

Performance Assessment Report

**County Government of Trans Nzoia,
Kenya**

**Robinah Nakakawa, John Kimutai
and Stephen Momanyi**

June 2023

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TADAT is a collaborative undertaking of the following partners:



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PREFACE

An assessment of the system of tax administration of the County Government of Trans Nzoia (CGTN) was undertaken during the period 06/03/2023 to 24/03/2023 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.

The assessment team comprised of the following: Ms. Robinah Nakakawa (Team Leader, TADAT Assessor), Mr. John Kimutai (TADAT Assessor), and Mr. Stephen Momayi (TADAT Trained). The assessment was coordinated by the United Nations Capital Development Fund (UNCDF) with the support from the TADAT Secretariat.

The assessment team met with H.E. George Ntembeya - The Governor, H.E. Philomenah Bineah Kaplkory - Deputy Governor; Mr. Boniface Wanyonyi - County Executive Committee Member (CECM) Finance and Economic Planning and other CEC members, Directors and Staff. The team virtually visited the Kiminini sub-county office and the revenue office at the town hall and had a virtual walk-through of the automated revenue collection system.

The assessment team appreciates the County's cooperative and active participation in this assessment. Special appreciation to Mr. Pius Munialo, Director of Revenue and assessment counterpart, for the candid discussions and for diligently coordinating the various meetings and discussions. The team also appreciates Mr. Peter Mulamba, County Budget Coordinator, for the support provided to the team during the assessment.

A draft performance assessment report (PAR) was presented to CGTN management team in the exit meeting held on 24/03/2023. The county agreed to the findings of the assessment in their comments to the report. The PAR has been reviewed and cleared by the TADAT Secretariat.

ABBREVIATIONS AND ACRONYMS

| | |
|-------|---|
| BCP | Business Continuity Plan |
| CECM | County Executive Committee Member |
| CGTN | County Government of Trans Nzoia |
| CHRAC | County Human Resource Advisory Committee |
| CIDP | County Integrated Development Plan |
| CIP | Compliance Improvement Plan |
| CO | Chief Officer |
| CPSB | County Public Service Board |
| CRA | Commission on Revenue Allocation |
| EACC | Ethics and Anticorruption Commission |
| GCP | Gross County Product |
| HR | Human Resource |
| IT | Information Technology |
| KCB | Kenya Commercial Bank |
| KDSP | Kenya Devolution Support Program |
| KES | Kenya Shillings |
| KNBS | Kenya National Bureau of Statistics |
| KRA | Kenya Revenue Authority |
| LREB | Lake Region Economic Bloc |
| MIS | Management Information System |
| OAG | Office of the Auditor General |
| OSR | Own Source Revenue |
| PFMA | Public Finance Management Act |
| POAs | Performance Outcome Areas |
| SACCO | Savings and Credit Cooperative Organization |
| SBP | Single Business Permits |
| TADAT | Tax Administration Diagnostic Assessment Tool |

EXECUTIVE SUMMARY

The results of the TADAT assessment for CGTN follow, including the identification of the main strengths and weaknesses.

Strengths

- Strong external oversight of the county's operations and financial performance by the Office of the Auditor General.
- Timely publication of the county's future directions and plans.
- Withholding at source for enclosed bus park fees and advance payment arrangements for land rates.

Weaknesses

- Incomplete, inaccurate, and unreliable taxpayer register.
- Lack of documented processes to identify and manage compliance and institutional risks effectively.
- Lack of graduated administrative and judicial review mechanisms.
- Limited range of information and support to enable taxpayers to comply voluntarily at minimum cost.
- Inefficient tax revenue accounting system.
- Weak internal assurance mechanism.
- Inadequate monitoring of timely payments and filing.
- No refund process is in place.

The assessment team observed some strengths in the tax administration, and these include the following:

external oversight of the county's operations by the external auditor and publication of the county's future and directions in time improves the tax administration's transparency in the conduct of its activities and accountability to the government and community.

However, the county has some weaknesses, which include the following: an inadequate and unreliable taxpayer register, a computerized tax system that lacks key capabilities like a client portal to enable taxpayers self-serve and is not interlinked with any other government system, a limited range of information available to taxpayers to enable them voluntarily comply at reasonable cost to them, inadequate monitoring of timely payments, lack of an effective tax dispute resolution mechanisms and lack of a refund process.

Table 1 provides a summary of performance scores, and Figure 1 is 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 tax administration performance. An 'ABCD' scale is used to score each indicator, with 'A' representing the highest level of performance and 'D' the lowest.

Figure 1. CGTN: Distribution of Performance Scores

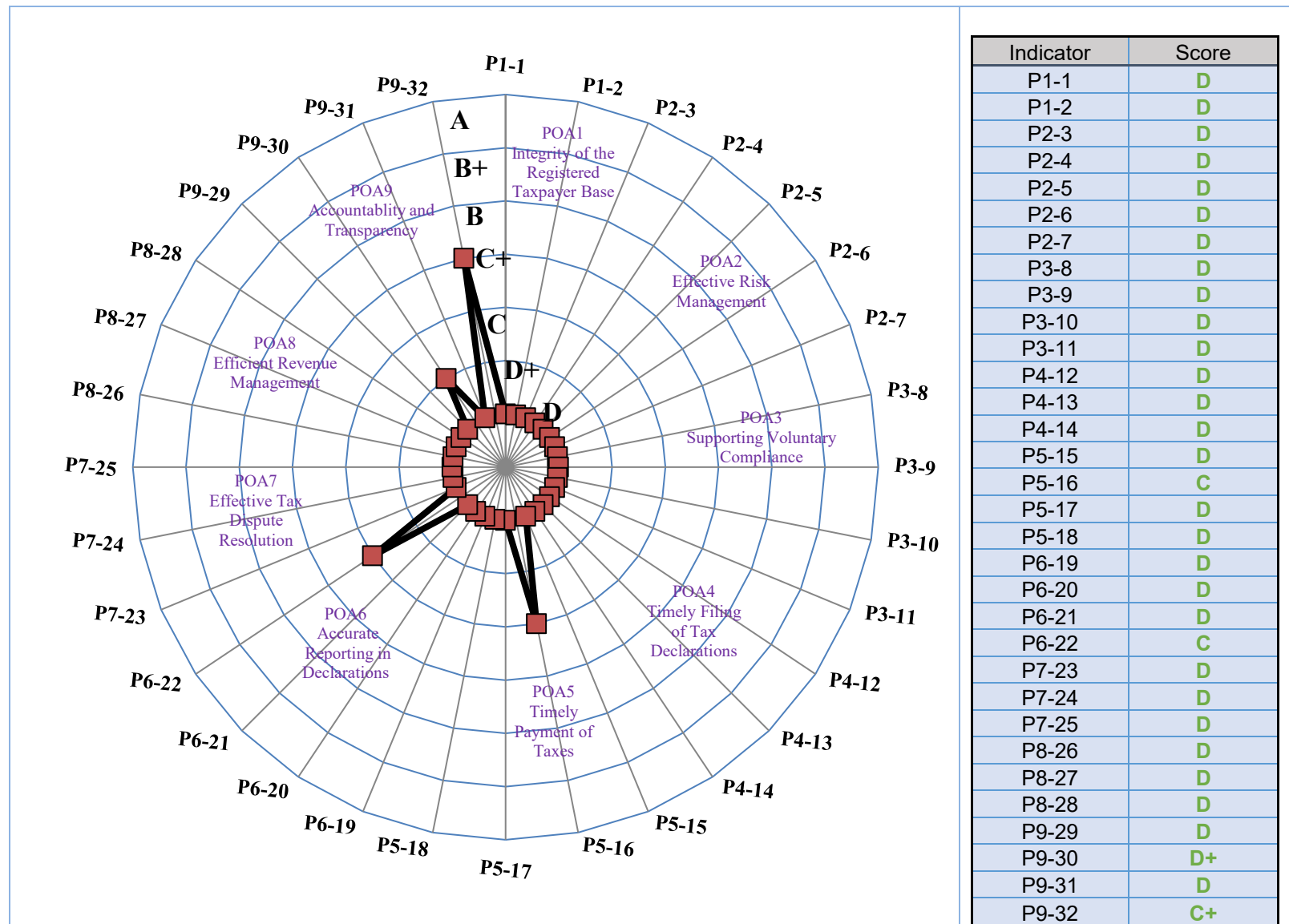


Table 1. CGTN: Summary of TADAT Performance Assessment

| Indicator | Scores 2023 | Summary Explanation of Assessment |
|--|-------------|---|
| POA 1: Integrity of the Registered Taxpayer Base | | |
| P1-1. Accurate and reliable taxpayer information. | D | The information held in the registration database is inadequate to support effective interactions with taxpayers and tax intermediaries. The information held in the registration database is unreliable. |
| P1-2. Knowledge of the potential taxpayer base. | D | CGTN has not documented the county's initiatives to detect and register businesses and individuals. |
| POA 2: Effective Risk Management | | |
| P2-3. Identification, assessment, ranking, and quantification of compliance risks. | D | The extent of intelligence gathering and research to identify compliance risks regarding the main tax obligations is limited. CGTN has no structured process used to assess, rank, and quantify taxpayer compliance risks |
| P2-4. Mitigation of risks through a compliance improvement plan. | D | CGTN does not have a Compliance Improvement Plan to mitigate assessed risks. |
| P2-5. Monitoring and evaluation of compliance risk mitigation activities. | D | CGTN does not monitor and evaluate the impact of compliance risk mitigation activities. |
| P2-6. Management of operational risks. | D | There is no structured methodology applied to manage operational risks. No business continuity program is in place, which limits the extent to which its effectiveness is tested, monitored, and evaluated. |
| P2-7. Management of human capital risks. | D | The extent to which CGTN has the capacity and structures to manage human capital risks is limited. The degree to which CGTN evaluates the status of human capital risks and related mitigation interventions is limited. |

