

REPUBLIC OF KENYA



THE COUNTY ASSEMBLY OF SIAYA

FIRST ASSEMBLY – FOURTH SESSION

THE BUDGET, APPROPRIATIONS, FINANCE, PLANNING

AND VISION 2030 COMMITTEE REPORT ON

THE COUNTY GOVERNMENT OF SIAYA QUARTERLY

FINANCIAL AND BUDGETARY REVIEW REPORT FOR FIRST

QUARTER ENDING 30 SEPTEMBER, 2015

2015/2016

MARCH, 2016

PREFACE

Mr. Speaker, Sir, this report on the Quarterly Financial and Budgetary Review Report for the First Quarter ending 30th September, 2015 has been made in line with the provisions of Section 166 (4) (a) of the Public Finance Management (PFM) Act, 2012 which states that, *“Not later than one month after the end of each quarter, the County Treasury shall consolidate the quarterly reports and submit them to the County Assembly”*.

As public entities, Counties have the authority and responsibility for public financial and resource management. The financial report therefore helps to assist users in evaluating the operating results of the County for the period under review as well as to show how cash and other resources were obtained and spent during the period under review.

To ensure that the spirit of the Article 201 of the Constitution of Kenya, 2010 is fulfilled, and that the issues eminent from the Quarterly are fully addressed, the Committee ventilated through the report and from which observations and recommendations drawn.

During the Quarter, the County Government had only collected Ksh 29 million against a target of Ksh 230 million for the year. This translates to 12.6% of the annual target for the county revenue. The County Government had spent Ksh 537 million both for development and recurrent which was 34% of the total budget for the first quarter.

During the first quarter, the County Government of Siaya had not guaranteed any loan, had not got any external financing, had no external debt and similarly, had not borrowed from the domestic market.

As regards the domestic debt, the County accumulated debt amounting to Ksh 226 million. These are debts inherited from the defunct local authorities and whose issues have not been finalized by the Transitional Authority.

Mr. Speaker, Sir, the Budget, Appropriations and Finance Committee therefore has examined and discussed the Quarterly Financial and Budgetary Review Report for the First Quarter ending 30th September, 2015 and has made recommendations as contained in this report.

COMMITTEE MANDATE

Mr. Speaker, Sir, the Committee on Budget, Appropriations and Finance was established under Standing Order No. 187 and is mandated to do the following;

- 1) Investigate, inquire into and report on all matters related to coordination, control and monitoring of the of the county budget,
- 2) Discuss and review the estimates and make recommendations to the County Assembly;
- 3) Examine the County Fiscal Strategy Paper, as presented to the County Assembly;
- 4) Examine Bills related to the budget, including Appropriations Bills; and
- 5) Evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays.

COMMITTEE MEMBERSHIP

Mr. Speaker Sir, the Committee on Budget, Appropriations and Finance, as was constituted by this Assembly comprises of the following members;

Name of Member	Position
1. Hon. Jack Odinga, MCA	- Chairperson
2. Hon. Peter Muhula, MCA	- Vice Chairperson
3. Hon. Joseph Kawuor, MCA	- Member
4. Hon. James Obiero Otare, MCA	- Member
5. Hon. Nicholas Ochieng Aneme, MCA	- Member
6. Hon. William Owiti Angul, MCA	- Member
7. Hon. Sylvester Madialo, MCA	- Member
8. Hon. Margaret Oketch, MCA	- Member
9. Hon. Jared Abayo, MCA	- Member

COMMITTEE MEETINGS

Mr. Speaker Sir, in reviewing this Quarterly Financial and Budgetary Review Report for the First Quarter ending 30th September, 2015 so as to adequately satisfy itself that it reflects the implementation of the programmes as were approved by this Assembly and that it demonstrates effective and efficient financial management, the Committee held several meetings to consider the report.

During its sittings, the Committee invited and met the County Treasury, during which verbal elaborations and written submissions were given on the issues raised by the Committee to be of major concerns. These meetings helped inform the Committee in making key observations and consequently recommendations.

ACKNOWLEDGEMENTS

Mr. Speaker, Sir, first and foremost, on behalf of this Committee I wish to express our gratitude to the offices of Siaya County Assembly Speaker and the Siaya County Assembly Clerk for the support received as it discharged its mandate of examining this Quarterly Financial Report for the First Quarter ending 30th September, 2015.

This Committee similarly extends its gratitude to the Finance Department of the Executive arm of the County Government of Siaya for the role they played in offering clarifications on this report as requested by the Committee.

