in arriving at each indicator score. A four-point 'ABCD' scale is used to score each dimension and indicator:

- 'A' denotes performance that meets or exceeds international good practice. In this regard, for TADAT purposes, a good practice is taken to be a tested and proven approach applied by a majority of leading tax administrations. It should be noted, however, that for a process to be considered 'good practice', it does not need to be at the forefront or vanguard of technological and other developments. Given the dynamic nature of tax administration, the good practices described throughout the field guide can be expected to evolve over time as technology advances and innovative approaches are tested and gain wide acceptance.

- 'B' represents sound performance (i. e. a healthy level of performance but a rung below international good practice).

- 'C' means weak performance relative to international good practice.

- 'D' denotes inadequate performance and is applied when the requirements for a 'C' rating or higher are not met. Furthermore, a 'D' score is given in certain situations where there is insufficient information available to assessors to determine and score the level of performance. For example, where a tax administration is unable to produce basic numerical data for purposes of assessing operational performance (e.g., in areas of filing, payment, and refund processing) a 'D' score is given. The underlying rationale is that the inability of the tax administration to provide the required data is indicative of deficiencies in its management information systems and performance monitoring practices.

For further details on the TADAT framework, see Attachment I.

Some points to note about the TADAT diagnostic approach are:

- TADAT assesses the performance outcomes achieved in the administration of the major direct and indirect taxes critical to subnational government revenues. By assessing outcomes in relation to administration of identified core revenue streams, a picture can be developed of the relative strengths and weaknesses of the tax administration.

- TADAT assessments are evidence based (see Attachment V for the sources of evidence applicable to the assessment of Garissa County, Kenya.

- TADAT is not designed to assess special tax regimes, such as those applying in the natural resource sector. Nor does it assess customs administration.
- TADAT provides an assessment within the existing revenue policy framework, with assessments highlighting performance issues that may be best dealt with by a mix of administrative and policy responses.

The aim of TADAT is to provide an objective assessment of the health of key components of the system of tax administration, the extent of reform required, and the relative priorities for attention. TADAT assessments are particularly helpful in:

- Identifying the relative strengths and weaknesses in tax administration.
- Facilitating a shared view among all stakeholders (subnational jurisdiction authorities, international organizations, donor countries, and technical assistance providers).
- Setting the reform agenda (objectives, priorities, reform initiatives, and implementation sequencing).
- Facilitating management and coordination of external support for reforms and achieving faster and more efficient implementation.
- Monitoring and evaluating reform progress by way of subsequent repeat assessments.

II. COUNTY - BACKGROUND INFORMATION

Garissa County Profile

General background information on Garissa County, Kenya and the environment in which its tax system operates are provided in the subnational jurisdiction snapshot in Attachment II.

Data Tables

Numerical data gathered from the authorities and used in this TADAT performance assessment is contained in the tables comprising Attachment III.

Economic Situation

Garissa County contributed 0.6 percent of the National GDP.[1] The average real Gross County Product (GCP) growth from 2014-2017 was 3.2 percent, below the county's average growth of 5.6 percent. The county’s nominal GCP was Ksh 39,394 million in 2017. This performance is attributed to

[1] Kenya Economic Report, 2020

the County's geographical location, principally a semi-arid area with an average rainfall of 275 mm per year. Unlike other counties with vibrant service, manufacturing, construction, and real estate sectors, Garissa County's economy is based on the agricultural and services sectors. Both these sectors contribute over 90 percent of the economic activities of the county. Farming is mainly practiced along River Tana. Livestock rearing is carried out through nomadic pastoralism.

Garissa County had a hardcore poverty rate of 23.8 percent in 2015/16, above the national hardcore level of 8.6 percent. However, it is of note that Kenya's poverty levels declined from 64.3 percent in 2005 to 60.6 percent in 2006. This decline was largely due to pro-poor initiatives rolled out by the County governments and other development actors such as the national government and non-state actors.

Main Taxes

GCRD's main structured revenue streams are Single Business Permits (SBP), Gypsum Cess, Land Rent. These contributed 11.8 percent, 7.3 percent and 9.3 percent of the total revenues respectively in the financial year 2019/20. The choice of revenue streams in the assessment was the result of professional judgment following discussions with the authorities.[2] Other revenues collected include Stock Auction Fees (cattle/donkey), Building Materials and Stock Export Fees (cattle/donkey).

Further details on tax revenue collections are provided in Table 1 of Attachment III.

Institutional Framework

GCRD is responsible for collecting, recording, accounting for and reporting on all revenue generated by the County. A Director, who is the designated County Receiver of Revenue pursuant to section 157 of Public Financial Management Act, 2012, heads the directorate. To facilitate the revenue collection function, every sub county is managed by senior Revenue Officer.

An organizational chart of the GGCRD is provided in Attachment IV.

Current Status of Tax Administration Reform

The County's own-source revenue mobilization has risen from FY 2013/14 to FY2019/20. Own source revenues grew by 32.8 percent from Ksh 81.4 million in 2013/14 to Ksh 108.1 million in 2019/20. The revenue streams have been expanded with the introduction of Gypsum Cess in mid-2018, which now a core revenue stream. GCRD is currently working with other counties under the

[2] The TADAT framework requires three revenue sources at the subnational level. These are the core own-source revenue streams for Garissa County.

Commission of Revenue Allocation (CRA) umbrella to procure a revenue management system that will work for all counties.

Garissa County is working together with other development partners as part of its revenue mobilization reform program. The construction of stalls improved GCRD collections at livestock markets under the USAID funded ACDI/VOCA Livestock Market Systems program. Additionally, the USAID funded AHADI program conducted several capacity enhancement training for technical staff at the GCRD. The World Bank is funding the Kenya Devolution Support Program, which focuses on capacity building in the public finance components of audit, planning, budgeting, revenue collection, monitoring and evaluation, procurement and financial accounting.

Exchange of Information

Kenya, of which Garissa County is a constituency, is a member of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. In addition, Kenya has signed 15 Double Tax Agreements (DTAs) with; Canada, Denmark, France, Germany, India, Iran, Korea, Norway, United Kingdom, United Arab Emirates, South Africa, Sweden, Seychelles, Zambia and Qatar. The County does not have any agreement to exchange information with Kenya Revenue Authority (KRA), other Counties and international bodies.

III. ASSESSMENT OF PERFORMANCE OUTCOME AREAS

POA 1: Integrity of the Registered Taxpayer Base

A fundamental initial step in administering taxes is taxpayer registration and numbering. Tax administrations must compile and maintain a complete database of businesses and individuals that are required by law to register; these will include taxpayers in their own right, as well as others such as employers with PAYE withholding responsibilities. Registration and numbering of each taxpayer underpins key administrative processes associated with filing, payment, assessment, and collection.

Two performance indicators are used to assess POA 1:

- P1-1—Accurate and reliable taxpayer information.
- P1-2—Knowledge of the potential taxpayer base.

P1-1: Accurate and reliable taxpayer information

For this indicator two measurement dimensions assess: (1) the adequacy of information held in the tax administration's registration database and the extent to which it supports effective interactions with taxpayers and tax intermediaries (i. e. tax advisors and accountants); and (2) the accuracy of information held in the database. Assessed scores are shown in Table 2 followed by an explanation of reasons underlying the assessment.

Table 2. P1-1 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P1-1-1. The adequacy of information held in respect of registered taxpayers and the extent to which the registration database supports effective interactions with taxpayers and tax intermediaries.	M1	D	D
P1-1-2. The accuracy of information held in the registration database.		D	

GCRD does not have a computerized registration database. The information held in the manual database is inadequate in providing information to support effective interaction with taxpayers – for example, the tax registers do not include the date of birth or date of incorporation. GCRD operates a decentralized manual registration system and each of the three core own-source revenue streams have their own separate manual taxpayer registers. Single Business Permit (SBP) registers are maintained at the respective sub county offices. The Land Rent register is kept at the Department of Lands,[3] and the Gypsum Cess register is under development.

A unique 9-digit tax identification number is manually generated for SBP registration; the SBP registration number is applicable to all taxpayers doing business in Garissa County. The SBP number is also used to register for Gypsum Cess. Though the registration number meets the standard of a unique high integrity identification number, taxpayers with more than one business have a separate identification number for each business. The other key features of the manual registers include: (i) Sub-county name; (ii) name of business; (iii) address; (iv) phone number; (v) Kenya Revenue Authority (KRA) Personal Identification Number where applicable; (vi) business activity; and (vii) company category--only applies for construction companies. Gypsum Cess registration also includes the number plate of the vehicle transporting gypsum and the destination of the gypsum. GCRD is currently working with other counties under the Commission of Revenue Allocation (CRA) umbrella to procure a revenue management system that will work for all counties.[4]

Taxpayers are segmented according to economic or industry sector. Taxpayers are classified as supply company, construction company, and small retail shop, amongst others. However, the classification does not conform to the International Standards Industrial Classification (ISIC).

The registration information held in the database is unreliable. The Finance Act provides guidance on who can register for the various revenue streams including the requirements for registration of each respective revenue stream. However, there are no documented procedures relating to the management of taxpayer information including on how to identify and remove inactive taxpayers. Consequently, the number of active and inactive taxpayers is unknown. Furthermore, there is no

[3] The Department of Lands operated a computerized system known as Laiform, which they stopped using in 2017 when a new County Government took over the county after the national elections. The system was inherited from the defunct local authority administration that existed prior to March 2013.

[4] See the OSR Potential Garissa County Report CRA on automation report

evidence of management, internal audit or external audit reports to indicate the level of confidence in the registration database for the core revenue streams.

Ad hoc proof-of-identity checks to prevent fake entities from registering are carried out through a mapping exercise. The manual exercise involves identifying duplicate records, crosschecking, and verifying unique serial numbers on certificates issued in respective Sub-counties. Inconsistencies identified during the mapping exercise are subject to corrective measures. Counterfoil Register Book (CRB) records are kept to ensure that there are no duplicate records or fake registrations.

P1-2: Knowledge of the potential taxpayer base

This indicator measures the extent of tax administration efforts to detect unregistered businesses and individuals. The assessed score is shown in Table 3 followed by an explanation of reasons underlying the assessment.

Table 3. P1-2 Assessment

Measurement dimension	Scoring Method	Score 2021
P1-2. The extent of initiatives to detect businesses and individuals who are required to register but fail to do so.	M1	D

Initiatives undertaken to detect unregistered businesses and individuals for tax purposes are limited, and there is no evidence on the use of third-party information to detect unregistered taxpayers. New taxpayers and those who have ceased doing business are identified during a mapping exercise at the beginning of every calendar year. The activity is used to inspect and categorize businesses to invoice for SBP. However, no evidence was provided for actions undertaken to identify new or unregistered businesses during the past financial year. Further, County officials receive intelligence information from third-party sources, such as Kenya Power and the National Police Service (NPS), to identify new businesses; however, the exercise is not documented.