| Indicator | Scores 2023 | Summary Explanation of Assessment |
|--|----------------|---|
| POA 3: Supporting Voluntary Compliance | | |
| P3-8. Scope, currency, and accessibility of information. | D | There is a limited range of information available to taxpayers to explain, in clear terms, their obligations and entitlements regarding core taxes. Public information is not current in terms of administrative procedure. CGTN provides information and guidance to taxpayers on an ad hoc basis. |
| P3-9. Time taken to respond to information requests. | D | CGTN does not monitor the time taken to respond to taxpayer requests. |
| P3-10. Scope of initiatives to reduce taxpayer compliance costs. | D | The extent of initiatives to reduce taxpayer compliance costs is limited. |
| P3-11. Obtaining taxpayer feedback on products and services. | D | There is no structured way of obtaining taxpayer feedback regularly except for public participation meetings. Taxpayer input in the design of taxpayer programs and products is limited. |
| POA 4: Timely Filing of Tax Declarations | | |
| P4-12. On-time filing rate. | D | CGTN does not monitor the filing of tax declarations for SBP, Enclosed Bus Park Fees, and Land rates. |
| P4-13. Management of non-filers. | D | CGTN has no documented procedures to follow up with non-filers. |
| P4-14. Use of electronic filing facilities. | D | CGTN does not have an electronic platform for filing tax declarations. |
| POA 5: Timely Payment of Taxes | | |
| P5-15. Use of electronic payment methods. | D | The use of available electronic payment platforms is minimal. |
| P5-16. Use of efficient collection systems. | C | CGTN utilizes withholding at source and advance payment arrangements for Land Rates. |
| P5-17. Timeliness of payments. | D | The number and value of on-time payments for Single Business Permits are unreliable. |
| P5-18. Stock and flow of tax arrears. | D | CGTN's monitoring of arrears is inadequate. |

| Indicator | Scores 2023 | Summary Explanation of Assessment |
|---|----------------|--|
| POA 6: Accurate Reporting in Declarations | | |
| P6-19. Scope of verification actions taken to detect and deter inaccurate reporting. | D | CGTN lacks an annual tax audit program to detect and deter inaccurate reporting. The inspection program is not systematized around uniform practices to any extent. The degree to which the tax administration monitors the effectiveness of the taxpayer audit/inspection function is not well-defined. |
| P6-20. Use of large-scale data-matching systems to detect inaccurate reporting. | D | CGTN does not have large-scale automated cross-checking to verify information reported in tax declarations. |
| P6-21. Initiatives undertaken to encourage accurate reporting. | D | CGTN does not take proactive measures to encourage accurate reporting from taxpayers. |
| P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels. | C | The soundness of the tax gap analysis method/s used by the tax administration to monitor the extent of inaccurate reporting is not measured. |
| POA 7: Effective Tax Dispute Resolution | | |
| P7-23. Existence of an independent, workable, and graduated dispute resolution process. | D | CGTN does not have a graduated administrative and judicial review mechanism. Information on whether the administrative review mechanism is completely independent of the inspection process is unavailable. CGTN has not developed a dispute resolution process to be published for explicit taxpayer awareness. |
| P7-24. Time taken to resolve disputes. | D | The time taken to complete administrative reviews is not monitored. |
| P7-25. Degree to which dispute outcomes are acted upon. | D | CGTN does not monitor or analyze the extent to which dispute outcomes are acted upon. |
| POA 8: Efficient Revenue Management | | |
| P8-26. Contribution to government tax revenue forecasting process. | D | The county provides insufficient input to government revenue forecasting and estimation. |
| P8-27. Adequacy of the tax revenue accounting system. | D | The tax administration has an automated accounting system which is inadequate. |
| P8-28. Adequacy of tax refund processing. | D | CGTN has no documented refund process in place. The time taken to pay (or offset) tax refunds is not monitored. |

| Indicator | Scores 2023 | Summary Explanation of Assessment |
|--|----------------|---|
| POA 9: Accountability and Transparency | | |
| P9-29. Internal assurance mechanisms. | D | The level of assurance provided by internal audit in the CGTN is inadequate. Staff integrity assurance mechanisms are limited. |
| P9-30. External oversight of the tax administration. | D+ | The CGTN's financial statements and operational performance are audited annually by the OAG. The ombudsman or the anti-corruption agency does not oversee CGTN's anti-corruption policies. |
| P9-31. Public perception of integrity. | D | CGTN does not monitor public perception. |
| P9-32. Publication of activities, results and plans. | C+ | Annual Reports and financial statements are not submitted to the OAG within stipulated timelines to enable timely publication. CGTN publicizes the county's future directions and plans on time. |

I. INTRODUCTION

This report documents the results of the TADAT assessment conducted in CGTN during the period 06/03/2023 to 24/03/2023 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 most 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 taxes, 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 [Insert subnational jurisdiction name]).
- 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.

COUNTY GOVERNMENT OF TRANS NZOIA BACKGROUND INFORMATION

CGTN Profile

General background information on CGTN 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

The County Government of Trans Nzoia (CGTN) is primarily an agricultural region. Agriculture is the primary driver of the county's economy, contributing significantly to the county's Gross County Product (GCP). According to the CGTN Integrated Development Plan (CIDP) 2018-2022, the county has experienced relatively stable economic growth, with the GCP growing by an average of about 4.8 percent between 2014 and 2019. The county has significantly improved the agricultural sector by providing farmers with the necessary support and resources to boost their production. Additionally, the county government has invested in infrastructure to distribute agricultural products efficiently.

Inflation in CGTN has remained relatively low in recent years. According to the Kenya National Bureau of Statistics, the county's inflation rate was 5.5 percent in 2020, down from 5.7 percent in 2019. This is primarily due to the stable prices of food and non-alcoholic beverages, which account for a significant portion of the county's consumer price index. However, it is worth noting that various factors, including global economic trends and national policies, can influence inflation, which may impact the county's economic outlook.

The overall fiscal balance of CGTN has been relatively stable in recent years. According to the County Fiscal Strategy Paper for the financial year 2021 and 2022 respectively, the county's overall fiscal balance was projected to be a surplus of KES 139 million, while the anticipated expenditure for the financial year 2022/23 was projected to match revenue received for FY 2022/23. This is mainly due to the county's efforts to improve revenue collection and control expenditure. However, it is worth noting that the COVID-19 pandemic may have impacted the County's fiscal position, as it has reduced revenue from some sectors, such as tourism.

CGTN's public debt remains relatively low compared to other counties in Kenya. According to the County Fiscal Strategy Paper for the financial year 2020/2021, the county's total debt was projected to be KES 660 million, which is well within the limit set by the national government. The county's debt is primarily used to finance development projects like roads and health facilities. However, the county government needs to continue to monitor its debt levels to ensure that it remains sustainable and does not impact its overall fiscal position.

CGTN has made significant progress in reducing poverty levels, with the poverty headcount rate dropping from 49.7 percent in 2005/6 to 29.6 percent in 2015/16, according to CGTN County Integrated Development Plan. However, poverty remains challenging in the county, especially in rural areas. The County's economy is growing steadily, driven by the agricultural sector. While the county faces challenges such as poverty and limited economic diversification, the county government has made significant efforts to address these issues and promote sustainable economic development.

Main Taxes

CGTN's main taxes comprise Single Business Permit, Enclosed Bus Park Fees, and Land Rates. During 2019/20, 2020/21, and 2021/22, revenues collected from the three main taxes averaged 0.01 percent of the Gross County Product. Other taxes collected include Cess, Market Fees, Stall Rents, Street Parking, and Liquor Licenses.

Single Business Permit is the most significant tax revenue contributor (a three-year average of 14.7 percent of core tax collections—source: Table 1, Attachment III), followed by Enclosed Bus Park Fees (9.0 percent), Land Rates (7.3 percent) and other subnational taxes (69.0 percent).

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

Institutional Framework

The Revenue Unit under the Department of Finance and Economic Planning is responsible for collecting Own Source Revenue (OSR) in the county. It is among the three directorates that the department supervises, including Treasury and Budget Management. The Directorate is headed by a director who manages the day-to-day affairs and reports to Chief Officer-Finance and Economic Planning. The Chief Officer-Finance reports to the County Executive Committee Member (CECM) for Finance and Economic Planning. Deputy Director-Revenue and seven section heads support the Director of Revenue. The Directorate has a staff establishment of 135 permanent and contracted staff.

An organizational chart of the tax administration is provided in Attachment IV.

Current Status of Tax Administration Reform

Commission on Revenue Allocation (CRA) has developed Own Sources Revenue Training Guidelines for counties that provide a tool for strengthening their technical capacity on OSR administration to improve performance. Through training programs and ongoing assessments, the programme and CRA are enhancing the technical capacity of county government revenue staff, supervisors, management, and policymakers on the process of revenue collection, management, and enhancement.

As part of a United Nations joint programme on devolution, the United Nations Capital Development Fund is working with Counties on their tax administration policies by providing Tax Administrations Diagnostics Assessments (TADAT) and recommendations on international good practice. The outcome of TADAT assessments will guide counties on processes requiring improvement to enhance Own Source Revenue collection and accountability to achieve the development agenda of the counties,

CGTN was one of the 10 Kenyan counties selected to participate in the Kenya Devolution Support Program (KDSP) funded by the World Bank. The program aimed to support the Kenyan government's devolution process by providing financial and technical assistance to county governments. As part of the KDSP, the World Bank has provided technical assistance, capacity building, and financing to support the modernization of the county's tax administration system, among other reforms.

Exchange of Information

CGTN conducts information exchange as part of the annual budget-making process, where counties are required to submit their budgets to the national government for review and approval. The national government can provide feedback and recommendations on the budget proposals, which can help ensure that county priorities align with national development goals. CGTN is a member of the Lake Region Economic Bloc (LREB). LREB is one of Kenya's several regional economic blocs that brings together counties in specific regions of the country to promote regional integration and socio-economic development. LREB comprises 14 counties in the Western part of Kenya. REB also provides a platform for counties to share experiences, learn from one another, and coordinate their development efforts.