Further, I wish to express my appreciation to the Honorable members of the committee who traded off their time to participate in the activities of the Committee and whose dedication and fortitude saw the completion of this report.

Special appreciation also goes to the Secretariat to the Committee who on several occasions, had to go beyond the normal call of duty. The commitment and devotion to duty of all those involved in this noble task made the work of the Committee and production of this report a success.

Finally, Mr. Speaker, the Committee extends its appreciation to the citizens of Siaya County for their patriotism and input in development programmes and prioritization which has really helped enhance the need identification for the County.

Mr. Speaker, Sir, on behalf of the members of the Budget, Appropriations and Finance Committee, it is therefore my pleasure to present to this Assembly, the Committee's Report on the County Government of Siaya Quarterly Financial and Budgetary Review Report for First Quarter ending 30 September, 2015 and recommend it to the Assembly for adoption.

Signed

Hon. Jack Odinga, Chairman,
Budget, Appropriations and Finance Committee,
County Assembly of Siaya.

Date

ANALYSIS OF THE FIRST QUARTERLY FINANCIAL REPORT FOR 2015/2016

The Local County Revenue Collection

Mr. Speaker, Sir, during the Quarter under review, the cumulative local revenue collection was Ksh 29,169,787 against a target of Ksh 57,500,000. This indicates that during the Quarter, the County fell short of its quarter target by Ksh 28,330,213. The top five revenue sources for the County were as follows;

1. Hospital Revenue Ksh 10,995,462 (38% of the total local revenue).
2. Market Receipts Ksh 5,171,560 (18% of the total local revenue).
3. Single Business Permits Ksh 3,017,102 (10% of the total local revenue).
4. Bus Park Ksh 2,584,250 (9% of the total local revenue).
5. Agriculture Ksh 2,465,128 (8% of the total local revenue).

The remaining sources collected less than Ksh 1 million as shown in Annex 1 attached.

Direct Funding/Exchequer Release

During the period under review, the County received Ksh 860 million from the Exchequer to fund its budget. These monies were received in two disbursements of Ksh 200 million and Ksh 660 million. Similarly, of the total exchequer release during the Quarter, Ksh 613 was received for recurrent expenditure with the other Ksh 247 being meant for Development expenditure.

Full details of the monthly exchequer release are shown in Annex 2 (Recurrent budget) and Annex 3 (Budget budget).

Overall county Expenditure

During the Quarter, the County spent a total of Ksh 537,442,595. This represents a consumption rate of 34% of the total quarter budget of Ksh 1,564,493,816. Of the total expenditure, recurrent expenditure consumed Ksh 496,825,941 (92.4% of the total expenditure) while development expenditure consumed a paltry Ksh 40,616,654 (7.6% of the total expenditure).

On the recurrent expenditure, salaries, remuneration and wages consumed Ksh 405,399,982 (81.6% of the recurrent expenditure) while operations and maintenance expenditure amounted to

Ksh 91,425,959 (18.4% of the recurrent expenditure). Health Sector had the highest absorption rate at 99% of its budget. This was followed by Finance and Economic Development (61%), Water, Environment and Natural Resources (58%), Agriculture (54%) and County Assembly (53%) as shown in Annex 4.

The County Government only consumed 6.47% of its budget on development expenditure. In addition to the County Assembly which spent Ksh 7,009,075 (31.48% absorption rate), the only other sectors which spent their development funds as per the budget are Education Sector which spent Ksh 10,942,781 (7.14% absorption rate) and the Roads Sector which spent Ksh 22,664,135 (13.51% absorption rate) as shown in Annex 5.

COMMITTEE FINDINGS

During its sittings to consider the County Government of Siaya Quarterly Financial and Budgetary Review Report for First Quarter ending 30 September, 2015, the Committee made the following findings and observations;

1. That the County Government of Siaya Quarterly Financial and Budgetary Review Report for First Quarter ending 30 September, 2015 has not been published nor publicized. This is in contravention to Section 166 (4) (c) of the Public Finance Management Act, 2012 which states that, “not later than one month after the end of each quarter, the County Treasury shall publish and publicize a report for each quarter of the Financial Year in respect of the county.”
2. That there was a general decline of Ksh 6,925,713 compared to the same period for FY 2014/2015. This is a clear indication that the County Government could be relying too much on the exchequer releases hence is reluctant to improve on the local revenue collection.
3. That the recurrent exchequer is 16.3% of the total estimates while development exchequer release is 9.83% of the total estimates.
4. That the absorption rates of recurrent estimates as compared to the exchequer release were highest for Finance and Economic Planning at 153% followed by the County Executive at 115%. Finance and Economic Planning Department recurrent expenditure was Ksh 69 million while the exchequer release for the department was Ksh 45 million

implying an over expenditure of Ksh 24 million. At the same time, the County Executive expenditure was Ksh 116 million against an exchequer release of Ksh 101 million implying an over expenditure of Ksh 15 million.