POA 2: Effective Risk Management

Tax administrations face numerous risks that have the potential to adversely affect revenue and/or tax administration operations. For convenience, these risks can be classified as:

- Compliance risks—where revenue may be lost if businesses and individuals fail to meet the four main taxpayer obligations (i. e. registration in the tax system; filing of tax declarations; payment of taxes on time; and complete and accurate reporting of information in declarations); and
- Institutional risks—where tax administration functions may be interrupted if certain external or internal events occur, such as natural disasters, sabotage, loss or destruction of physical assets, failure of IT system hardware or software, strike action by employees, and administrative breaches

(e.g., leakage of confidential taxpayer information which results in loss of community confidence and trust in the tax administration). For TADAT purposes, institutional risk is divided into two components. These are:

- *Operational risk*—refers to disruptive actions that destroy or affect part or all of the administration's assets and resources, such as buildings, IT, and other equipment, data and records; and
- *Human capital risk*—refers to interruptions that affect the tax administration arising out of capability, capacity, compliance, cost and connection (engagement) gaps of and by its employees.

Risk management is essential to effective tax administration and involves a structured approach to identifying, assessing, prioritizing, and mitigating risks. It is an integral part of multi-year strategic and annual operational planning.

Five performance indicators are used to assess POA 2:

- P2-3—Identification, assessment, ranking, and quantification of compliance risks.
- P2-4—Mitigation of risks through a compliance improvement plan.
- P2-5—Monitoring and evaluation of compliance risk mitigation activities.
- P2-6—Management of operational (i. e. systems and processes) risks.
- P2-7—Management of human capital risks.

P2-3: Identification, assessment, ranking, and quantification of compliance risks

For this indicator two measurement dimensions assess: (1) the scope of intelligence gathering and research to identify risks to the tax system; and (2) the process used to assess, rank, and quantify compliance risks. Assessed scores are shown in Table 4 followed by an explanation of reasons underlying the assessment.

Table 4. P2-3 Assessment

<table>
<tr><th>Measurement dimensions</th><th>Scoring Method</th><th colspan="2">Score 2021</th></tr>
<tr><td>P2-3-1. The extent of intelligence gathering and research to identify compliance risks in respect of the main tax obligations.</td><td rowspan="2">M1</td><td>D</td><td rowspan="2">D</td></tr>
<tr><td>P2-3-2. The process used to assess, rank, and quantify taxpayer compliance risks.</td><td>D</td></tr>
</table>

Formal intelligence gathering to determine compliance risks is not evident at the GCRD since it is not recorded. Information on compliance-related risks is gathered primarily through informal discussions with the Sub-county officers, enforcement officials, police and relevant stakeholders.

Further, GCRD does not undertake any formal environmental scan to determine compliance risks or emerging risks. There is no evidence of tax inspections, in-depth compliance gap studies, surveys into taxpayer behavior to identify compliance risks to the main tax obligations. The January 2019 report on the revenue gap study provided was based on projected revenue from the different revenue streams but it does not indicate any specific tax compliance gaps.

The GCRD does not have processes to manage (identify, asses, rank or quantify) compliance risks. There is no risk management framework or risk policy in place. Currently, compliance risks are not identified or categorized against the key tax obligations and are not mitigated in any formal process. As indicated above, compliance risks are identified through non-recorded informal verbal discussions on an ad-hoc basis. The assessment team did not receive any evidence to verify this information. Therefore, the lack of a structured process denies the GCRD from the benefits of identifying and targeting the most important compliance risks.

P2-4: Mitigation of risks through a compliance improvement plan

This indicator examines the extent to which the tax administration has formulated a compliance improvement plan to address identified risks. The assessed score is shown in Table 5 followed by an explanation of reasons underlying the assessment.

Table 5. P2-4 Assessment

Measurement dimension	Scoring Method	Score 2021
P2-4. The degree to which the tax administration mitigates assessed risks to the tax system through a compliance improvement plan.	M1	D

There is no compliance improvement plan. There is no documentation to identify compliance risks or processes to manage any potential threats to the main tax obligations (registration, filing of tax declarations, payment of taxes, and reporting accuracy).

P2-5: Monitoring and evaluation of compliance risk mitigation activities

This indicator looks at the process used to monitor and evaluate compliance mitigation activities. The assessed score is shown in Table 6 followed by an explanation of reasons underlying the assessment.

Table 6. P2-5 Assessment

Measurement dimension	Scoring Method	Score 2021
P2-5. The process used to monitor and evaluate the impact of compliance risk mitigation activities.	M1	D

GCRD does not monitor and evaluate the impact of risk mitigation initiatives. Without formal compliance risk management processes, formal governance arrangements and compliance improvement plan, monitoring and evaluating the impact of compliance risk mitigation activities cannot be done.

P2-6: Management of operational risks

This indicator examines how the tax administration manages operational risks other than those related to human resources. The assessed score is shown in Table 7 followed by an explanation of reasons underlying the assessment.

Table 7. P2-6 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P2-6-1. The process used to identify, assess and mitigate operational risks.	M1	D	D
P2-6-2. The extent, to which the effectiveness of the business continuity program is tested, monitored and evaluated.		D	

The GCRD does not have any formal risk management process or dedicated risk management unit. There is no risk management process, risk policy, risk framework or risk methodology in place. In addition, no risks registers are in use. Further, operational risks at the GCRD are not identified and therefore not assessed or mitigated. There are just two general risks identified in the Garissa County Annual Development Plan 2021/22[5]--revenue collection leakages and inadequate capacity in the Finance and Economic Planning unit under, which GCRD resides. Notwithstanding, these risks are not assessed, ranked or evaluated, and the related mitigation measures are not in place.

There is no business continuity program or plan. The absence of a business continuity plan means that management can neither monitor the implementation of key operational risk mitigating activities nor test or audit the effectiveness or impact of such interventions. Moreover, staff are not trained in operational risk management roles and responsibilities.

P2-7: Management of human capital risks

This indicator examines how the tax administration manages human capital risks. The assessed score is shown in Table 8 followed by an explanation of reasons underlying the assessment.

Table 8. P2-7 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P2-7-1. The extent to which the tax administration has in place the capacity and structures to manage human capital risks.	M1	D	D
P2-7-2. The degree to which the tax administration evaluates the status of human capital risks and related mitigation interventions.		D	

[5] Refer to Table 95, page 254 of the Garissa County Annual Development Plan 2021/22.

The GCRD does not have any formal processes to identify or manage human capital risks (HCR). The Garissa County manages all human capital issues at the County level—there is no human capital unit within the Revenue Directorate. At the County level, there are no formal processes to identify and manage human capital risks. There are no risk registers or risk methodology to manage human capital issues. The two broad risks identified in the County are related to the lack of resources and capability for the different directorates. The intended mitigation activities relate only to recruitment and training, but none has been implemented due to a lack of budgetary resources.

There is no evidence of a process to monitor human capital risks through a formal human capital committee or external third-party committee. There is minimal monitoring or management of the five TADAT categories[6] and specific risk elements for each category. No formal gap analyses have been conducted to determine the skills and competencies required by staff of the GCRD. Job profiles, job levels and related remuneration are set at the national level but managed at a County level. Additionally, no employee engagement surveys, motivational programs or training have been conducted during the period under review. Strategies for training are outlined in the 2018-2022 CIDP, but these have not been implemented.

POA 3: Supporting Voluntary Compliance

To promote voluntary compliance and public confidence in the tax system, tax administrations must adopt a service-oriented attitude toward taxpayers, ensuring that taxpayers have the information and support they need to meet their obligations and claim their entitlements under the law. Because few taxpayers use the law itself as a primary source of information, assistance from the tax administration plays a crucial role in bridging the knowledge gap. Taxpayers expect that the tax administration will provide summarized, understandable information on which they can rely.

Efforts to reduce taxpayer costs of compliance are also important. Small businesses, for example, gain from simplified record keeping and reporting requirements. Likewise, individuals with relatively simple tax obligations (e.g., employees, retirees, and passive investors) benefit from simplified filing arrangements and systems that eliminate the need to file.

Four performance indicators are used to assess POA 3:

- P3-8—Scope, currency, and accessibility of information.
- P3-9—Time taken to respond to information requests.
- P3-10—Scope of initiatives to reduce taxpayer compliance costs.
- P3-11—Obtaining taxpayer feedback on products and services.

[6] The TADAT framework describes the short- and long-term human capital risks in the following core human resource operational areas: capability; capacity; compliance; cost; and connection – see p. 33 of the TADAT Field Guide.

P3-8: Scope, currency, and accessibility of information

For this indicator three measurement dimensions assess: (1) whether taxpayers have the information they need to meet their obligations; (2) whether the information available to taxpayers reflects the current law and administrative policy; (3) how easy it is for taxpayers to obtain information. Assessed scores are shown in Table 9 followed by an explanation of reasons underlying the assessment.

Table 9. P3-8 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P3-8-1. The range of information available to taxpayers to explain, in clear terms, what their obligations and entitlements are in respect of each core tax.	M1	C	D
P3-8-2. The degree to which information is current in terms of the law and administrative policy.		A	
P3-8-3. The ease by which taxpayers obtain information from the tax administration.		D	

The current version of the Finance Act is made readily available to all taxpayers at GCRD County offices. However, information is not tailored to the specific needs of disadvantaged groups. Taxpayers enquiring on any taxes or fees levied for the core revenue streams can obtain this information at the GCRD and Sub-county offices—clarifications are taken directly from the Finance Act. The Revenue Officers provide verbal explanations in the local languages most spoken, namely Somali or Swahili. Taxpayers can engage with Revenue Officers on the ground, as the officers do random site visits of businesses for Single Business Permits. Revenue officers and the Revenue Director can also be contacted telephonically on their mobile phones for any revenue-related query. Their contact numbers are available in the GCRD or Sub- County offices.

The Finance Act is current and available to the public at all GCRD revenue offices. The Finance Act is reviewed and updated annually with public participation. A dedicated technical staff is in place to ensure that information is current.

Targeted taxpayer engagement initiatives are carried out on an ad-hoc basis, and there are no formal taxpayer education programs. There is no taxpayer engagement plan, schedule or calendar available to indicate when or where engagements are held. Information is available free to taxpayers at the revenue offices during regular business hours. Other service delivery channels (for example, website, brochures, rulings and fact sheets) are not yet available.