II. 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 2023 | |
|--|----------------|------------|---|
| 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 | |

The information held in the registration database is inadequate to support effective interactions with taxpayers and tax intermediaries. The County Government of Trans Nzoia (CGTN) utilizes a central computerized Revenue Management System called Zizi to register taxpayers with separate modules for each core tax. The system captures taxpayer information, including the taxpayer's full name, address, contact details, and nature of the business activity to aid the generation of taxpayer payment obligations. The system issues unique identification numbers for Single Business Permits (SBP) and separate unique property numbers for each property for land rates. It registers a Matatu SACCO¹ for enclosed bus park fees and captures a client identification number of the SACCO Manager and the motor vehicle owner for

¹ Matatu SACCOs in Kenya are cooperative societies that operate matatu minibus taxis on behalf of the vehicle owners. The SACCOs are registered with relevant authorities, such as the Ministry of Transport, and are required to comply with various regulations regarding vehicle ownership, licensing insurance, and safety standards

each vehicle that belongs to the respective SACCO. The system generates some management information, such as registered taxpayers by entity, type, location, and economic activity for all core taxes. However, the system lacks a client interface to provide secure online access to businesses and individuals to register for core taxes or update their details. It is not interfaced with any other government system. It does not capture the date of birth for individuals, the date of incorporation for companies, or the date of business registration for other entities and taxpayer-related parties. In addition, there was no evidence to show that the system allows for the deactivation of dormant registrations, deregistration of taxpayers, and archiving of information as well as providing an audit trail of user access. Also, there was no evidence that the separate unique identifiers issued for SBP and Land rates are validated through check digits or are interlinked. Consequently, the system does not provide frontline staff with a holistic view of the taxpayer identifying and other details across all core taxes.

The information held in the registration database is unreliable. CGTN conducts physical visits to the taxpayer premises to identify businesses that have not registered or complied with tax payment and in the process, establish businesses that ceased operation or changed location. This information is utilized to improve the accuracy of the information held in the registration database. However, there were no documented procedures to identify and remove inactive taxpayers and verify the accuracy of the information held in the database. Whereas the system captures the taxpayers’ Kenya Revenue Authority (KRA) personal identification number and certificate of incorporation number, there was no evidence to show that these are verified to ensure taxpayer authenticity. Additionally, there was no evidence of use of large-scale automated processes to crosscheck information against third-party data sources like KRA, the Registrar of Companies or the National Registration Bureau. Moreover, internal, and external auditors have not audited the system to show the level of confidence in the accuracy of the database.

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 2023 |
|--|----------------|------------|
| P1-2. The extent of initiatives to detect businesses and individuals who are required to register but fail to do so. | M1 | D |

CGTN has not documented the initiatives to detect and register businesses and individuals. The county conducts unannounced visits to identify unregistered businesses and individuals, but these initiatives are not documented. There was no evidence of the use of third-party data sources to identify new businesses. Therefore, no monitoring and reporting of the results of such initiatives.

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

| Measurement dimensions | Scoring Method | Score 2023 | |
|--|----------------|------------|---|
| P2-3-1. The extent of intelligence gathering and research to identify compliance risks in respect of the main tax obligations. | M1 | D | D |
| P2-3-2. The process used to assess, rank, and quantify taxpayer compliance risks. | | D | |

The extent of intelligence gathering and research to identify compliance risks regarding the main tax obligations is limited. The World Bank commissioned a study² on behalf of the Kenya National Treasury to help County Governments identify their revenue base and potential. The study estimated the property revenue gap under three different rate scenarios and found that it was greater than 98 percent in all scenarios. However, CGTN does not build knowledge of compliance levels and current and emerging risks by analyzing environmental scans, gathering and interpreting data from external sources, and conducting internal research.

CGTN has no structured process used to assess, rank and quantify taxpayer compliance risks. The Kenya National Treasury created guidelines for County Governments to manage risks based on contemporary risk management literature, including ISO 31000:2018 Risk Management. A high-level risk register in the Draft County Integrated Development Plan (CIDP) 2023-27 shows a high risk of inadequate revenue mobilization strategy. However, CGTN has not yet utilized the National Treasury's guidelines to have a structured process as part of its multi-year strategic planning to assess and prioritize compliance risks for all core taxes, the four main tax obligations, key taxpayer segments, and major sectors/industries of economic importance. The risk ranking in the high-level register is based on expert knowledge, not a policy-guided risk rating matrix.

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 the reasons underlying the assessment.

Table 5. P2-4 Assessment

| Measurement dimension | Scoring Method | Score 2023 |
|--|----------------|------------|
| P2-4. The degree to which the tax administration mitigates assessed risks to the tax system through a compliance improvement plan. | M1 | D |

CGTN does not have a Compliance Improvement Plan (CIP) to mitigate assessed risks. CGTN has a

² This is a report produced by Adam Smith International for the Own-Source Revenue (OSR) Potential and Tax Gap Study of Kenya's county Governments. This study was commissioned by The World Bank on behalf of the Kenya National Treasury. The objective was to map out counties' current local revenue base and potential.

high-level risk register that identifies general risks as high, medium, or low and their respective mitigation measures. However, it does not include mitigation actions in respect of all core taxes, key taxpayer segments, and risks associated with the four main compliance obligations. Moreover, there was no evidence to show that the CIP is resourced fully, and implementation is monitored on a regular basis.

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 2023 |
|---|----------------|------------|
| P2-5. The process used to monitor and evaluate the impact of compliance risk mitigation activities. | M1 | D |

CGTN does not monitor and evaluate the impact of compliance risk mitigation activities. There is no evidence of formal governance arrangements at the senior management level to approve and evaluate the impact of compliance risk mitigation activities. The lack of a compliance risk management plan, therefore, means there are no identified compliance mitigation activities that can be evaluated.

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 2023 | |
|---|----------------|------------|---|
| 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 | |

There is no structured methodology applied to manage operational risks. The National Treasury has issued guidelines assigning the responsibility of establishing a risk management framework in the Department of Finance and Economic Planning to the Chief Officer - Finance in County Governments. In the draft County Integrated Development Plan (CIDP) 2023-2027, a high-level risk register identifies various types of risks, such as financial, technological, climate, organizational, and political risks. The newly established Governor's Delivery Unit is also developing a Disaster Risk Management Framework and a County Disaster Risk Reduction strategic plan, which are included in the draft CIDP. However, there is no Information Communication Technology (ICT) strategic plan to guide the management of ICT resources

and align their use with the County Executive's strategic plans. CGTN also lacks monitoring of Business Impact Analysis, Recovery Time Objectives, and Risk Point Objectives. Additionally, there is no Business Continuity Plan (BCP) and no evidence that the staff undertake business continuity exercises or have been trained on their operational risk management roles and responsibilities.

No business continuity program is in place, which limits the extent to which effectiveness is tested, monitored, and evaluated. There is neither evidence of a documented Business Continuity Program nor monitoring done to evaluate the impact of operational risk mitigation initiatives. Consequently, there is no evidence of any audit by the internal or external auditors to assess the BCP's effectiveness.

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 2023 | |
|--|----------------|------------|---|
| 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 | |

The extent to which the tax administration has the capacity and structures to manage human capital risks is limited. The Public Service Management oversees performance management in the County, with a policy issued by the Public Service Board for senior management up to the Chief Officer level. Plans are in motion to expand the policy to the rest of the staff. The County works with the Kenya School of Government to conduct training to improve technical capacity. The performance management system follows the procedures set by the National Government, including performance contracting; however, there was no evidence of how these are implemented in the county. Compensation arrangements are determined by the Salaries and Remuneration Commission³, with guidelines inscribed into the payroll system. An employee engagement survey template has been created but has not yet been utilized. The County HR Management Advisory Committee meets to identify human resource risk issues and recommend mitigation measures. There was no evidence of training in risk management for the senior management team.

The degree to which the tax administration evaluates the status of human capital risks and related mitigation interventions is limited. The County Public Service Board formally evaluates the human capital risks, including headcount assessment and skills gap. The assessments are done once every three to four years. Plans to improve employee welfare, recruit staff, and develop an employee competency

³ The Salaries and Remuneration Commission is an independent Constitutional commission that sets and reviews the remuneration and benefits of all State officers. It also advises the national and county governments on the remuneration and benefits of all other public officers

framework are identified in the Annual Development Plan 2022-23. There is no evidence, however, that a competent person, independent of the HR function, conducts a formal evaluation (including a staff survey) of the human capital risks at least once a year. Additionally, there is no annual impact analysis performed by competent individuals, independent of the HR function, to assess the effectiveness of risk-mitigating interventions. The annual financial statements do not cover human capital risks, and there was no evidence of any external or internal audit addressing human capital risks.

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.

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 2023 | |
|--|----------------|------------|---|
| 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 | D | D |

| | | | |
|---|--|---|--|
| P3-8-2. The degree to which information is current in terms of the law and administrative policy. | | C | |
| P3-8-3. The ease by which taxpayers obtain information from the tax administration. | | D | |

There is a limited range of information available to taxpayers to explain, in clear terms, their obligations and entitlements in respect of core taxes. CGTN has multiple channels for sharing information about taxpayers' obligations and entitlements. These include a website where taxpayers can access the Finance Act and a Facebook page and Twitter handle for sharing information. Walk-in clients can visit the headquarters or any of the 5 sub-counties to access information. The county also disseminates information through traditional media such as television, radio, and print media, and has a notice board at the town hall where taxpayer information is displayed. The county also issued a brochure to guide taxpayers to register and pay for land rates. However, the website has limited information regarding key taxpayer obligations for the core taxes, and the Facebook page does not contain up-to-date information. The same applies to the Twitter handle, which was last updated with tax information in 2019. There was no evidence to verify any other activities undertaken by the county to ensure that information is made readily available to taxpayers. In addition, the information is not tailored to the key taxpayer segments, key industry groups, intermediaries, and disadvantaged groups.