5. That of the total development exchequer release of Ksh 247 million, only Ksh 40.6 million or 16.44% was spent on projects. The Roads and Transport sector spent Ksh 12.7 million more than the funds released for the sector.
6. That there are four sectors, namely; County Executive, Water, Environment & Natural Resources, Lands and Physical Planning and Tourism and ICT which did not receive any exchequer release for their projects during the Quarter under review.
7. That the report does not give/indicate the projects which have been funded using the exchequer releases. This would enable tracking to ensure that only the projects that were allocated funds are being funded.

SUBMISSIONS BY THE COUNTY TREASURY

Hon. Cleophas Ombogo, the CEC Member for Finance and Economic Development, together with the Executive Finance team, while before the Committee to give reasons as to why the County only spent 16% of the exchequer release for development expenditure, stated that the exchequer release for the first quarter was for the FY 2015/2016 while what was to be paid was for FY 2014/2015. Furthermore, the exchequer release was received late in the quarter hence it was not possible to dispense of it within the quarter. He also reported that the funds were however spent on the intended projects in the following quarter.

As to why there are always delays in payment made towards development projects, the County Treasury reported that this is majorly caused by the low capacity in the engineering department in terms of certification of projects and submission of inspection certificates and other necessary documents for an acceptable payment.

Asked to explain the flow of funds released by the exchequer to other departments which got funds from the Central Bank but did not spend or if there could have been transfer of funds from one sector to another, the CEC reported that the respective Chief Officers are always issued with AIEs (Authority to Incur Expenditures) according to the funds received. Furthermore, he

divulged that since March, 2015, it is not possible for an officer from the Finance Department to transfer funds from one department to another without the consent of the respective AIE holders.

On the expenditure over and above or below the budgetary allocation or exchequer release for some departments, the County Treasury reported that this is always done to solve the liquidity problem and more so when a project whose funds is ready for payment is not yet ready and approved for payment. This they said is only possible if the project whose money is borrowed is also provided for in the budget and that the same amount thereafter is requisitioned to replenish the cash position.

As regards the preparation and format for preparation of the report, the CEC Member for Finance admitted that the respective departmental Chief Officers have not been preparing their respective quarterly financial reports as expected. He further admitted that there has never been a set standard format of presentation of a County Quarterly financial report. However, the standard currently used by Siaya County has been accepted by the Controller of Budget and is also used by some of the other Counties including Machakos and Homa Bay Counties among others.

COMMITTEE RECOMMENDATIONS

Mr. Speaker Sir, after deliberations of the above findings, the Committee came up with the following recommendations for adoption by this Assembly;

1. To ensure conformity with Section 166 (4) (c) of Public Finance Management Act, 2012 which states that, *“not later than one month after the end of each quarter, the County Treasury shall publish and publicize Quarterly Financial Reports”*, the County Treasury should ensure that this Quarterly report as well as other quarterly reports earlier prepared by the County Treasury are published and publicized as soon as practicable.
2. For this Assembly to keep a close eye on the revenue collection in this County and that the County is discouraged from heavily relying on the revenue from the National Government, this Committee recommends that within 3 weeks, the County Revenue Department should submit to this Assembly a Revenue Collection Enhancement Strategy for consideration. Similarly on the revenue collection, this Assembly should be given, by the County Revenue Department, a report on the Revenue Automation pilot project that was to be implemented during the FY 2013/2014.

3. As much as the report meets the acceptable format for submission of a quarterly financial report, this Committee recommends that in future, the submitted quarterly reports should be accompanied with annexures such as the respective departmental original financial reports including the projects funded using the exchequer release. This will enable the Assembly, as an oversight body, to closely follow the implementation of the approved budget.
4. To avoid spending funds on projects not requisitioned for, the County Treasury should devise a system that will ensure that requisitions are only done towards projects which are complete and certified for payment or whose progress have been approved for payment by the relevant departments.

CONCLUSION

Mr. Speaker, Sir, the Committee therefore requests this Assembly to adopt this report and further resolve that the proposed recommendations as contained in this report on the County Government of Siaya Quarterly Financial and Budgetary Review Report for First Quarter ending 30 September, 2015 be adopted.