P3-9: The time taken to respond to requests for information.

This indicator examines how quickly the tax administration responds to requests by taxpayers and tax intermediaries for information (for this dimension, waiting time for telephone enquiry calls is used as a proxy for measuring a tax administration's performance in information requests generally). Assessed scores are shown in Table 10 followed by an explanation of reasons underlying the assessment.

Table 10. P3-9 Assessment

Measurement dimension	Scoring Method	Score 2021
P3-9: The time taken to respond to taxpayers and tax intermediaries' requests for information.	M1	D

The GCRD does not monitor the time taken to respond to taxpayers and intermediaries' queries. It does not have a dedicated call center or telephonic line for tax-related queries. Taxpayers in the township where the head office is located or in the Sub counties can call the Director or Sub-county officers on their mobile numbers for any queries, but response times are unavailable.

P3-10: Scope of initiatives to reduce taxpayer compliance costs

This indicator examines the tax administration's efforts to reduce taxpayer compliance costs. Assessed scores are shown in Table 11 followed by an explanation of reasons underlying the assessment.

Table 11. P3-10 Assessment

Measurement dimension	Scoring Method	Score 2021
P3-10. The extent of initiatives to reduce taxpayer compliance costs.	M1	D

There is no electronic record-keeping of taxpayer declarations, payments and invoices. The GCRD records all taxpayer information manually in physical registers and in simple **formats.** Taxpayers are provided with simplified 1–2-page forms to complete in respect of the three core revenue streams. Invoices issued are filled out manually using a carbonated receipt book. Forms are not pre-filled due to the simplicity of the information required.

The GCRD does not maintain frequently asked questions records or any electronic services for taxpayers. Taxpayers' queries are only dealt directly with taxpayers on request through verbal interactions at the revenue offices or with revenue officers when they are out in the field. Further, the GCRD does not record or analyze common misunderstanding of the tax law.

The GCRD has in place some initiatives to reduce taxpayer compliance costs—however, there is no secure taxpayer portal and no evidence that reporting forms are simplified to include only information needed from taxpayers. The assessment team noted, however, that the administrative burden to taxpayers is low as payment can be made directly at a bank branch through a mobile money platform (MPESA) or cash directly at the Sub-county revenue offices. In addition, completing and accessing forms and invoices, such as for the Single Business Permit, is free for taxpayers as these forms can be obtained from the revenue offices.

P3-11: Obtaining taxpayer feedback on products and services

For this indicator, two measurement dimensions assess: (1) the extent to which the tax administration seeks taxpayer and other stakeholder views of service delivery; and (2) the degree to which taxpayer feedback is taken into account in the design of administrative processes and products. Assessed scores are shown in Table 12 followed by an explanation of reasons underlying the assessment.

Table 12. P3-11 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P3-11-1. The use and frequency of methods to obtain performance feedback from taxpayers on the standard of services provided.	M1	D	D
P3-11-2. The extent to which taxpayer input is taken into account in the design of administrative processes and products.		C	

The GCRD obtains taxpayers feedback from annual public participation to review the Finance Bill, and ad-hoc stakeholder meetings or informal public market engagements. Minutes of the ad-hoc stakeholder meetings are available and include taxpayers' feedback; however, no analysis is conducted to draw out insights from this feedback. No evidence was provided on whether taxpayer surveys had been conducted either by the GCRD itself or by external entities.

Taxpayers' input is not considered when designing tax forms. There is no evidence available to indicate taxpayers' involvement in developing or testing new processes and products. Ad-hoc stakeholder meetings are held, and certain concessions are made on specific issues, such as the relaxing of parking fees for the banking sector. Nevertheless, these concessions are finalized verbally.

POA 4: Timely Filing of Tax Declarations

Filing of tax declarations (also known as tax returns) remains a principal means, by which a taxpayer's tax liability is established and becomes due and payable. As noted in POA 3, however, there is a trend towards streamlining preparation and filing of declarations of taxpayers with relatively uncomplicated tax affairs (e.g., through pre-filling tax declarations). Moreover, several countries treat income tax withheld at source as a final tax, thereby eliminating the need for large numbers of PIT taxpayers to file annual income tax declarations. There is also a strong trend towards electronic filing of declarations for all core taxes. Declarations may be filed by taxpayers themselves or via tax intermediaries.

It is important that all taxpayers who are required to file do so, including those who are unable to pay the tax owing at the time a declaration is due (for these taxpayers, the first priority of the tax administration is to obtain a declaration from the taxpayer to confirm the amount owed, and then secure payment through the enforcement and other measures covered in POA 5).

Three performance indicators are used to assess POA 4:

- P4-12—On-time filing rate.
- P4-13—Management of non-filers
- P4-14—Use of electronic filing facilities.

P4-12: On-time filing rate

A single performance indicator, with three measurement dimensions, is used to assess the on-time filing rate for declarations for the three most important direct and/or indirect taxes administered by the subnational entity. A high on-time filing rate is indicative of effective compliance management including, for example, provision of convenient means to file declarations (especially electronic filing facilities), simplified declarations forms, and enforcement action against those who fail to file on time. Assessed scores are shown in Table 13 followed by an explanation of reasons underlying the assessment.

Table 13. P4-12 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P4-12-1. The number of declarations for the SBP filed by the statutory due date as a percentage of the number of declarations expected from registered SBP taxpayers.	M2	D	D
P4-12-2. The number of declarations for the Land Rent filed by the statutory due date as a percentage of the number of declarations expected from registered Land Rent taxpayers.		D	
P4-12-3. The number of declarations for Gypsum Cess filed by the statutory due date as a percentage of the number of declarations expected from registered Gypsum Cess taxpayers.		D	

The GCRD does not monitor the filing of tax declarations. GCRD maintains a manual taxpayer register as indicated in POA1. This makes it difficult to monitor the on-time filing of declarations. Statistics availed to the assessment team indicate an on-time filing rate for SBP of 86.7 percent in respect of all taxpayers and 92.3 percent for large taxpayers. The on-time filing rate for Land Rent is 53.8 percent (see Tables 4 and 5 of Attachment III). Filing for Gypsum Cess is done at the point of transaction through a payment receipt.

Notwithstanding the preceding statistics, the assessment team notes that the information provided was unreliable to assess this indicator objectively. During the field visit, the assessment team observed no mechanism in place to monitor on-time filing.[7] Therefore, the indicator is scored a 'D'.

[7] Field visit was made to Garissa Township Sub-County Office

P4-13: Management of non-filers

This indicator measures the extent to taxpayers who have failed to file declarations when due are managed. The assessed score is shown in Table 14 followed by an explanation of reasons underlying the assessment.

Table 14. P4-13 Assessment

Measurement dimension	Scoring Method	Score 2021
P4-13. Action taken to follow up non-filers.	M1	D

Actions taken to follow-up non-filers are limited and inadequate. The processes to identify and follow-up non-filers are not automated. There is, consequently, no automatic generation of penalties after the statutory due date. Also noted is that GCRD does not have dedicated filing enforcement staff. Current staff that are fulfilling this role are not trained in enforcement activities. Additionally, there are no documented enforcement (including filing enforcement) procedures, and the manual taxpayer registers are not updated using the results of any non-filer enforcement.

P4-14: Use of electronic filing facilities

This indicator measures the extent to which declarations, for all core taxes, are filed electronically. Assessed scores are shown in Table 15 followed by an explanation of reasons underlying the assessment.

Table 15. P4-14 Assessment

Measurement dimension	Scoring Method	Score 2021
P4-14. The extent to which tax declarations are filed electronically.	M1	D

The GCRD does not have an electronic platform for filing of tax declarations, and invoices are issued manually. Taxpayers walk to the GCRD's offices to identify their tax liabilities and are issued with manual invoices. They then proceed to pay through the bank, the mobile money platform or GCRD offices. During a manual mapping exercise,[8] revenue officers issue manual invoices at the place of businesses for SBP. Invoices for Land Rent and Gypsum Cess are also issued manually. GCRD assesses the taxpayer's liabilities, and no self-assessment is available for all revenue streams.

POA 5: Timely Payment of Taxes

Taxpayers are expected to pay taxes on time. Tax laws and administrative procedures specify payment requirements, including deadlines (due dates) for payment, who is required to pay, and payment methods. Depending on the system in place, payments due will be either self-assessed or administratively assessed. Failure by a taxpayer to pay on time results in imposition of interest and

[8] Refer to P1-1 and P1-2 (pages 17-18)

penalties and, for some taxpayers, legal debt recovery action. The aim of the tax administration should be to achieve high rates of voluntary on-time payment and low incidence of tax arrears.
Four performance indicators are used to assess POA 5:

- P5-15—Use of electronic payment methods.
- P5-16—Use of efficient collection systems.
- P5-17—Timeliness of payments
- P5-18—Stock and flow of tax arrears.

P5-15: Use of electronic payment methods

This indicator examines the degree to which core revenue streams are paid by electronic means without the direct intervention of bank staff or tax administration, including through electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the Government's account), credit cards, and debit cards. Assessed scores are shown in Table 16 followed by an explanation of reasons underlying the assessment.

Table 16. P5-15 Assessment

Measurement dimension	Scoring Method	Score 2021
P5-15. The extent to which core revenue streams are paid electronically.	M1	D

Although the GCRD promotes the active use of electronic payments, the extent could not be ascertained during the assessment due to lack of evidence. The information provided in Table 8 of Attachment III is therefore unreliable to assess the dimension objectively.

Electronic payment systems are available for all core revenue streams. Taxpayers can make payments through online bank transfers and direct bank deposits (including deposits through bank agents). Mobile money platforms are also available, and taxpayers can pay taxes using MPESA (a mobile money platform). All Gypsum Cess payments are made using MPESA. In some instances, cash payments are made at the GCRD offices and subsequently banked by revenue officers. During the field visit, the assessment team observed advertisements encouraging taxpayers to pay taxes through the GCRD bank accounts or MPESA.

P5-16: Use of efficient collection systems

This indicator assesses the extent to which acknowledged efficient collection systems—especially withholding at source and advance payment systems—are used. Assessed scores are shown in Table 17 followed by an explanation of reasons underlying the assessment.

Table 17. P5-16 Assessment

Measurement dimension	Scoring Method	Score 2021
P5-16. The extent to which withholding at source and advance payment systems are used.	M1	D

Withholding at source and advance payment systems are not used to collect SBPs, Land Rent and Gypsum Cess. Although advance payment is applicable for SBP and Land Rent, this is not enforced. No evidence was provided of any advance payments or withholding at-source.