Public information is not current in terms of law and administrative policy. Before any law comes into force, section 125 of the PFMA requires public participation. CGTN carries out public participation before the changes take effect as part of the Finance Act Amendment process. CGTN also has staff in the ICT unit who are tasked with updating information whenever there are changes; there are no documented procedures to ensure information is current. Changes to the Finance Act are communicated generally through the website, public notices, gazette notices, and newspapers on nationwide circulation on an ad hoc basis, mainly during public participation as required by law before the changes take effect.

CGTN provides information and guidance to taxpayers on an ad hoc basis. Apart from public participation engagements and the available information in the Finance Act, taxpayers at CGTN access information free of charge when they walk into the offices spread in the 5 sub-counties through the website, brochures, and flyers issued for some events. Sometimes, the County revenue unit communicates through letters and SMS regarding land rates. However, the County does not provide a broad range of proactive taxpayer education programs. The public seminars conducted are not regular or structured. Moreover, the county lacks self-service facilities like a call center and client interface on the system to enable them to obtain information at a convenient time.

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 2023 |
|--|----------------|------------|
| P3-9: The time taken to respond to taxpayers and tax intermediaries' requests for information. | M1 | D |

CGTN does not monitor the time taken to respond to taxpayer requests. Whereas CGTN has a dedicated telephone line that taxpayers can use to obtain information for land rates, the calls made on this line are not monitored, and no other lines are dedicated to other revenue streams. There is no call center for taxpayers to use to request for information. Also, there is no evidence of a client service charter to provide service standards for responding to information requests. Telephone inquiries are also made through the revenue officers' personal mobile phone numbers, which are not monitored. Therefore, there was no data to enable the assessment of this dimension.

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 2023 |
|---|----------------|------------|
| P3-10. The extent of initiatives to reduce taxpayer compliance costs. | M1 | D |

The extent of initiatives to reduce taxpayers' compliance costs is limited. CGTN has Ward and Sub-County administrators who respond to taxpayers' questions physically when they visit offices or officers carry out field visits but provide information only on a need basis. Whereas CGTN has a computerized revenue system, it does not provide a client interface that gives taxpayers and their authorized agents 24-hour access to registration and tax account details. CGTN also has online payment platforms like MPesa and electronic funds transfer which reduce the taxpayer burden of going to the banks to make payment; however, the clients are required to take receipts to the county offices to obtain the permit, sticker, or receipt. Additionally, no documented procedure exists in the County on Frequently Asked Questions. Besides, the county has not segmented taxpayers; therefore, there was no evidence of specific record-keeping and reporting arrangements for small taxpayers. There was also no evidence of review of tax declarations and other forms.

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 2023 | |
|---|----------------|------------|---|
| 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. | | D | |

There is no structured way of obtaining taxpayer feedback regularly except for public participation meetings. The tax administration mainly uses Public Participation engagements, especially during the budgeting process, to obtain taxpayer feedback for service improvement. However, the county does not use surveys to solicit feedback. The county also conducts meetings with some key stakeholders, such as traders' umbrella bodies like the Matatu SACCOs and Chamber of Commerce, whenever there are issues to be addressed, but these are also not regular, and there was no evidence of such meetings.

Taxpayer input in the design of taxpayer programs and products is limited. The taxpayers are only involved during the budgeting process through public participation but not on the design or layout of programs and products. Testing of products before launching is only limited to specific products, such as the enclosed bus park fees, where only select Matatu SACCOs were involved. Still, there was no evidence of such engagement ever taking place. Even before Zizi was implemented, there was no evidence to show that b taxpayers were consulted. In any case, any engagements conducted are not customized to the key taxpayer groups and intermediaries to identify the deficiencies in administrative processes and products.

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-filing 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 2023 | |
|---|----------------|------------|---|
| P4-12-1. The number of declarations for Single Business Permit filed by the statutory due date as a percentage of the number of declarations expected from registered T1 taxpayers. | M2 | D | D |
| P4-12-2. The number of declarations for Enclosed Bus Park Fees filed by the statutory due date as a percentage of the number of declarations expected from registered T2 taxpayers. | | D | |
| P4-12-3. The number of declarations for Land Rates filed by the statutory due date as a percentage of the number of declarations expected from registered T3 taxpayers. | | D | |

CGTN does not monitor the filing of tax declarations for SBP. The Finance Act 2022 provides rates for businesses based on size and location, implying that SBP applicants must provide details about their business size and location for liability assessment. Whereas the SBP registration form provides for the location of the business, it does not provide for the size of the business to be provided by the taxpayer, and the law does not stipulate the due date for the submission of this information. However, the Finance Act provides for payment of SBP by 1st January with a grace period of three months up to 31 March every year, beyond which a penalty of 50 percent accrues and is automatically generated by the system. This implies this information should have been submitted by the payment due date. However, no data was supplied to enable the assessment of this dimension.

CGTN does not monitor the filing of tax declarations for enclosed bus park fees. The Finance Act 2022 provides for the rate of enclosed bus park fees to be paid per month and is collected through the Matatu SACCOs. The SACCO provides CGTN with a list of all matatus registered under it to enable assessment of the tax payable by the SACCO for each matatu and issuance of the receipt and parking sticker. However, the specific due date for submission of details of motor vehicles is not stipulated in the Finance Act; therefore, no data was available to enable assessment of this dimension.

CGTN does not monitor the filing of tax declarations for Land Rates. The Finance Act 2022 imposes a charge on ratable property annually based on rates as given in the valuation rolls. Whereas the valuation roll is outdated, CGTN issues invoices to enable taxpayers to make payments. However, the Act does not impose a filing obligation for taxpayers to provide information; therefore, no data was available to enable assessment of this dimension.

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 2023 |
|--|----------------|------------|
| P4-13. Action taken to follow up non-filers. | M1 | D |

CGTN has no documented procedures to follow up non-filers. The Finance Act 2022 does not impose a filing obligation on taxpayers; CGTN monitors payments instead of filing. Payment defaulters are subject to automatic penalties generated by the modules for each tax in the Zizi revenue system. The revenue unit then employs a team of enforcement staff to carry out follow-up procedures. This process involves contacting the taxpayer directly, considering their circumstances and payment history, and issuing demand notices. To ensure the accuracy of their records, the revenue unit routinely updates the taxpayer register based on the enforcement results. However, the unit does not utilize an automated process to detect taxpayers who have not made their timely payments. Documented procedures are not in place for enforcement follow-up within seven days of the due date. Besides, enforcement staff do not have the required training in customer relations and negotiation techniques.

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 2023 |
|---|----------------|------------|
| P4-14. The extent to which tax declarations are filed electronically. | M1 | D |

CGTN does not have an electronic platform for filing tax declarations. The Finance Act 2022 does not impose a filing obligation on taxpayers. However, to identify their tax liabilities, taxpayers must physically go to the revenue offices, where they are either issued with invoices or verbally told of their liability. The system has a provision for issuances of invoices which would act as a proxy for filing, but

these are not issued to all taxpayers before payment of tax. Some taxpayers with accurate email addresses receive their invoices electronically. These invoices can be paid using various methods, including cheques and mobile money using M-Pesa⁴ or at a commercial bank. For SBP, revenue officers issue paper invoices at businesses during a manual distribution exercise. In addition, paper invoices are also used for land rates and enclosed bus park fees. The revenue office assesses taxpayers' liabilities. There is no option for self-assessment for any revenue streams due to the lack of a customer interface in the Zizi revenue system. There was no data availed to assess this dimension.

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 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 taxes 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 2023 |
|--|----------------|------------|
| P5-15. The extent to which core taxes are paid electronically. | M1 | D |

Use of available electronic payment platforms is minimal. All Taxpayers in CGTN can pay for any of the core taxes using mobile money called Mpesa, electronic funds transfer, or direct cash deposit to the

⁴ M-Pesa is a mobile phone-based digital wallet and money transfer service based on SMS (Short Message Service) and USSD (Unstructured Supplementary Service Data) protocols.

bank or through bank agents. Cash payments are not accepted. However, taxpayers are required to take deposit slips to the county offices to obtain receipts and access services. Receipts are generated after validation of each payment through the Zizi system linkage with the KCB IT system. Whereas the system generates payment reports, the reports provided did not specify the payment mode captured at receipt generation. Instead, 'Bank Slip' is indicated as the mode of payment. Therefore, the ratio of electronic payments out of the total core tax collections could not be ascertained; hence no evidence to show the availability and level of use of electronic payment platforms for each tax head or taxpayer segment.

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 2023 |
|--|----------------|------------|
| P5-16. The extent to which withholding at source and advance payment systems are used. | M1 | C |

CGTN utilizes withholding at source for Enclosed Bus Park Fees and advance payment arrangements for Land Rates. The CGTN Finance Act 2022 provides for advance payment arrangement of land rates within the year to which it relates on the first day of January of each year with a grace period of 3 months granted up to 31st March. Thereafter interest of 3 percent starts to accrue. Whereas the same Act provides for the rate of enclosed bus park fees to be paid per month and is collected through the Matatu SACCOs as well as the rate of SBP to be paid for the year, the specific due dates are not stipulated. However, the county enforces collection administratively by the 10th day of every month and 31st of March of each year for enclosed bus park fees and SBP, respectively. There are no mandatory withholding and disclosure arrangements in place.

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 2023 | |
|---|----------------|------------|---|
| P5-17-1. The number of payments for the most important tax (T1) 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 the most important tax (T1) made by the statutory due date in percent of the total value of T1 payments due. | | D | |

The number and value of on-time payments for Single Business Permits is unreliable. Whereas the Zizi tax collection system is interlinked with the county's bank, the KCB riverbank system this is only utilized to validate each payment before receipt issuance. Taxpayers are required to present proof of payment, mainly the bank slip, to the office to obtain a receipt and permit. The bank slip details are manually captured into the system, excluding the date and time of payment to the bank. This, coupled with an unreliable taxpayer register, renders the on-time payment ratio unreliable.

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.⁵ A third measurement dimension looks at the extent of unpaid tax 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 2023 | |
|--|----------------|------------|---|
| 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. | D | 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 | |

CGTN's monitoring of arrears is inadequate. CGTN has an IT system that generates arrears lists and an enforcement unit that follows up payment defaulters. The Finance Act 2022 deters non-compliance by not providing installment arrangements for core taxes and imposes penalties automatically computed

⁵ 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).

through the system. In addition, the system cannot issue licenses or parking stickers until the required fees for SBP or bus park fees are fully paid. For SBP, defaulters are followed up by the enforcement unit through door-to-door exercises immediately after the due date and grace period elapse. For enclosed park fees, enforcement officers' man the gates and enforce compliance when the tax is due. On the other hand, land rates arrears arise and are computed through the system with applicable penalties, which can be waived following relevant tax provisions. However, the system does not aid the county to effectively manage the arrears. It does not automatically generate reminders and demand notices to taxpayers, provide a consolidated picture of taxpayer's total arrears, allocate cases to enforcement staff through case management, and there was no evidence that it can generate MIS reports on the value and age of arrears. Moreover, the available data is not comprehensive enough to cover three years which would enable averaging to smooth out the impact of exogenous factors such as economic slowdown. Besides, the enforcement team is not specialist trained in debtor relationships and negotiations.

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

| Measurement dimensions | Scoring Method | Score 2023 | |
|--|----------------|------------|---|
| P6-19-1. The nature and scope of the tax audit program in place to detect and deter inaccurate reporting. | M1 | D | D |
| P6-19-2. The extent to which the audit program is systematized around uniform practices. | | D | |
| P6-19-3. The degree to which the quality of taxpayer audits is monitored. | | D | |
| P6-19-4. The degree to which the tax administration monitors the effectiveness of the taxpayer audit function. | | D | |

CGTN lacks an annual tax audit program to detect and deter inaccurate reporting. Enforcement officers are paired with Single Business Permit officers to conduct inspections of business premises. These verification inspections are conducted upon new registration and upon renewed registration. For Enclosed Bus Park fees, a list of motor vehicles is provided to the enforcement officers, who then verify these vehicles at the bus park. At the ward level, revenue officers are responsible for initiating inspection cases. These cases are typically dealt with at the local level and do not need to be referred to headquarters. While inspections are being conducted, there is no centralized audit program covering all core taxes or key taxpayer segments, nor is there a focus on high-risk areas. Audit cases are not centrally selected based on assessed risks, and a limited range of audit types and methodologies are used. Overall, there is no evaluation of the impact of audits on taxpayer compliance.

The inspection program is not systematized around uniform practices to any extent. There is a lack of an inspection manual and formal training for auditors, which implies a lack of guidance on inspection procedures and techniques. This includes procedures such as preparing an inspection plan, creating a

profile of the taxpayer, advising the taxpayer on the nature and scope of the inspection, examining the records of the taxpayer, advising the taxpayer on inspection findings, informing the taxpayer about dispute resolution rights and procedures, risk-based approach to categorization including by economic sector, managing inspection files, and using templates for working documents.

The degree to which the quality of taxpayer inspections is monitored does not exist. There is no documented process for monitoring the quality of taxpayer inspections in CGTN. In addition, there is no designated unit or committee responsible for this task. Consequently, no reports are issued that highlight quality issues or obstacles in achieving quality audits. As a result, no analysis is conducted to determine the impact of such reports since they do not exist.

The degree to which the tax administration monitors the effectiveness of the taxpayer inspection function is not well-defined. The senior management team of the tax administration does not have a system in place to review the inspection function's effectiveness. It is unclear how often such a review would occur and what criteria would be used to evaluate the effectiveness of inspections. There is no evidence to indicate that senior management monitors the key performance measures in inspection plans or monitors the results of inspections through regular reports and assesses the function's effectiveness. CGTN does not routinely survey the inspected taxpayers to review the professionalism and competence in the performance of inspections.

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 2023 |
|--|----------------|------------|
| P6-20. The extent of large-scale automated crosschecking to verify information reported in tax declarations. | M1 | D |

CGTN does not have large-scale automated cross-checking in place to verify information reported in tax declarations. The assessment for various taxes, including the core taxes, is based on the information provided during first-time registration or renewal of registration. For instance, the assessment for business licenses is determined by the information provided in the license application form. At the same time, land rates are based on land registration details from title documents or letters of allotment. Enclosed bus park fees are based on motor vehicle registration details provided by the Matatu SACCOs. Despite having an automated tax collection system interlinked with the KCB system, Zizi is utilized only for cross-checking payments on a case-by-case basis before issuance of a receipt and permit, sticker, or service. Zizi is not interlinked with KRA or any other government systems to enable cross-checking of data on a large scale. CGTN does not carry out large-scale automated cross-checking of data within the system or with any other external source.

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 2023 |
|--|----------------|------------|
| P6-21. The nature and scope of proactive initiatives undertaken to encourage accurate reporting. | M1 | D |

CGTN does not take proactive measures to encourage accurate reporting from taxpayers. No system of public or private rulings is in place, meaning taxpayers have no means to seek clarification on specific technical issues. Additionally, no cooperative compliance program is currently in operation, which could assist taxpayers in navigating complex tax regulations.

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 2023 |
|---|----------------|------------|
| P6-22. The soundness of tax gap analysis method/s used by the tax administration to monitor the extent of inaccurate reporting. | M1 | C |

The soundness of the tax gap analysis method/s used by the tax administration to monitor the extent of inaccurate reporting is not measured. The World Bank and National Treasury carried out the Own Source Revenue Potential and Tax Gap Study for Kenya's County Governments in 2018 and a second report was done with the CRA in 2022. Information was sought from the Counties to enable Counties to contribute directly to the study and ensure that any local issues, challenges, or data are taken into consideration and help make the outputs of the study more realistic and of practical use. The studies examined the revenue gap for all core taxes. The 2022 study estimated Property rates potential in CGTN to be KES 204.4 million against a gap of KES 30.3 million. Trading license potential was estimated at KES 102.9 million against an average collection of KES 58.5 million. It is not clear whether CGTN adopted some of the recommendations from the 2018 gap report, but some of the reforms done by CGTN were in the recommendations. Some examples include the County legislation creating an obligation and imposing a licensing fee, which should not be set out only in a Finance Act but in dedicated, separate County legislation. CGTN also adopted a new revenue IT system (Zizi) and phased out the Local Authority

Information Management System (LAIFOMS) used by the defunct local authorities. However, there is no evidence that the results of the gap report were subjected to credibility tests.

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 2023 | |
|--|----------------|------------|---|
| P7-23-1. The extent to which an appropriately graduated mechanism of administrative and judicial review is available to, and used by, taxpayers. | M2 | D | D |
| P7-23-2. Whether the administrative review mechanism is independent of the audit process. | | D | |
| P7-23-3. Whether information on the dispute process is published, and whether taxpayers are explicitly made aware of it. | | D | |

CGTN does not have a graduated administrative and judicial review mechanism which taxpayers widely use. Although CGTN has two administrative processes for resolving disputes or cases of objection, these are not provided for in the law, and there is no evidence that taxpayers use them. The first process involves taxpayers lodging objections with the revenue officers at the Sub-County and Wards or at the directorate of revenue. The second process involves the taxpayers' writing to the head of the County

Treasury, who is the County Executive Committee Member (CECM) for Finance. If the taxpayer is still dissatisfied with the CECM's decision, the taxpayer is at liberty to lodge the case at the national courts of law. The taxpayers have legal rights constitutionally to have their disputes handled at the courts of law. Some of the national legislations that provide for review and appeals for taxpayers include Tax Appeals Tribunal Act, 2013, Civil Procedure Act, and Evidence Act, among others. However, no evidence of any dispute on record reached the second and third stages of the tiered review mechanism.

Information on whether the administrative review mechanism is completely independent of the inspection process is unavailable. Taxpayer disputes are handled on a case-by-case basis when they are submitted to the county offices. However, there are no administrative review staff and a unit that is physically and organizationally independent of the inspection unit that handles taxpayer grievances. Besides, there are no documented administrative review procedures to be applied.

CGTN has not developed a dispute resolution process to be published for explicit taxpayer awareness. Although the process of handling objections and appeals is provided for under national legislation, CGTN has not developed general information on the processes or conducted public sensitization on the existence of these mechanisms. General information on taxpayer dispute rights and dispute resolution processes is not publicly available on the county website. The revenue officers are also not required by written instruction to explicitly inform taxpayers of their dispute rights and the associated dispute procedures. Information on dispute rights and associated dispute procedures are not included in audit finalization letters, assessment notices, and administrative review outcomes notifications.

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 2023 |
|---|----------------|------------|
| P7-24. The time taken to complete administrative reviews. | M1 | D |

The time taken to complete administrative reviews is not monitored. Although some complaints arise and are handled by The Department of Revenue, the department does not maintain statistics on the disputes handled at any tier. Data in Table 11 was not provided to enable the assessment of this indicator.

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 25 followed by an explanation of reasons underlying the assessment.

Table 26. P7-25 Assessment

| Measurement dimension | Scoring Method | Score 2023 |
|---|----------------|------------|
| P7-25. The extent to which the tax administration responds to dispute outcomes. | M1 | D |

CGTN does not monitor or analyze the extent to which dispute outcomes are acted upon. There is no evidence of the administration responding and acting upon dispute outcomes. CGTN did not report any information on monitoring or analysis of tax disputes to inform the formulation of policies, legislation, and review of administrative procedures. Accordingly, there are no decision impact statements that are routinely prepared.

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.)⁶
- 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.
- 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.

⁶ 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.

Table 27. P8-26 Assessment

| Measurement dimensions | Scoring Method | Score 2023 |
|---|----------------|------------|
| P8-26. The extent of tax administration input to government tax revenue forecasting and estimating. | M1 | D |

The county provides insufficient input to government revenue forecasting and estimation. CGTN has a budgeting unit under the Finance and Economic Planning Department which coordinates and consolidates data provided to the county assembly for approval. Approved reports are submitted to the controller of budget to input into the government budgeting process. The unit then monitors the performance of collections against forecasts through the system-generated monthly reports received from the departments, and justification of variances is made. In line with the Public Finance and Management Act 2012, the unit provides county consolidated performance reports to the controller of the budget on a quarterly basis, contrary to good international practice that requires monthly inputs. However, no evidence of submitted reports was provided, and there is no evidence that the county keeps track of refunds or estimates the cost of tax expenditures.