P5-17: Timeliness of payments

This indicator assesses the extent to which payments are made on time (by number and by value). For TADAT measurement purposes, the most important tax (T1) payment performance is used as a proxy for on-time payment performance of core taxes generally. A high on-time payment percentage is indicative of sound compliance management including, for example, provision of convenient payment methods and effective follow-up of overdue amounts. Assessed scores are shown in Table 18 followed by an explanation of reasons underlying the assessment.

Table 18. P5-17 Assessment

Measurement dimensions	Scoring Method	Score 2020	
P5-17-1. The number of payments for SBP made by the statutory due date in percent of the total number of payments due.	M1	D	D
P5-17-2. The value of payments for SBP made by the statutory due date in percent of the total value of SBP payments due.		D	

Data provided suggests that the number and value of SBP payments made by the statutory due date are high. For example, on-time payment of SBP by number and value is put at 86.7 percent and 75.0 percent respectively (see Table 9 of Attachment III). However, these statistics are unreliable due to an inaccurate taxpayer registration base (re: POA1). Consequently, the dimensions were scored "D".

P5-18: Stock and flow of tax arrears

This indicator examines the extent of accumulated tax arrears. Two measurement dimensions are used to gauge the size of the administration's tax arrears inventory: (1) the ratio of end-year tax arrears to the denominator of annual tax collections; and (2) the more refined ratio of end-year 'collectible tax arrears' to annual collections. [9] A third measurement dimension looks at the extent of unpaid tax

[9] For purposes of this ratio, 'collectible' tax arrears is defined as total domestic tax arrears excluding: (a) amounts formally disputed by the taxpayer and for which collection action has been suspended pending the outcome, (b) amounts that are not legally recoverable (e. g., debt foregone through bankruptcy), and (c) arrears otherwise uncollectible (e. g., the debtor has no funds or other assets).

liabilities that are more than a year overdue (a high percentage may indicate poor debt collection practices and performance given that the rate of recovery of tax arrears tends to decline as arrears get older). Assessed scores are shown in Table 19 followed by an explanation of reasons underlying the assessment.

Table 19. P5-18 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P5-18-1. The value of total core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year.	M2	D	D
P5-18-2. The value of collectible core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year.		D	
P5-18-3. The value of core tax arrears more than 12 months old as a percentage of the value of all core tax arrears.		D	

The **GCRD does not monitor the stock and flow of tax arrears.** Therefore, the indicator could not be assessed objectively due to a lack of data (see Table 10 of Attachment III).

POA 6: Accurate Reporting in Declarations

Tax systems rely heavily on complete and accurate reporting of information by taxpayers in tax declarations. Tax administrations therefore need to regularly monitor tax revenue losses from inaccurate reporting, especially by business taxpayers, and take a range of actions to ensure compliance. These actions fall into two broad groups: verification activities (e.g., tax audits, investigations, and income matching against third party information sources) and proactive initiatives (e.g., taxpayer assistance and education as covered in POA 3, and cooperative compliance approaches).

If well designed and managed, tax audit programs can have far wider impact than simply raising additional revenue from discrepancies detected by tax audits. Detecting and penalizing serious offenders serve to remind all taxpayers of the consequences of inaccurate reporting.

Also prominent in modern tax administration is high-volume automated crosschecking of amounts reported in tax declarations with third-party information. Because of the high cost and relative low coverage rates associated with traditional audit methods, tax administrations are increasingly using technology to screen large numbers of taxpayer records to detect discrepancies and encourage correct reporting.

Proactive initiatives also play an important role in addressing risks of inaccurate reporting. These include adoption of cooperative compliance approaches to build collaborative and trust-based relationships with taxpayers (especially large taxpayers) and intermediaries to resolve tax issues and bring certainty to companies' tax positions in advance of a tax declaration being filed, or before a transaction is actually entered into. A system of binding tax rulings can play an important role here.

Finally, on the issue of monitoring the extent of inaccurate reporting across the taxpayer population generally, a variety of approaches are being used, including: use of tax compliance gap estimating models, both for direct and indirect taxes; advanced analytics using large data sets (e.g., predictive models, clustering techniques, and scoring models) to determine the likelihood of taxpayers making full and accurate disclosures of income; and surveys to monitor taxpayer attitudes towards accurate reporting of income.

Against this background, four performance indicators are used to assess POA 6:

- P6-19—Scope of verification actions taken to detect and deter inaccurate reporting.
- P6-20—Use of large-scale data-matching systems to detect inaccurate reporting.
- P6-21—Initiatives undertaken to encourage accurate reporting.
- P6-22—Monitoring the tax gap to assess inaccuracy of reporting levels.

P6-19: Scope of verification actions taken to detect and deter inaccurate reporting

For this indicator, four measurement dimensions provide an indication of the nature and scope of the tax administration's verification program. Assessed scores are shown in Table 20 followed by an explanation of reasons underlying the assessment.

Table 20. P6-19 Assessment

<table>
<tr><th>Measurement dimensions</th><th>Scoring Method</th><th colspan="2">Score 2021</th></tr>
<tr><td>P6-19-1. The nature and scope of the tax audit program in place to detect and deter inaccurate reporting.</td><td rowspan="4">M1</td><td>D</td><td rowspan="4">D</td></tr>
<tr><td>P6-19-2. The extent to which the audit program is systematized around uniform practices.</td><td>D</td></tr>
<tr><td>P6-19-3. The degree to which the quality of taxpayer audits is monitored.</td><td>D</td></tr>
<tr><td>P6-19-4. The degree to which the tax administration monitors the effectiveness of the taxpayer audit function.</td><td>D</td></tr>
</table>

The GCRD carries out some but not comprehensive inspections to determine the accuracy of the information reported by taxpayers. Inspections are conducted as provided for by provisions of the Garissa County Finance Act, 2019 but there is no inspection plan. Moreover, the inspections, which cover all core taxes, are not selected centrally based on assessed risks. Further, the GCRD does not evaluate the impact of inspections on levels of taxpayers' compliance.

The inspection program is not systematized around uniform practices. There is no inspection manual in place. The inspection program is communicated verbally to the inspectors outlining the responsibilities but not the stages involved in an inspection.

The quality of inspections is not monitored. The GCRD could not provide any evidence on the extent to which it monitors the quality of inspections conducted.

No evidence was availed to show that the GCRD monitors the effectiveness of the inspections function. Therefore, the score for this dimension is a "D".

P6-20: Use of large-scale data-matching systems to detect inaccurate reporting.

For this indicator, one measurement dimension provides an indication of the extent to which the tax administration leverages technology to screen large numbers of taxpayer records against third-party information to detect discrepancies and encourage correct reporting. Assessed scores are shown in Table 21 followed by an explanation of reasons underlying the assessment.

Table 21. P6-20 Assessment

Measurement dimension	Scoring Method	Score 2021
P6-20. The extent of large-scale automated crosschecking to verify information reported in tax declarations.	M1	D

No information system is in place for large-scale automated crosschecking to verify information reported by taxpayers with third-party sources.

P6-21: Initiatives undertaken to encourage accurate reporting

This indicator assesses the nature and scope of cooperative compliance and other proactive initiatives undertaken to encourage accurate reporting. Assessed scores are shown in Table 22 followed by an explanation of reasons underlying the assessment.

Table 22. P6-21 Assessment

Measurement dimension	Scoring Method	Score 2021
P6-21. The nature and scope of proactive initiatives undertaken to encourage accurate reporting.	M1	D

There is no system of public and private rulings in place. Some cooperative compliance arrangements are in place for banks, and these include preferential treatment on inspections and payment of taxes. However, these arrangements are not documented.

P6-22: Monitoring the tax gap to assess inaccuracy of reporting levels

This indicator examines the soundness of methods used by the tax administration to monitor the extent of inaccurate reporting in declarations. The assessed score is shown in Table 23 followed by an explanation of reasons underlying the assessment.

Table 23. P6-22 Assessment

Measurement dimensions	Scoring Method	Score 2021
P6-22. The soundness of tax gap analysis method/s used by the tax administration to monitor the extent of inaccurate reporting.	M1	D

The GCRD's monitoring of the extent of inaccurate reporting is limited. A study was conducted on revenues for the financial years 2017/18 and 2018/19, and it incorporated a gap analysis. The report covered the major revenue streams, namely. SBP, Land Rent, Livestock Market Fees, Parking Fees, Market Stalls and Hospital Fees. The report addressed challenges and revenue gaps for each of the respective revenue streams. However, the report did not meet the threshold of monitoring the extent of inaccurate reporting; instead, it only addressed revenue gaps and challenges. In addition, the regularity of conducting the exercise is unknown as it conducted only once.

POA 7: Effective Tax Dispute Resolution

This POA deals with the process by which a taxpayer seeks an independent review, on grounds of facts or interpretation of the law, of a tax assessment resulting from an audit. Above all, a tax dispute process must safeguard a taxpayer's right to challenge a tax assessment and get a fair hearing. The process should be based on a legal framework, be known and understood by taxpayers, be easily accessible, guarantee transparent independent decision-making, and resolve disputed matters in a timely manner.

Three performance indicators are used to assess POA 7:

- P7-23—Existence of an independent, workable, and graduated dispute resolution process.
- P7-24—Time taken to resolve disputes.
- P7-25—Degree to which dispute outcomes are acted upon.

P7-23: Existence of an independent, workable, and graduated resolution process

For this indicator three measurement dimensions assess: (1) the extent to which a dispute may be escalated to an independent external tribunal or court where a taxpayer is dissatisfied with the result of the tax administration's review process; (2) the extent to which the tax administration's review process is truly independent; and (3) the extent to which taxpayers are informed of their rights and avenues of review. Assessed scores are shown in Table 24 followed by an explanation of reasons underlying the assessment.

Table 24. P7-23 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P7-23-1. The extent to which an appropriately graduated mechanism of administrative and judicial review is available to, and used by, taxpayers.		D	
P7-23-2. Whether the administrative review mechanism is independent of the audit process.	M2	D	D
P7-23-3. Whether information on the dispute process is published, and whether taxpayers are explicitly made aware of it.		D	

GCRD does not have an appropriately graduated administrative dispute resolution review mechanism in place. The current dispute resolution framework is multi-layered, in which either the Director of Revenue and or the Sub-county revenue officers handle disputes. No evidence was provided on whether the mechanism is used. Further, there are no legal provisions enshrined in the GCRD revenue laws that guide dispute resolution other than what is provided in the Kenya constitution and the national Public Finance Management Act 108 of 2012. Further, the formal graduated administrative review mechanism is overshadowed by the widespread use of the Maslaha dispute resolution system, a system in which respected community elders are appointed to resolve disputes verbally.