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 2023 |
|--|----------------|------------|
| P8-27. Adequacy of the tax administration's revenue accounting system. | M1 | D |

The tax administration has an automated accounting system which is inadequate. The county utilizes the Zizi automated revenue collection system, which does not meet government accounting standards. The system calculates late payment penalties and interest, which is used to generate reports for following upon taxpayers for payments. It can archive and restore dormant accounts, generate various MIS reports, and separately identify interest and penalty for each core tax and maintain an audit trail, amongst other capabilities. Although The Office of the Auditor General (OAG) audits the county operations annually, there was no evidence of any audit conducted on the IT system. Relatedly, there was no evidence of any audit of the IT system undertaken by the Internal Auditor. Whereas the system is interfaced with the county's bank KCB IT system to enable staff to validate deposits made on the account, Zizi is not interfaced with IFMIS or any other government or subnational revenue accounting system. The system does not post payments to taxpayer ledgers, and there was no evidence to show that taxpayer ledgers are maintained manually or routinely and are systematically reviewed. Taxpayers are required to provide proof of payments to the bank to the county to enable posting to their accounts. Moreover, the system has no client interface to enable taxpayers to view their payment account details.

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

| Measurement dimensions | Scoring Method | Score 2023 | |
|---|----------------|------------|---|
| P8-28-1. Adequacy of the tax refund system. | M2 | D | D |
| P8-28-2. The time taken to pay (or offset) tax refunds. | | D | |

CGTN has no documented refund process in place. Circumstances leading to refunds in CGTN are rare due to the lack of an enabling law, and incidences are minimized by having the schedule of rates input into the system. One-off refund claims are handled administratively either as a carry forward to be utilized by the taxpayer to settle subsequent period liabilities or the amount is refunded from the miscellaneous budget, and if insufficient, the payment is made from the following period release from the County Revenue Fund (CRF). This process is not documented. The time taken to pay (or offset) tax refunds is not monitored. There is no documented refund mechanism in place. The one-off refund claims which are handled administratively are not monitored.

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 2023 | |
|--|----------------|------------|---|
| P9-29-1. Assurance provided by internal audit. | M2 | D | D |
| P9-29-2. Staff integrity assurance mechanisms. | | D | |

The level of assurance provided by internal audit in the CGTN is inadequate. There exists an internal audit unit within the County Treasury. The internal audit unit reports administratively to the Chief Officer of Finance and Economic Planning and functionally to the Audit Committee. The unit is established pursuant to Regulations 155, 156 & 157 of the Public Finance Management (County Governments) Regulations, 2015. Independent review of internal audit operations is carried out annually by the OAG. The internal audit unit has seven auditors who are trained from time to time, with the last training being in September 2022. However, no documented internal audit plan is in place covering administration, human resources, financial audits, and internal control checks. The assessors were informed that there is a draft audit plan pending approval. Although the county utilizes the Zizi revenue collection system, there was no evidence of any IT systems controls or a central repository of internal control policies, processes, and procedures.

Staff integrity assurance mechanisms are limited. CGTN has an approved code of ethics developed by the County Public Service Board (CPSB). The code of ethics prescribes professional conduct that embodies the guiding values, principles, and requirements set out in national or international ethics and integrity laws. The County communicates the code of ethics and professional conduct to all staff during recruitment and induction. The same was also disseminated during a workshop where all participants were required to sign upon receipt. The human resources unit issues the secrecy declaration for signing to the staff at the time of recruitment. The County also has the County Human Resource Advisory Committee (CHRAC), which handles staff welfare and ad hoc disciplinary cases. The CHRAC reports to the Chief Officer. It investigates cases internally and refers them to CPSB. The county cooperates with the anti-corruption agencies and other law enforcement agencies at the national level. Integrity-related statistics are, however, not maintained nor publicly reported.

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 2023 | |
|---|----------------|------------|---|
| P9-30-1. The extent of independent external oversight of the tax administration's operations and financial performance. | M2 | C | C |
| P9-30-2. The investigation process for suspected wrongdoing and maladministration. | | C | |

The CGTN's financial statements and operational performance are audited annually by the OAG.

The OAG audits the financial statements of CGTN annually in line with Article 229 of the Constitution of Kenya and the PFMA 2012. OAG conducts special audits on requests from the Senate or ad hoc committees. OAG shares findings with CGTN, which are responded to in stipulated timelines. OAG shares the report and findings within the PFMA framework with the Senate. For any unresolved issues, the county appears before the Senate to explain. The reports of the audits by the OAG are uploaded to the OAG website. However, there was no evidence of an annual audit program of operational performance audits by OAG and that the review findings and responses from the county to the findings are publicly reported.

The ombudsman or the anti-corruption agency does not oversee CGTN's anti-corruption policies.

The office of the ombudsman and the anti-corruption agency exists at the national level. The Commission on Administrative Justice (office of the ombudsman) handles all cases of maladministration at both the national and county level. The anti-corruption agency, The Ethics and Anticorruption Commission (EACC), oversees anti-corruption matters and makes recommendations to the County. Both agencies investigate alleged corruption and misconduct cases and forward the matters to relevant prosecution channels. There is an integrity assurance officer who is an employee of CGTN who makes quarterly reports to EACC on corruption prevention plans. However, the agencies do not oversee anti-corruption policies within the county. There was no evidence of; systemic problems identified by the office of the ombudsman and remedial actions reported to the County and government, any case handled by the EACC and report from the office of the ombudsman or EACC and any reports to senior management of actions taken in response to EACC or Commission of Justice recommendations.

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 2023 |
|--|----------------|------------|
| P9-31. The mechanism for monitoring public confidence in the tax administration. | M1 | D |

CGTN does not monitor public perception. Whereas CGTN obtains direct feedback from taxpayers

from walk-in clients and during public participation engagements, the county has not put in place mechanisms to monitor public confidence in the tax administration. There was no evidence of surveys conducted by either internal or independent third parties or whether client feedback is considered in reviewing the county integrity framework and public relations campaigns.

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 2023 | |
|---|----------------|------------|----|
| 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 | D | C+ |
| P9-32-2. The extent to which the tax administration's future directions and plans are made public, and the timeliness of publication. | | A | |

Annual Reports and financial statements are not submitted to the OAG within stipulated timelines to enable timely publication. The financial and non-financial statements are prepared and are supposed to be submitted to the OAG at the end of the financial year within three months by 30th September, as provided for in the Public Finance Management Act, 2012. After review by the OAG, the reports are tabled before the Senate and subsequently are published on the OAG website. The report for periods 2020/21 and 2019/20 were submitted to OAG in July 2022 and December 2020. The most recent report available on the OAG website is for 2019/20.

CGTN publicizes the county's future directions and plans in a timely manner. The county's future plans, and directions are contained in the key planning documents, which are made public on the county website. These include the County Integrated Development Plan, County Fiscal Strategy Paper, Annual Development Plan, Budget Review and Outlook Paper, Programme Based Budgets, and Finance Bills. The County shares the draft planning documents with the public before the period covered by the plans as required by law. The Public Finance Management Act of 2012 requires Counties to seek the views of the public in the preparation of planning documents.

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. CGTN: subnational entity Snapshot

| | |
|-------------------------------|--|
| Geography | <p>CGTN lies on the western side of Mount Elgon in the former Rift Valley province, some 380 km northwest of Nairobi. The county borders Bungoma to the west, Uasin Gishu and Kakamega to the south, Elgeyo Marakwet to the east, West Pokot to the north, and the Republic of Uganda to the Northwest. Trans Nzoia covers an area of 2495.5 square kilometers</p> <p>(Source: https://www.transnzoia.go.ke/overview/)</p> |
| Population | <p>Based on the 2019 census, the Trans Nzoia population is as follows.</p> <ul style="list-style-type: none"> • Male-489,107 (0.02% of National Male Population) • Female-501,206 (0.02% of National Female Population) • Intersex-28 (0.02% of National Intersex Population) • Total- 990,341 (0.02% of National Total Population) <p>The estimated Population density is 397 per Sq. Km (Source KNBS: Kenya National Housing and Population Census, 2019)</p> |
| Adult literacy rate | <p>Population 15 years and above;</p> <ul style="list-style-type: none"> • At school/learning institution: 231,294 persons, which is 44.5 percent of persons aged three years and above. • Left school/learning institution after completion: 138,404 persons, which is 26.6 percent of persons aged three years and above. • Left school/learning institution before completion: 148,028 persons, which is 28.5 percent of persons aged three years and above. • Never been to school/learning institution: 59,871 persons, which is 11.5 percent of persons aged three years and above. <p>(Source KNBS: Kenya National Housing and Population Census, 2019)</p> |
| Gross Domestic Product | <p>GCP (2021) - Ksh.177,121 million The average GCP growth prospects from 2018 to 2023 was 6.11 per cent.</p> <p>Leading sectors in Ksh (millions)</p> <ol style="list-style-type: none"> 1. Agriculture, Forestry and Fishing 70,525 2. Transport and Storage 22,560 3. Wholesale and Retail Trade 15,466 <p>(Source: KNBS GCP report 2021)</p> |
| Per capita GCP | <p>Approximately KES 62,633 (about USD 590) in 2020. (Source: KNBS GCP Report 2021)</p> |

| | |
|--|--|
| Main industries | The main economic activities include; Agriculture, Transport and Storage, Wholesale and Retail Trade. Trans Nzoia's Agriculture sector, known for large-scale grain farming (maize and wheat) accounted for 0.03 percent of Kenya's Gross Value Added |
| Communications | <ul style="list-style-type: none"> • 16.9 Internet users per 100 people: _ • 7.1 desktop/laptop/computer users per 100 people • Mobile 'phone subscribers is 40.4 per 100 people: _ (Source: VOLUME-IV-KPHC-2019) |
| Main taxes | Single Business Permit, Enclosed Bus Park Fees and Land Rates |
| Tax-to-GCP | 0.002 percent in 2021, excluding Customs tax collections. (Source: KNBS GCP report 2021) |
| Number of taxpayers | SBP (9,610), Enclosed Bus Park Fees (55) and Land Rates (4,907) |
| Main collection agency | Revenue Unit |
| Number of staff in the main collection agency | 135 |
| Financial Year | July to June |