For all the revenue streams, the administrative review mechanism is not independent of the audit process. Revenue officers who assess taxes also handle tax disputes. In some cases, the County Attorney's (CA) office handles those disputes escalated from the Director of Revenue and Sub-county offices. Anecdotal evidence suggests that very few cases have been escalated to the courts of law.

Information on the dispute resolution process is not publicly available, and taxpayers are not explicitly made aware of it. For example, a search on the County's website and other related media channels did not yield any results. Moreover, assessment notices do not have any information to taxpayers on their right to dispute assessments.

P7-24: Time taken to resolve disputes

This indicator assesses how responsive the tax administration is in completing administrative reviews. Assessed scores are shown in Table 25 followed by an explanation of reasons underlying the assessment.

Table 25. P7-24 Assessment

Measurement dimensions	Scoring Method	Score 2021
P7-24. The time taken to complete administrative reviews.	M1	D

There is no documented evidence of the time taken to resolve disputes. This performance metric is not monitored for SBP, Land Rent or Gypsum Cess (see Table 11 of Attachment III).

P7-25: Degree to which dispute outcomes are acted upon

This indicator looks at the extent to which dispute outcomes are taken into account in determining policy, legislation, and administrative procedure. The assessed score is shown in Table 26 followed by an explanation of reasons underlying the assessment.

Table 26. P7-25 Assessment

Measurement dimension	Scoring Method	Score 2021
P7-25. The extent to which the tax administration responds to dispute outcomes.	M1	C

Some ad hoc analysis of the dispute outcomes is considered for policy and legal changes in the Garissa County Finance Act. For example, the blanket Liquor Licence Fee regime that prevailed in 2018 and prior was changed to a categorized system in the Garissa Finance Bill 2020/21 after a dispute from the bar and entertainment sector. The categorized system also considers the size of the business.[10]

POA 8: Efficient Revenue Management

This POA focuses on three key activities performed by tax administrations in relation to revenue management:

- Providing input to government budgeting processes of tax revenue forecasting and tax revenue estimating. (As a general rule, primary responsibility for advising government on tax revenue forecasts and estimates rests with the Ministry of Finance. The tax administration provides data and analytical input to the forecasting and estimating processes. Ministries of Finance often set operational revenue collection targets for the tax administration based on forecasts of revenue for different taxes.)[11]
- Maintaining a system of revenue accounts.
- Paying tax refunds.

Three performance indicators are used to assess POA 8:

- P8-26—Contribution to government tax revenue-forecasting process.

[10] See the Garissa County Finance Bill 2020/21 p. 44, and Garissa County Finance Act 2019.

[11] It is common for Ministries of Finance to review budget revenue forecasts and related tax collection targets during the fiscal year (particularly mid-year) to take account of changes in forecasting assumptions, especially changes in the macroeconomic environment.

- P8-27—Adequacy of the tax revenue accounting system.
- P8-28—Adequacy of tax refund processing.

P8-26: Contribution to government tax revenue forecasting process

This indicator assesses the extent of tax administration input to government tax revenue forecasting and estimating. The assessed score is shown in Table 26 followed by an explanation of reasons underlying the assessment.

Table 27. P8-26 Assessment

Measurement dimensions	Scoring Method	Score 2021
P8-26. The extent of tax administration input to government tax revenue forecasting and estimating.	M1	D

Rather than the monthly reporting standard set by the TADAT framework, revenue collections performance is reported upon at least quarterly. The GCRD gathers revenue data and is consulted to provide input into the Garissa County budgeting processes of tax revenue forecasting and estimating. GCRD makes a formal presentation during the development of the Garissa County Annual Development Plan with current and previous year's revenue performance and future revenue estimates. The cost to revenue of tax expenditures is not monitored nor reported. Tax refunds are not applicable to the GCRD. Nevertheless, because of the TADAT standard of reporting revenue at least once a month, the indicator is rated a 'D'.

P8-27: Adequacy of the tax revenue accounting system

This indicator examines the adequacy of the tax revenue accounting system. Assessed scores are shown in Table 28 followed by an explanation of reasons underlying the assessment.

Table 28. P8-27 Assessment

Measurement dimension	Scoring Method	Score 2021
P8-27. Adequacy of the tax administration's revenue accounting system.	M1	D

The GCRD does not have an automated accounting system; however, Garissa County Finance and Economic Planning Unit interfaces with the Kenya Government's Integrated Financial Management Information System (IFMIS) to report revenue collections. The GCRD shares the revenue collection data on Excel spreadsheets in a specific format with the County Treasury unit, which then uploads the data to the government IFMIS system. Taxpayers are obligated to make for SBP and Land Rents payments within 14 days of invoice issuance; nevertheless, liabilities are not posted to a taxpayer ledger. On the other hand, Gypsum Cess is paid at the transaction point.

In this assessment, there was inadequate evidence availed to determine whether internal and external audits are conducted to ensure alignment of the accounting system with the tax laws.

P8-28: Adequacy of tax refund processing

For this indicator, two measurement dimensions assess the tax administration's system of processing tax refund claims. Assessed scores are shown in Table 29 followed by an explanation of reasons underlying the assessment.

Table 29. P8-28 Assessment

<table>
<tr><th>Measurement dimensions</th><th>Scoring Method</th><th colspan="2">Score 2021</th></tr>
<tr><td>P8-28-1. Adequacy of the tax refund system.</td><td rowspan="2">M2</td><td>N/A</td><td rowspan="2">N/A</td></tr>
<tr><td>P8-28-2. The time taken to pay (or offset) tax refunds.</td><td>N/A</td></tr>
</table>

Refunds are not applicable on any revenue stream; therefore, this indicator is not assessed.

POA 9: Accountability and Transparency

Accountability and transparency are central pillars of good governance. Their institutionalization reflects the principle that tax administrations should be answerable for the way they use public resources and exercise authority. To enhance community confidence and trust, tax administrations should be openly accountable for their actions within a framework of responsibility to the minister, government, legislature, and the general public.

Four performance indicators are used to assess POA 9:

- P9-29—Internal assurance mechanisms.
- P9-30—External oversight of the tax administration.
- P9-31—Public perception of integrity.
- P9-32—Publication of activities, results, and plans.

P9-29: Internal assurance mechanisms

For this indicator, two measurement dimensions assess the internal assurance mechanisms in place to protect the tax administration from loss, error, and fraud. Assessed scores are shown in Table 30 followed by an explanation of reasons underlying the assessment.

Table 30. P9-29 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P9-29-1. Assurance provided by internal audit.	M2	D	D
P9-29-2. Staff integrity assurance mechanisms.		D	

Although the Garissa County has an independent Internal Audit Directorate (IAD) reporting administratively to the Chief Officer-Finance, and functionally to the County Audit Committee, internal control policies and procedures are not documented.[12] Further, there are no IT systems in place to detect threats to the confidentiality and integrity of the tax administration data. And a central repository of internal control policies, processes and procedures is not in place.

The Audit Committee comprises six members three of whom are independent of the County administration. An annual audit plan is in place, and it provides broad coverage and scrutiny of key operations, revenue accounting, and internal financial management. The IAD has eight auditors who are degree holders with skills in finance and accounting. IAD staff are not trained in audit methodologies. The Kenya Office of the Auditor General (OAG) reviews the Garissa County operations and systems annually.[13]

The GCRD does not have an Internal Affairs Unit. It relies on both the Revenue Disciplinary Committee (RDC) and the County Human Resources Management Advisory Committee (CHRMAC) to handle the integrity issues of junior staff, and senior and executive staff respectively.

The CHRMAC does not have investigative powers and reports any integrity issues to the County Public Service Board (CPSB), which has powers to investigate corruption among County public servants, including GCRD staff. Appointees to both the RDC and CHRMAC do not possess investigative skills and have not received any training in investigations. Both the RDC and CHRMAC do not handle cases of a criminal nature, which are the responsibility of the national police.

Garissa County has a Human Resources Policy that contains a code of ethics. The Human Resources Policy (which is premised on the principles of the Constitution of Kenya, the Governments Act, 2012 and the Empowerment Act, 2007) applies to all County staff. However, no evidence was provided to show that the Human Resources Policy is communicated to staff. Further, no integrity-related statistics are maintained.

CHRMAC is said to cooperate with other relevant agencies such as the national police and Ethics and Anti-Corruption Commission (EACC). The EACC handles corruption and integrity issues among

[12] The Internal Audit Unit and Audit Committee were set up as a requirement under section 155 of the Public Finance Management Act (No. 18 of 2012)
[13] The last audit report by the OAG for Garissa County was in 2011/18

public servants at the national level. However, no evidence was provided to support the cooperation of the CHRMAC with other relevant agencies.

P9-30: External oversight of the tax administration

Two measurement dimensions of this indicator assess: (1) the extent of independent external oversight of the tax administration's operations and financial performance; and (2) the investigation process for suspected wrongdoing and maladministration. Assessed scores are shown in Table 31 followed by an explanation of reasons underlying the assessment.

Table 31. P9-30 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P9-30-1. The extent of independent external oversight of the tax administration's operations and financial performance.	M2	B	C
P9-30-2. The investigation process for suspected wrongdoing and maladministration.		D	

The Kenya Office of the Auditor General (OAG) audits GCRD's financial statements and operational performance annually. An annual operational performance audit program by the OAG is in place. In addition, the County Assembly also reviews the GCRD's financial statements and GCRD's management responds to findings and recommendations by the OAG. However, responses to external review findings and recommendations are not publicly reported.

The investigation process for suspected wrongdoing and maladministration is weak and underdeveloped. An ombudsman does not exist at County but national level. The national ombudsman is accessible to all citizens. However, GCRD could not cite or provide evidence of any case in which the national ombudsman handled a Garissa County taxpayer complaint.

A national anti-corruption commission (EACC) investigates cases of misconduct or corruption. However, no evidence was provided on any misconduct cases that EACC investigated nor any findings or recommendations by the EACC to GCRD.

P9-31: Public perception of integrity

This indicator examines measures taken to gauge public confidence in the tax administration. The assessed score is shown in Table 32 followed by an explanation of reasons underlying the assessment.

Table 32. P9-31 Assessment

Measurement dimension	Scoring Method	Score 2021
P9-31. The mechanism for monitoring public confidence in the tax administration.	M1	D

The GCRD does not monitor public confidence in the revenue directorate. No surveys (by either internal or independent external entities) have been conducted to monitor trends in public confidence in the revenue directorate. However, informal assessments of the public's trust and confidence in the revenue directorate are obtained during public gatherings.