Attachment III. Data Tables

| Table 1. Tax Revenue Collections, 2019/20 - 2021/22 ¹ | | | |
|---|-----------------|-----------------|-----------------|
| | 2019/20 | 2020/21 | 2021/22 |
| In local currency | | | |
| Budgeted tax revenue forecast of subnational entity² | 500,000,000 | 500,000,000 | 529,500,000 |
| Total tax revenue collections | 356,077,068 | 340,453,746 | 379,991,105 |
| Single Business Permit | 47,682,660 | 61,083,374 | 48,746,015 |
| Enclosed Bus Park Fees | 36,638,700 | 25,506,450 | 34,764,700 |
| Land Rates | 22,251,110 | 33,362,282 | 21,787,048 |
| Other sub-national taxes | 249,504,598 | 220,501,640 | 274,693,342 |
| Tax refunds | 0 | 0 | 0 |
| In percent of total tax revenue collections | | | |
| Budgeted tax revenue forecast of subnational entity² | 100 | 100 | 100 |
| Total tax revenue collections | 71.2 | 68.1 | 71.8 |
| Single Business Permit | 13.4 | 12.2 | 9.2 |
| Enclosed Bus Park Fees | 10.3 | 5.1 | 6.6 |
| Land Rates | 6.2 | 6.7 | 4.1 |
| Other sub-national taxes | 70.1 | 44.1 | 51.9 |
| Tax refunds | 0 | 0 | 0 |
| In percent of GCP | | | |
| Budgeted tax revenue forecast of subnational entity² | 0.30 | 0.28 | 0.30 |
| Total tax revenue collections | 0.22 | 0.19 | 0.21 |
| Single Business Permit | 0.03 | 0.03 | 0.03 |
| Enclosed Bus Park Fees | 0.02 | 0.01 | 0.02 |
| Land Rates | 0.01 | 0.02 | 0.01 |
| Other sub-national taxes | | | |
| Tax refunds | 0 | 0 | 0 |
| Nominal GDP in local currency | 165,121,000,000 | 177,368,000,000 | 177,368,000,000 |
| Explanatory notes: | | | |
| 1 This table gathers data for three fiscal years (e.g. 2020-2022) 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. | | | |

B. Movements in the Taxpayer Register

Table 2. Movements in the Taxpayer Register, 2021/20 - 2021/22

(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] |
| [2019/20] | | | | | |
| Single Business Permit | 9,610 | 0 | 9,610 | | |
| Enclosed Bus Park Fees | 55 | 0 | Not Available | | |
| Land Rates | 4,907 | 0 | 4,907 | | |
| Other taxpayers | Not Available | 0 | Not Available | | |
| [2020/21] | | | | | |
| Single Business Permit | 9,610 | 0 | 9,610 | | |
| Enclosed Bus Park Fees | 55 | 0 | Not Available | | |
| Land Rates | 4,907 | 0 | 4,907 | | |
| Other taxpayers | Not Available | 0 | Not Available | | |
| [2021/22] | | | | | |
| Single Business Permit | 9,610 | 0 | 9,610 | | |
| Enclosed Bus Park Fees | 55 | 0 | Not Available | | |
| Land Rates | 4,907 | 0 | 4,907 | | |
| Other taxpayers | Not Available | 0 | Not Available | | |

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 declarations¹ 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.

4Taxpayer register activity information.

C. Telephone Enquiries (Ref: POA 3)

Table 3. Telephone Enquiry Call Waiting Time
(for the most recent 12-month period)

| 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 | 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 |

D. Filing of Tax Declarations (Ref: POA 4)

Table 4. On-time Filing of Single Business Permits for 2021/22

| | Number of declarations filed on-time ¹ | Number of declarations expected to be filed ² | On-time filing rate ³ (In percent) |
|----------------------|---|--|--|
| All taxpayers | Data not available | Data not available | N/A |
| Large taxpayers only | N/A | N/A | N/A |

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:

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

Table 5. On-time Filing of Enclosed Bus Park Fees for 2021/22

| Number of declarations filed on-time ¹ | Number of declarations expected to be filed ² | On-time filing rate ³ (In percent) |
|---|--|--|
| Data not available | Data not available | NA |

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:

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

Table 6. On-time Filing of T3 Declarations—All taxpayers
(for the most recent 12-month period)

| Month | Number of declarations filed on-time ¹ | Number of declarations expected to be filed ² | On-time filing rate ³ (In percent) |
|-----------------------|---|--|--|
| Jul - 21 | 0 | 0 | 0 |
| Aug - 21 | 0 | 0 | 0 |
| Sep - 21 | 0 | 0 | 0 |
| Oct - 21 | 0 | 0 | 0 |
| Nov - 21 | 0 | 0 | 0 |
| Dec - 21 | 0 | 0 | 0 |
| Jan - 22 | 0 | 0 | 0 |
| Feb - 22 | 0 | 0 | 0 |
| Mar - 22 | 0 | 0 | 0 |
| Apr - 22 | 0 | 0 | 0 |
| May - 22 | 0 | 0 | 0 |
| Jun - 22 | 0 | 0 | 0 |
| 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 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:

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

Table 7. On-time Filing of Enclosed Bus Park Fees —Large taxpayers only
(for the most recent 12-month period)

| Month | Number of declarations filed on-time ¹ | Number of declarations expected to be filed ² | On-time filing rate ³ (In percent) |
|-----------------------|---|--|--|
| Jul-21 | N/A | N/A | N/A |
| Aug-21 | N/A | N/A | N/A |
| Sep-21 | N/A | N/A | N/A |
| Oct-21 | N/A | N/A | N/A |
| Nov-21 | N/A | N/A | N/A |
| Dec-21 | N/A | N/A | N/A |
| Jan-22 | N/A | N/A | N/A |
| Feb-22 | N/A | N/A | N/A |
| Mar-22 | N/A | N/A | N/A |
| Apr-22 | N/A | N/A | N/A |
| May-22 | N/A | N/A | N/A |
| Jun-22 | 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 were 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:

$$\frac{\text{Number of VAT declarations filed by the due date by large taxpayers}}{\text{Number of VAT declarations expected from active large taxpayers}} \times 1$$

E. Electronic Services
(Ref: POAs 4 and 5)

Table 8. Use of Electronic Services, 2021/20 - 2021/22

| | 2019/20 | 2020/21 | 2021/22 |
|------------------------|--|---------|---------|
| | Electronic filing² (In percent of all declarations filed for each tax type) | | |
| Single Business Permit | 0 | 0 | 0 |
| Enclosed Bus Park Fees | 0 | 0 | 0 |
| Land Rates | 0 | 0 | 0 |
| | Electronic payments³ (In percent of total number of payments received for each tax type) | | |
| Single Business Permit | 0 | 0 | 0 |
| Enclosed Bus Park Fees | 0 | 0 | 0 |
| Land Rates | 0 | 0 | 0 |
| | Electronic payments (In percent of total value of payments received for each tax type) | | |
| Single Business Permit | 0 | 0 | 0 |
| Enclosed Bus Park Fees | 0 | 0 | 0 |
| Land Rates | 0 | 0 | 0 |

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 Single Business Permit Payments Made During the Year 2021/22

| | 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 | 3,865 | 0 | 0 | 0 | 0 | 0 |
| Value of payments | 37,510,500 | 0 | 0 | 0 | 0 | 0 |

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

G. Domestic Tax Arrears
(Ref: POA 5)

Table 10. Value of Tax Arrears, 2019/20 - 2021/22¹

| | [2019/20] | [2020/21] | [2021/22] |
|--|-------------------|-----------|-----------|
| | In local currency | | |
| Total core tax revenue collections(from Table 1) (A) | 0 | 0 | 0 |
| Total core tax arrears at end of fiscal year ² (B) | 0 | 0 | 0 |
| Of which: Collectible ³ (C) | 0 | 0 | 0 |
| Of which: More than 12 months' old (D) | 0 | 0 | 0 |
| | In percent | | |
| Ratio of (B) to (A) ⁴ | 0 | 0 | 0 |
| Ratio of (C) to (A) ⁵ | 0 | 0 | 0 |
| Ratio of (D) to (B) ⁶ | 0 | 0 | 0 |

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. $\frac{\text{Value of total core tax arrears at end of fiscal year (B)}}{\text{Total core tax collected for fiscal year (A)}} \times 100$

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

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

H. Tax Dispute Resolution

(Ref: POA 7)

Table 11. Finalization of Administrative Reviews 2021/22

| 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 [D] = [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] |
| Jul-21 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Aug-21 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sep-21 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Oct-21 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Nov-21 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dec-21 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jan-22 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Feb-22 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mar-22 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Apr-22 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| May-22 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jun-22 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12-month total | | | | | | | | | | |

I. Payment of VAT Refunds (Ref: POA 8)

Table 12. Tax Refunds
(for the most recent 12-month period)

| | Number of cases | Value in local currency |
|---|-----------------|-------------------------|
| Total core tax refund claims received (A) | 0 | 0 |
| Total core tax refunds paid ¹ | 0 | 0 |
| Of which: paid within 30 days (B) ² | 0 | 0 |
| Of which: paid outside 30 days | 0 | 0 |
| Total core tax refund claims declined ³ | 0 | 0 |
| Of which: declined within 30 days (C) | 0 | 0 |
| Of which: declined outside 30 days | 0 | 0 |
| Total core tax refund claims not processed ⁴ | 0 | 0 |
| Of which: no decision taken to decline refund | 0 | 0 |
| Of which: approved but not yet paid or offset | 0 | 0 |
| In percent | | |
| Ratio of (B+C) to (A) ⁵ | 0 | 0 |

Explanatory note:

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

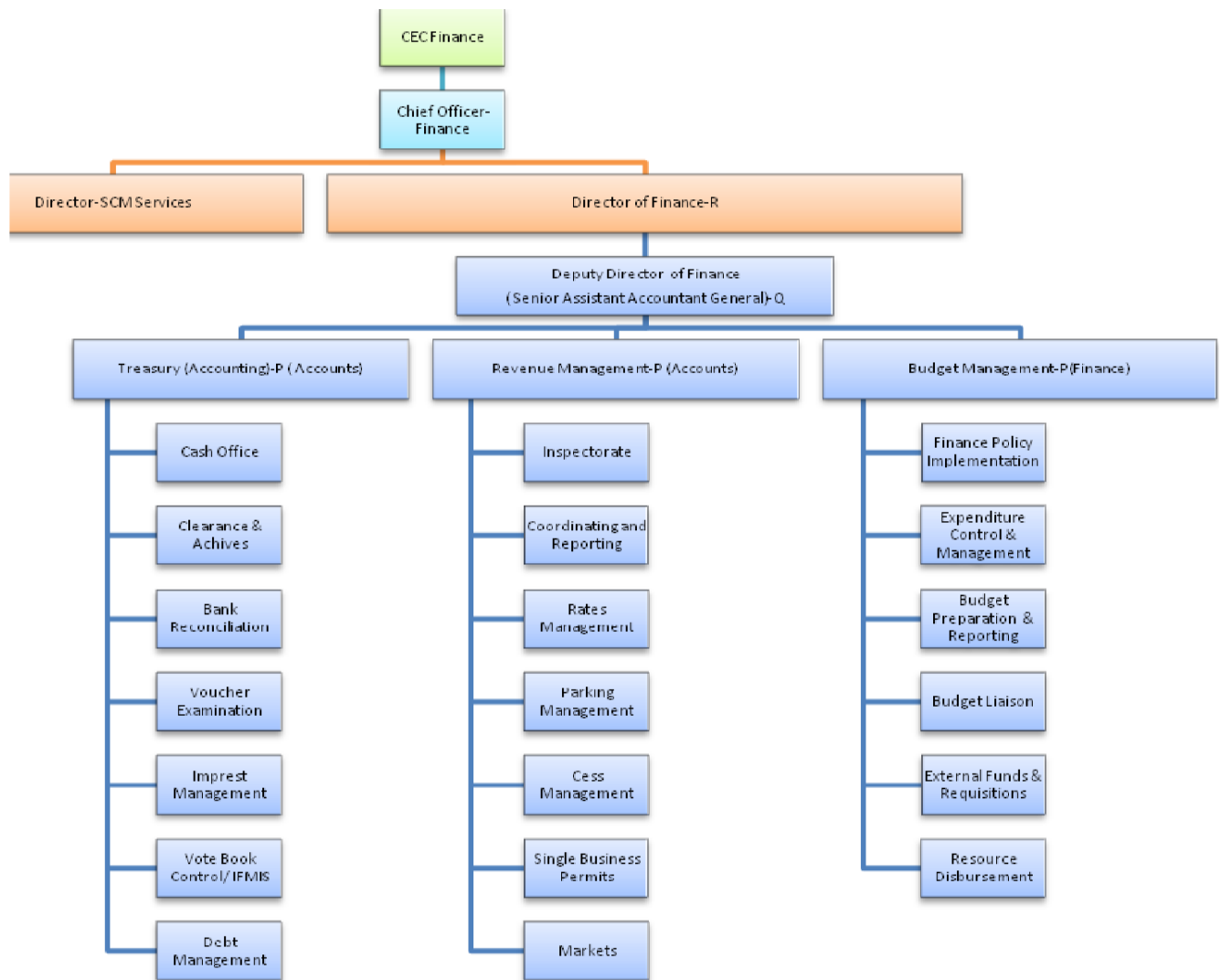
² TADAT measures performance against a 30-day standard.

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. $\frac{\text{Tax refunds paid within 30 days (B)} + \text{tax refunds declined within 30 days (C)}}{\text{Total tax refund claims received (A)}} \times 100$

Attachment IV. Organizational Chart



Attachment V. Sources of Evidence

| Indicators | Sources of Evidence |
|--|---|
| P1-1. Accurate and reliable taxpayer information. | <ul style="list-style-type: none"> • SBP Registration form • Valuation Roll • NTSA Transport Operator License • Enclosed Bus Park Parking Sticker • Organization Chart with Role descriptions • Field observation- Walkthrough of the Zizi system • Zizi User manual • Zizi process guide |
| P1-2. Knowledge of the potential taxpayer base. | <ul style="list-style-type: none"> • No Evidence |
| P2-3. Identification, assessment, ranking, and quantification of compliance risks. | <ul style="list-style-type: none"> • Draft County Integrated Development Plan 2023-27 • Comprehensive Own Source Revenue Potential and Tax Gap Study 2022 |
| P2-4. Mitigation of risks through a compliance improvement plan. | <ul style="list-style-type: none"> • No evidence |
| P2-5. Monitoring and evaluation of compliance risk mitigation activities. | <ul style="list-style-type: none"> • No evidence |
| P2-6. Management of operational (i.e. systems and processes) risks. | <ul style="list-style-type: none"> • Draft County Integrated Development Plan 2023-27 |
| P2-7. Management of human capital risks. | <ul style="list-style-type: none"> • Guidelines to the Staff Performance Appraisal System • Staff Performance Appraisal Report • PSC Human Resource Development Policy for Public Service June 2015 |
| P3-8. Scope, currency, and accessibility of information. | <ul style="list-style-type: none"> • Brochure • Copy of USSD display. • Trans Nzoia County Finance Bill 2021 • Public Finance Management Act 2012 |
| P3-9. Time taken to respond to information requests. | <ul style="list-style-type: none"> • No evidence |

| Indicators | Sources of Evidence |
|--|--|
| P3-10. Scope of initiatives to reduce taxpayer compliance costs. | <ul style="list-style-type: none"> • Brochure, MPesa |
| P3-11. Obtaining taxpayer feedback on products and services. | <ul style="list-style-type: none"> • No evidence |
| P4-12. On-time filing rate. | <ul style="list-style-type: none"> • Trans Nzoia County Finance Bill 2021 • Pre-mission Questionnaire Tables 4,5,6,7 |
| P4-13 Management of non-filers. | <ul style="list-style-type: none"> • No evidence |
| P4-14. Use of electronic filing facilities. | <ul style="list-style-type: none"> • Pre-mission Questionnaire Table 8 • USSD Payment brochure and revenue office photo |
| P5-15. Use of electronic payment methods. | <ul style="list-style-type: none"> • Brochure - payment methods • Promotion of the MPesa payment method • Field observation- Walkthrough of Zizi Revenue Collection System • Pre-mission Questionnaire Table 8: Use of Electronic Services |
| P5-16. Use of efficient collection systems. | <ul style="list-style-type: none"> • Trans Nzoia County Finance Bill 2022 |
| P5-17. Timeliness of payments. | <ul style="list-style-type: none"> • Pre-mission Questionnaire, Table 9: SBP payments made in 2021/22 • Trans Nzoia County Finance Bill 2021 |
| P5-18. Stock and flow of tax arrears. | <ul style="list-style-type: none"> • Pre-mission Questionnaire Table 10: Value of Tax Arrears |
| P6-19. Scope of verification actions taken to detect and deter inaccurate reporting. | <ul style="list-style-type: none"> • No evidence |
| P6-20. Use of large-scale data-matching systems to detect inaccurate reporting. | <ul style="list-style-type: none"> • No evidence |
| P6-21. Initiatives undertaken to encourage accurate reporting. | <ul style="list-style-type: none"> • No evidence |
| P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels. | <ul style="list-style-type: none"> • Comprehensive Own Source Revenue Potential and Tax Gap Study 2022 • Own Source Revenue Potential and Tax Gap Study 2018 |

| Indicators | Sources of Evidence |
|---|--|
| P7-23. Existence of an independent, workable, and graduated dispute resolution process. | <ul style="list-style-type: none"> • Public Finance Management Act 2012 • Tax Appeals Tribunal Act • Civil Procedures Act • Evidence Act |
| P7-24. Time taken to resolve disputes. | <ul style="list-style-type: none"> • Pre-mission Questionnaire Table 11: Finalization of Administrative Reviews |
| P7-25. Degree to which dispute outcomes are acted upon. | <ul style="list-style-type: none"> • No evidence |
| P8-26. Contribution to government tax revenue forecasting process. | <ul style="list-style-type: none"> • Organization structure • Field Observations |
| P8-27. Adequacy of the tax revenue accounting system. | <ul style="list-style-type: none"> • Zizi process guide • Zizi user manual • Field observations |
| P8-28. Adequacy of tax refund processing. | <ul style="list-style-type: none"> • Pre-mission Questionnaire Table 12: Tax Refunds |
| P9-29. Internal assurance mechanisms. | <ul style="list-style-type: none"> • Organizational chart • Internal Audit County Governments guidelines, 2016 • OAG Audit Reports • Public Finance Management Act 2012 • PFM (County Governments) Regulations, 2015 • Code of Ethics • Internal Audit Manual • Audit committee composition • Internal Audit Training plan for some trainings |
| P9-30. External oversight of the tax administration. | <ul style="list-style-type: none"> • OAG Annual Audit Report 2019/20 • Public Finance Management Act 2012 |
| P9-31. Public perception of integrity. | <ul style="list-style-type: none"> • No evidence |

| Indicators | Sources of Evidence |
|--|---|
| P9-32. Publication of activities, results and plans. | <ul style="list-style-type: none"> • Submission of Annual Reports to OAG • Draft County Integrated Development Plan 2023-27 |

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