P9-32: Publication of activities, results, and plans

Two measurement dimensions of this indicator assess the extent of: (1) public reporting of financial and operational performance; and (2) publication of future directions and plans. Assessed scores are shown in Table 33 followed by an explanation of reasons underlying the assessment.

Table 33. P9-32 Assessment

Measurement dimensions	Scoring Method	Score 2021	
P9-32-1. The extent to which the financial and operational performance of the tax administration is made public and the timeliness of publication.	M2	A	A
P9-32-2. The extent to which the tax administration's future directions and plans are made public and the timeliness of publication.		A	

An annual report is produced covering the financial and operational performance for the immediate past fiscal year and is made public within three months. The report is submitted to the County Executive Committee Member - Finance and Economic Planning, who tables it before the County Assembly by 30th September of each year.

The future directions and plans of GCRD are made public. GCRD future directions are incorporated in the County's Annual Development Plan (ADP) and County Integrated Development Plan (CIDP)—the latter is a 5-year strategic plan. Both the ADP and CIDP are made public one month in advance of the plan period.

Attachment I. TADAT Framework

Performance outcome areas

TADAT assesses the performance of a country's tax administration system by reference to nine outcome areas:

1. **Integrity of the registered taxpayer base:** Registration of taxpayers and maintenance of a complete and accurate taxpayer database is fundamental to effective tax administration.

2. **Effective risk management:** Performance improves when risks to revenue and tax administration operations are identified and systematically managed.

3. **Supporting voluntary compliance:** Usually, most taxpayers will meet their tax obligations if they are given the necessary information and support to enable them to comply voluntarily.

4. **On-time filing of declarations:** Timely filing is essential because the filing of a tax declaration is a principal means by which a taxpayer's tax liability is established and becomes due and payable.

5. **On-time payment of taxes**: Non-payment and late payment of taxes can have a detrimental effect on government budgets and cash management. Collection of tax arrears is costly and time consuming.

6. **Accurate reporting in declarations**: Tax systems rely heavily on complete and accurate reporting of information in tax declarations. Audit and other verification activities, and proactive initiatives of taxpayer assistance~~,~~ promote accurate reporting and mitigate tax fraud.

7. **Effective Tax Dispute Resolution:** Independent, accessible, and efficient review mechanisms safeguard a taxpayer's right to challenge a tax assessment and get a fair hearing in a timely manner.

8. **Efficient revenue management:** Tax revenue collections must be fully accounted for, monitored against budget expectations, and analyzed to inform government revenue forecasting. Legitimate tax refunds to individuals and businesses must be paid promptly.

9. **Accountability and transparency:** As public institutions, tax administrations are answerable for the way they use public resources and exercise authority. Community confidence and trust are enhanced when there is open accountability for administrative actions within a framework of responsibility to the minister, legislature, and general community.

Indicators and associated measurement dimensions

A set of 32 high-level indicators critical to tax administration performance are linked to the performance outcome areas. It is these indicators that are scored and reported on. A total of 53 measurement dimensions are taken into account in arriving at the indicator scores. Each indicator has between one and five measurement dimensions.

Repeated assessments will provide information on the extent to which a country's tax administration is improving.

Scoring methodology

The assessment of indicators follows the same approach followed in the Public Expenditure and Financial Accountability (PEFA) diagnostic tool so as to aid comparability where both tools are used.

Each of TADAT's 53 measurement dimensions is assessed separately. The overall score for an indicator is based on the assessment of the individual dimensions of the indicator. Combining the scores for dimensions into an overall score for an indicator is done using one of two methods: Method 1 (M1) or Method 2 (M2). For both M1 and M2, the four-point 'ABCD' scale is used to score each dimension and indicator.

Method M1 is used for all single dimensional indicators and for multi-dimensional indicators where poor performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator (in other words, by the weakest link in the connected dimensions of the indicator).

Method M2 is based on averaging the scores for individual dimensions of an indicator. It is used for selected multi-dimensional indicators where a low score on one dimension of the indicator does not necessarily undermine the impact of higher scores on other dimensions for the same indicator.

Attachment II. Garissa County, Kenya – A Snapshot

Geography	Garissa County covers an area of 44,174. 1 Km^2. It is one of the forty-seven counties in Kenya and is located in the Northeastern region of Kenya. The County borders the Republic of Somalia to the East, Lamu County to the South, Tana River County to the West, Isiolo County to the Northwest and Wajir County to the North. It lies between Latitude 10° 58N´ and 20°1´S and longitude 380° 34´E and 410 ° 32´W.
Population	841,353 (Male – 458,975; Female – 382,344). (Source: Kenya Population and Housing Survey, 2019).
Adult literacy rate	41. 7 percent of persons aged 15 and over can read and write. (Source: Kenya Integrated Household Budget Survey 2015/16) Kenya National Bureau of Statistics.
Gross County Product	2017 Nominal GCP: Ksh 39, 394 million. (Source: Kenya Economic Report 2020).
Per capita GCP	Average Real GCP per Capita growth rate is 1. 4 percent in 2017. (Source: Kenya Economic Report, 2020; Gross County Product Report, 2019).
Main industries	Comprise agriculture (mainly livestock production) and financial services (banking sector).
Communications	• Three mobile phone providers with a coverage of 62 percent serve the County. • A large section of the county still has no network coverage. • Radio coverage is 95 percent. • Several internet cafes serve the county.
Main revenue streams	Single Business Permits, Land Rent, Gypsum Cess, Stock Auction Fees (cattle/donkey), Building Materials and Stock Export Fees (cattle/donkey).
Tax-to-GDP	0. 27 percent in 2019/20.
Number of taxpayers	Single business permits (4,500), Land Rent (6,950) and Gypsum Cess (150)
Main collection agency	Directorate of Revenue
Number of staff in the main collection agency	115 (80-Male; 35-Female)
Financial Year	July to June

Attachment III. Data Tables

A. Tax Revenue Collections

Table 1. Tax Revenue Collections, (2017/18 – 2019/20)[1]			
	2017/18	**2018/19**	**2019/20**
In local currency			
Budgeted tax revenue forecast of subnational entity[2]	250,000,000	250,000,000	150,000,000
Total tax revenue collections	86,687,563	112,446,781	108,098,258
Single Business Permits	8,291,880	15,069,480	12,803,183
Land Rent	2,683,054	8,476,611	7,888,702
Gypsum cess	0	2,171,850	10,039,876
Other sub-national taxes	75,712,629	86,728,840	77,366,498
Tax refunds	N/A	N/A	N/A
In percent of total tax revenue collections			
Budgeted tax revenue forecast of subnational entity[2]	288. 4	222. 3	138. 8
Total tax revenue collections	100	100	100
Single Business Permits	9. 6	13. 4	11. 8
Land Rent	3. 1	7. 5	7. 3
Gypsum cess	0. 0	1. 9	9. 3
Other sub-national taxes	87. 3	77. 1	71. 6
Tax refunds	N/A	N/A	N/A
In percent of GDP			
Budgeted tax revenue forecast of subnational entity[2]			
Total tax revenue collections	86,687,563	112,446,781	108,098,258
Single Business Permits	No data	No data	No data
Land Rent	No data	No data	No data
Gypsum cess	No data	No data	No data
Other sub-national taxes	No data	No data	No data
Tax refunds	N/A	N/A	N/A
Nominal GDP in local currency[14]	No data	No data	No data

Explanatory notes:

[1] This table gathers data for three fiscal years (e. g. 2016-18) in respect of all subnational tax revenues collected by the tax administration.

[2] This forecast is normally set by the Ministry of Finance (or equivalent) with input from the tax administration and, for purposes of this table, should only cover the taxes listed in the table. The final budgeted forecast, as adjusted through any mid-year review process, should be used.

[3] 'Other subnational taxes collected by the tax administration may include variety of local taxes, levies, duties, or charges but individually do not represent a main source of revenue.

[14] Gross County Product (GCP) statistics are only available up to 2017. Statistics for 2018, 2019 & 2020 are not yet published.

B. Movements in the Taxpayer Register

Table 2. Movements in the Taxpayer Register (2017/18 – 2019/20)

(Ref: POA1)

	Registered taxpayers[1] [A]	Taxpayers otherwise not required to file[2] [B]	Taxpayers Expected to File [C] = [(A) – (B)][3]	Memorandum items[4] [D]	
				New Registrations [D1]	Taxpayers deregistered during year [D2]
2017/18					
Single Business Permits	4,000	0	4,000	N/A	**N/A**
Land Rent	6,500	0	6,500	N/A	**N/A**
Gypsum cess	0	0	0	N/A	**N/A**
Other taxpayers					
2018/19					
Single Business Permits	4,250	0	4,250	N/A	N/A
Land Rent	6,700	0	6,700	N/A	N/A
Gypsum cess	50	0	50	N/A	N/A
Other taxpayers					
2019/20					
Single Business Permits	4,500	0	4,500	N/A	N/A
Land Rent	6,950	0	6,950	N/A	N/A
Gypsum cess	150	0	150	N/A	N/A
Other taxpayers					

Explanatory Notes:

[1] A registered taxpayer who is in the tax administration's taxpayer database. For any core tax that does not require formal registration this figure will represent the number of taxpayers who were subject to the tax. Such taxes may also not have an associated filing obligation so figures for columns B, C and D may not be relevant.

[2] Taxpayers not required to file declarations' means taxpayers who are registered but are currently not required to file by law or regulation and are explicitly flagged in the automated tax administration system.

[3] Expected filing calculations to be used in Indicator P4-12.

[4] Taxpayer register activity information.

C. Telephone Enquiries

(Ref: POA 3)

Table 3. Telephone Enquiry Call Waiting Time (2019/20)			
Month	Total number of telephone enquiry calls received	Telephone enquiry calls answered within 6 minutes' waiting time	
		Number	In percent of total calls
Month 1	NO OFFICIAL DATA	NO OFFICIAL DATA	NO OFFICIAL DATA
Month 2	NO OFFICIAL DATA	NO OFFICIAL DATA	NO OFFICIAL DATA
Month 3	NO OFFICIAL DATA	NO OFFICIAL DATA	NO OFFICIAL DATA
Month 4	NO OFFICIAL DATA	NO OFFICIAL DATA	NO OFFICIAL DATA
Month 5	NO OFFICIAL DATA	NO OFFICIAL DATA	NO OFFICIAL DATA
Month 6	NO OFFICIAL DATA	NO OFFICIAL DATA	NO OFFICIAL DATA
Month 7	NO OFFICIAL DATA	NO OFFICIAL DATA	NO OFFICIAL DATA
Month 8	NO OFFICIAL DATA	NO OFFICIAL DATA	NO OFFICIAL DATA
Month 9	NO OFFICIAL DATA	NO OFFICIAL DATA	NO OFFICIAL DATA
Month 10	NO OFFICIAL DATA	NO OFFICIAL DATA	NO OFFICIAL DATA
Month 11	NO OFFICIAL DATA	NO OFFICIAL DATA	NO OFFICIAL DATA
Month 12	NO OFFICIAL DATA	NO OFFICIAL DATA	NO OFFICIAL DATA
12-month total			

D. Filing of Tax Declarations

(Ref: POA 4)

Table 4. On-time Filing of Single Business Permit Declarations for (2019/20)			
	Number of declarations filed on-time[1]	Number of declarations expected to be filed[2]	On-time filing rate[3] (In percent)
All taxpayers	3,900	4,500	86. 7
Large taxpayers only	600	650	92. 3

Note: The information provided was considered unrelaiable due to observed inaccuracies in taxpayer registration.

Explanatory notes:

[1] 'On-time' filing means declarations (also known as 'returns') filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

[2] 'Expected declarations' means the number of T1 declarations that the tax administration expected to receive from registered T1 taxpayers that were required by law to file declarations.

[3] The 'on-time filing rate' is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers, i. e. expressed as a ratio:

$$\frac{Number\ of\ T1\ declarations\ filed\ by\ the\ due\ date}{Number\ of declarations\ expected\ from\ active\ T1\ taxpayers}\ x\ 100$$

Table 5. On-time Filing of Land Rent Declarations for (2019/20)		
Number of declarations filed on-time[1]	Number of declarations expected to be filed[2]	On-time filing rate[3] (In percent)
3,500	6,500	53. 8

Explanatory notes:

[1] 'On-time' filing means declarations (also known as 'returns') filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

[2] 'Expected declarations' means the number of T2 declarations that the tax administration expected to receive from registered T2 taxpayers that were required by law to file declarations.

[3] The 'on-time filing rate' is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers, i. e. expressed as a ratio:

$$\frac{Number\ of\ T2\ declarations\ filed\ by\ the\ due\ date}{Number\ of\ T2\ declarations\ expected\ from\ active\ T2\ taxpayers}\ x\ 100$$

Table 6. On-time Filing of Declarations—All taxpayers (2019/20)			
Month	Number of declarations filed on-time[1]	Number of declarations expected to be filed[2]	On-time filing rate[3] (In percent)
Month 1	N/A	N/A	N/A
Month 2	N/A	N/A	N/A
Month 3	N/A	N/A	N/A
Month 4	N/A	N/A	N/A
Month 5	N/A	N/A	N/A
Month 6	N/A	N/A	N/A
Month 7	N/A	N/A	N/A
Month 8	N/A	N/A	N/A
Month 9	N/A	N/A	N/A
Month 10	N/A	N/A	N/A
Month 11	N/A	N/A	N/A
Month 12	N/A	N/A	N/A
12-month total	N/A	N/A	N/A

Explanatory notes:

[1] 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

[2] 'Expected declarations' means the number of T3 declarations that the tax administration expected to receive from registered T3 taxpayers that were required by law to file declarations.

[3] The 'on-time filing rate' is the number of T3 declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered T3 taxpayers, i. e. expressed as a ratio:

$$\frac{Number\ of\ T3\ tax\ declarations\ filed\ by\ the\ due\ date}{Number\ of\ T3\ declarations\ expected\ from\ active\ T3\ taxpayers}\ x\ 100$$

Table 7. On-time Filing of Core Tax with Monthly or Quarterly Filing Requirement —Large taxpayers only (2019/20)			
Month	Number of declarations filed on-time[1]	Number of declarations expected to be filed[2]	On-time filing rate[3] (In percent)
Month 1	N/A	N/A	N/A
Month 2	N/A	N/A	N/A
Month 3	N/A	N/A	N/A
Month 4	N/A	N/A	N/A
Month 5	N/A	N/A	N/A
Month 6	N/A	N/A	N/A
Month 7	N/A	N/A	N/A
Month 8	N/A	N/A	N/A
Month 9	N/A	N/A	N/A
Month 10	N/A	N/A	N/A
Month 11	N/A	N/A	N/A
Month 12	N/A	N/A	N/A
12-month total			

Explanatory notes:

[1] 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

[2] 'Expected declarations' means the number of core tax declarations that the tax administration expected to receive from large taxpayers that are required by law to file core tax declarations.

[3] The 'on-time filing rate' is the number of core tax declarations filed by large taxpayers by the statutory due date as a percentage of the total number of core tax declarations expected from large taxpayers, i. e. expressed as a ratio:

$$\frac{Number\ of\ tax\ declarations\ filed\ by\ the\ due\ date\ by\ large\ taxpayers}{Number\ of\ tax\ declarations\ expected\ from\ active\ large\ taxpayers}\ x\ 100$$

E. Electronic Services

(Ref: POAs 4 and 5)

Table 8. Use of Electronic Services, (2017/18 – 2019/20)[1]			
	2017/18	**2018/19**	**2019/20**
	Electronic filing[2] (In percent of all declarations filed for each tax type)		
Single Business Permit	No data	No data	No data
Land Rent	No data	No data	No data
Gypsum Cess	No data	No data	No data
	Electronic payments[3] (In percent of total **number** of payments received for each tax type)		
Single Business Permit	60	75	80
Land Rent	50	75	100
Gypsum Cess	0	70	100
	Electronic payments (In percent of total **value** of payments received for each tax type)		
Single Business Permit	60	75	80
Land Rent	50	75	100
Gypsum Cess	0	70	100

Explanatory notes:

[1] Data in this table will provide an indicator of the extent to which the tax administration is using modern technology to transform operations, namely in areas of filing and payment.

[2] For purposes of this table, electronic filing involves facilities that enable taxpayers to complete tax declarations online and file those declarations via the Internet.

[3] An electronic payment is a payment made from one bank account to another via electronic means without the direct intervention of bank staff instead of using cash or check, in person or by mail. Methods of electronic payment include credit cards, debit cards, and electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the Treasury account). Electronic payments may be made, for example, by mobile telephone where technology is used to turn mobile phones into an Internet terminal from which payments can be made.

F. Payments

(Ref: POA 5)

Table 9. Total SBP Payments Made During (2019-2020)						
	Main core tax payments made on-time[1]		**Main core tax payments due**[2]		**On-time payment rate**[3] **(In percent)**	
	All taxpayers	Large taxpayers	All taxpayers	Large taxpayers	All taxpayers	Large taxpayers
Number of payments	3,900	600	600	50	86. 7	92. 3
Value of payments	9,602,387	3,200,796	12,803,318	3,467,529	75. 0	92. 3

Explanatory notes:

[1] 'On-time' payment means paid on or before the statutory due date for payment (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

[2] 'Payments due' include all payments due, whether self-assessed or administratively assessed (including as a result of an audit).

[3] The 'on-time payment rate' is the number (or value) of T1 payments made by the statutory due date in percent of the total number (or value) of T1 payments due, i. e. expressed as ratios:

- The on-time payment rate by number is: $\frac{Number\ of\ T1\ payments\ made\ by\ the\ due\ date}{Total\ number\ of\ T1\ payments\ due}\ x\ 100$
- The on-time payment rate by value is: $\frac{Value\ of\ T1\ payments\ made\ by\ the\ due\ date}{Total\ value\ of\ T1\ payments\ due}\ x\ 100$

G. Domestic Tax Arrears

(Ref: POA 5)

Table 10. Value of Tax Arrears, (2017/19-2019/20)[1]			
	[2017/18]	**[2018/19]**	**[2019/20]**
	In local currency		
Total core tax revenue collections (from Table 1) **(A)**	86,687,563	112,446,781	108,098,258
Total core tax arrears at end of fiscal year[2] **(B)**	No data	No data	No data
Of which: Collectible[3] **(C)**	No data	No data	No data
Of which: More than 12 months' old **(D)**	No data	No data	No data
	In percent		
Ratio of (B) to (A)[4]	No data	No data	No data
Ratio of (C) to (A)[5]	No data	No data	No data
Ratio of (D) to (B)[6]	No data	No data	No data

Explanatory notes:

[1] Data in this table will be used in assessing the value of core tax arrears relative to annual collections and examining the extent to which unpaid tax liabilities are significantly overdue (i. e. older than 12 months).

2 'For purposes of this Table, total core tax revenue collections include only T1, T2, and T3.

[3] 'Collectible' core tax arrears is defined as the total amount of tax, including interest and penalties, that is overdue for payment and which is not subject to collection impediments. Collectible core tax arrears therefore generally exclude: (a) amounts formally disputed by the taxpayer and for which collection action has been suspended pending the outcome, (b) amounts that are not legally recoverable (e.g., debt foregone through bankruptcy), and (c) arrears otherwise uncollectible (e.g., the debtor has no funds or other assets).

[4] i. e. $\frac{Value\ of\ total\ core\ tax\ arrears\ at\ end\ of\ fiscal year\ (B)}{Total\ core\ tax\ collected\ for\ fiscal\ year\ (A)}\ x\ 100$

[5] i. e. $\frac{Value\ of\ collectible\ core\ tax\ arrears\ at\ end\ of\ fiscal\ year\ (C)}{Total\ core\ tax\ collected\ for\ fiscal\ year\ (A)}\ x\ 100$

[6] i. e. $\frac{Value\ of\ core\ tax\ arrears > 12\ months'\ old\ at\ end\ of\ year\ (D)}{Value\ of\ total\ core\ tax\ arrears\ at\ end\ of\ fiscal\ year\ (B)}\ x\ 100$

H. Tax Dispute Resolution

(Ref: POA 7)

Table 11. Finalization of Administrative Reviews (2019/20)										
Month	**Number of administrative review cases**				**Finalized within 30 days**		**Finalized within 60 days**		**Finalized within 90 days**	
	Stock at beginning of month [A]	Received during the month [B]	Finalized during the month [C]	Stock at end of month [A + B - C]	Number [E]	In percent of total [F] = [E/D]	Number [G]	In percent of total [H] = [G/F]	Number [I]	In percent of total [J] = [I/D]
Month 1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 11	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Month 12	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
12-month total										

I. Payment of Tax Refunds

(Ref: POA 8)

Table 12. Tax Refunds (2019/20)

	Number of cases	Value in local currency
Total core tax refund claims received **(A)**	N/A	N/A
Total core tax refunds paid[1]		
Of which: paid within 30 days **(B)**[2]	NA	N/A
Of which: paid outside 30 days	N/A	N/A
Total core tax refund claims declined[3]	N/A	N/A
Of which: declined within 30 days **(C)**	N/A	N/A
Of which: declined outside 30 days	N/A	N/A
Total core tax refund claims not processed[4]		
Of which: no decision taken to decline refund	N/A	N/A
Of which: approved but not yet paid or offset	N/A	N/A
In percent		
Ratio of (B+C) to (A)[5]	N/A	N/A

Explanatory note:

[1] Include all refunds paid, as well as refunds offset against other tax liabilities.

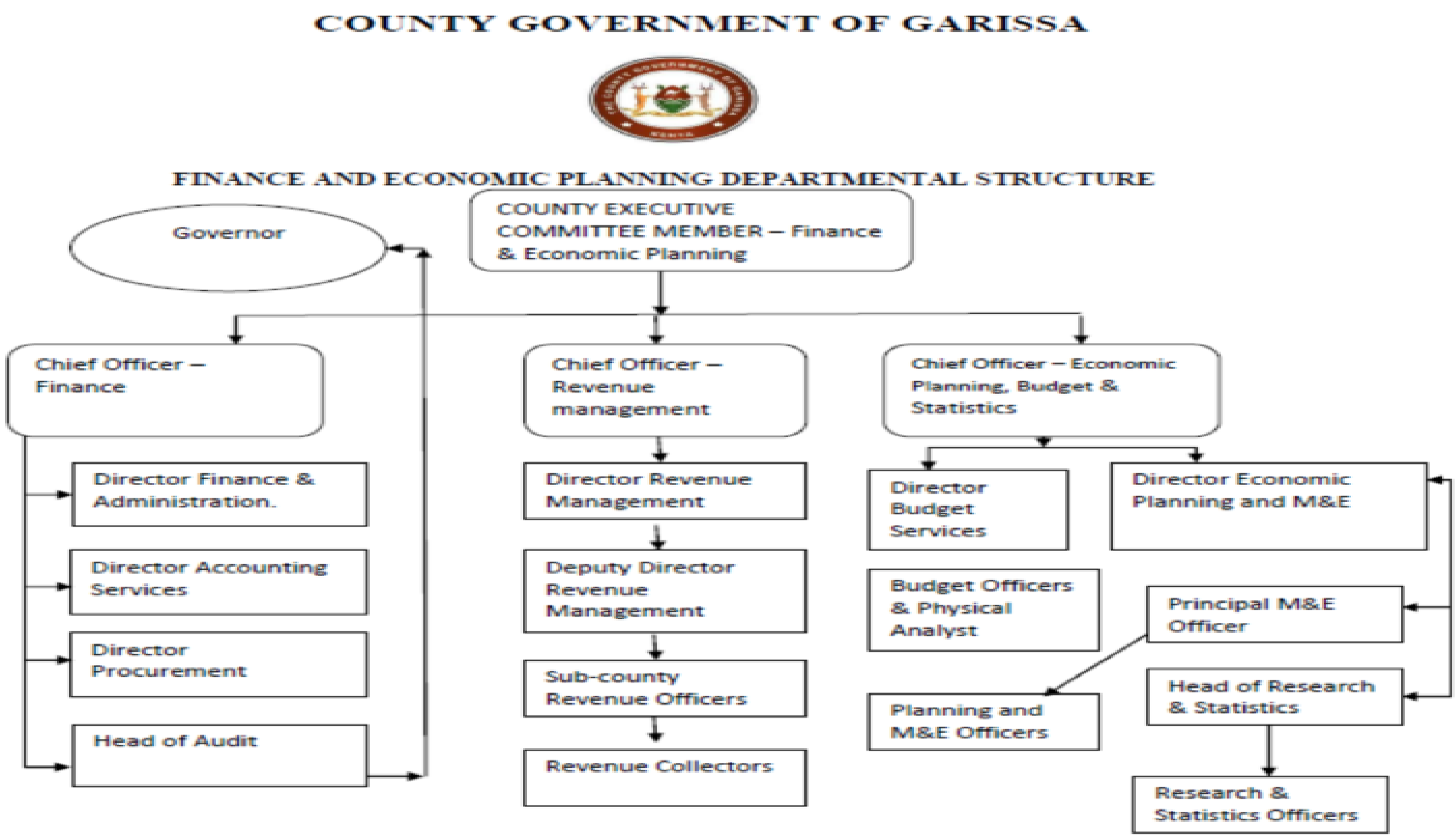
[2] TADAT measures performance against a 30-day standard.

[3] Include cases where a formal decision has been taken to decline (refuse) the taxpayer's claim for refund (e.g., where the legal requirements for refund have not been met).

[4] Include all cases where refund processing is incomplete—i. e. where (a) the formal decision has not been taken to decline the refund claim; or (b) the refund has been approved but not paid or offset.

[5] i. e. $\frac{Tax\ refunds\ paid\ within\ 30\ days\ (B) + tax\ refunds\ declined\ within\ 30\ days\ (C)}{Total\ tax\ refund\ claims\ received\ (A)}\ x\ 100$

Attachment IV. Organizational Chart



Attachment V. Sources of Evidence

Indicators	Sources of Evidence
P1-1. Accurate and reliable taxpayer information.	• Garissa revenue laws • Garissa County SBP register • Garissa county land registration form blank • Garissa County lands registration card • Garissa county lands register • Garissa county land registration form • Garissa County land registration card • SBP Form and license • Entry Cess • Export fees for livestock • Gypsum cess receipt • Garissa county revenue laws hosted on the website • Garissa county website
P1-2. Knowledge of the potential taxpayer base.	• Counterfoil receipt book register
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	• No evidence available
P2-4. Mitigation of risks through a compliance improvement plan.	• No evidence available
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	• No evidence available
P2-6. Management of operational (i. e. systems and processes) risks.	• Garissa County Annual Development Plan 2021-2022 (August 2020)
P2-7. Management of human capital risks.	• 2nd Garissa County Integrated Development Plan 2018-2022 • The County Government of Garissa Finance and Economic Planning Job Descriptions Manual – Oct 2016
P3-8. Scope, currency, and accessibility of information.	• Organogram Garissa County • 2nd Garissa County Integrated Development Plan 2018-2022 • Garissa County 2020/21Finance Act • Public Finance Management Act 18 of 2012 • 2018/19 Revenue Results • Audio advert on SBP Payments and information • Public Participation Programme on the review of the Finance Bill 2019/20 • Attendance letter for Public Participation – Revenue Management Consultative Forum – April 2018 • Invitation for public Participation on the Review of 2019/20 Garissa County Finance Bill

Indicators	Sources of Evidence
P3-9. Time taken to respond to information requests.	• No evidence available
P3-10. Scope of initiatives to reduce taxpayer compliance costs.	• Single Business Permit Form • Gypsum Cess Receipt • SPB Register
P3-11. Obtaining taxpayer feedback on products and services.	• Attendance letter for Public Participation – Revenue Management Consultative Forum – April 2018 • Invitation for public Participation on the Review of 2019/20 Garissa County Finance Bill
P4-12. On-time filing rate.	• Organogram and staffing • Garissa County Finance Bill 2020/2021Part V, Offenses and Penalties. • Garissa County Website www. garissa. go. ke
P4-13 Management of non-filers.	• Organogram • No other evidence (non-filers are not monitored)
P4-14. Use of electronic filing facilities.	• Table 8 of Attachment III
P5-15. Use of electronic payment methods.	• Copy of MPESA transactions • Copy of Bank Statement • Copy of cheque deposit for SBP • Copy of bank deposit • Copy of flyer guiding taxpayers on MPESA pay bill and bank account • Garissa County Finance Bill 2021/21, Part III, 17 (a)
P5-16. Use of efficient collection systems.	• The County Finance Act, 2017
P5-17. Timeliness of payments.	• Inconsistent evidence - Table 9 of Attachment III
P5-18. Stock and flow of tax arrears.	• No evidence - Table 10 of Attachment III
P6-19. Scope of verification actions taken to detect and deter inaccurate reporting.	• Task force for revenue enhancement • Taskforce for county revenue enhancement report
P6-20. Use of large-scale data-matching systems to detect inaccurate reporting.	• No evidence
P6-21. Initiatives undertaken to encourage accurate reporting.	• No evidence
P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels.	• Revenue department report incorporating gap analysis
P7-23. Existence of an independent, workable, and graduated dispute resolution process.	• Garissa county land alternative dispute resolution form blank • Garissa county land alternative dispute resolution form
P7-24. Time taken to resolve disputes.	• No evidence (see Table 11 of Attachment III)
P7-25. Degree to which dispute outcomes are acted upon.	• 2018/19 Finance bill
P8-26. Contribution to government tax revenue forecasting process.	• CFSP 2021 County Fiscal Strategy paper

Indicators	Sources of Evidence
	• 2020 CBRP County budget Review and Outlook Paper 2020 • Garissa County Annual Development Plan 2021-2022 (August 2020) • 2nd Garissa County Integrated Development Plan 2018-2022 • County budget Preparation Guidelines Medium Term – August 2018. • Revenue department report incorporating gap analysis • Taskforce on Revenue enhancement – Garissa County Facebook page – January 2020 • Taskforce for (Garissa) County Revenue Enhancement Report - 2019
P8-27. Adequacy of the tax revenue accounting system.	• SPB Register
P8-28. Adequacy of tax refund processing.	• Not applicable
P9-29. Internal assurance mechanisms.	• Internal Audit Organogram (showing IAD, Audit Committee, no internal affairs unit) • Public Finance Management Act 18 OF 2012, section 155 • Internal Audit Charter 2020 • Internal Audit Annual Risk Based Plan 2020/21 • Internal Audit Report for revenue management 2019 • Internal Audit Quarterly Update July 2020 • Citizen Service Delivery Charter –Internal Audit • Minutes of Executive Internal Audit Committee Jan 2020 • County Government of Garissa – Leadership and Integrity Code 2018 • Finance and Economic Planning Structure March 2021 • Kenya OAG Garissa CE Report 2017/18
P9-30. External oversight of the tax administration.	• Public Finance Management Act, 2012 • Garissa County Leadership and Integrity Code • Auditor General's Report 2017 • Internal Audit Charter 2020 • EACC Memo-Declaration of Assets and Liabilities • Declaration of Income, Assets and Liabilities form • Garissa County Human Resources Policy
P9-31. Public perception of integrity.	• No evidence. GCRD does not monitor public confidence in the revenue directorate.
P9-32. Publication of activities results and plans.	• Garissa County Annual Progress Report 2020 • Garissa County Annual Development Plan 2020 - 2021 • Garissa County Integrated Development Plan 2018 - 2022

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TADAT IS A COLLABORATIVE UNDERTAKING OF THE FOLLOWING PARTNERS:

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