

MURANG'A COUNTY ASSEMBLY



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June 20, B2016

The Hon. Speaker

Thro'

The Clerk to the Assembly
Murang'a County Assembly
P.O Box 731

MURANG'A

RE: PAPER LAID



Mr. Speaker Sir,

THAT; the report of the Budget and Appropriation Committee, on the 1st Quarter Budget Implementation report for the FY 2015/16, by the Controller of Budget, be laid on the table of the Assembly today Tuesday June 21, 2016.

Thank You

Mr. Speaker

Hon. Joseph Ndung'u Muchina

CHAIRPERSON, BUDGET AND APPROPRIATION COMMITTEE

17 Copies

REPUBLIC OF KENYA



MURANG'A COUNTY ASSEMBLY

MURANG'A COUNTY ASSEMBLY
CLERK
20 JUN 2016
FORWARDED TO THE
HON. SPEAKER FOR APPROVAL

FIRST ASSEMBLY

THE BUDGET AND APPROPRIATIONS COMMITTEE REPORT ON THE
FIRST QUARTER COUNTY BUDGET IMPLEMENTATION REVIEW REPORT
FOR FY 2015/16

Clerk's Chambers,
Murang'a County Assembly Buildings,
MURANG'A.

June, 2016

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1.0 BACKGROUND

The County Budget and Appropriation Committee is established under Standing Order 190(3) and is mandated among other functions to:-

- a) Investigate, inquire into and report on all matters related to coordination, control and monitoring of the County budget,
- b) Discuss and review the estimates and make recommendations to the House; and
- c) Examine Bills related to the County budget, including Appropriations Bills.

The County Budget and Appropriations Committee as currently constituted comprises of the following Members:-

- | | |
|---------------------------------------|------------------|
| 1. Hon. Joseph Muchina, MCA. | Chairperson |
| 2. Hon. Peter Mweri Maina, MCA. | Vice Chairperson |
| 3. Hon. Joseph Kimani Gitau, MCA | |
| 4. Hon. Joseph Kimani Machiri, MCA | |
| 5. Hon. Rosemary Wakuthii Njiine, MCA | |
| 6. Hon. Esther Wanjiru Ngugi, MCA | |
| 7. Hon. Cecilia Wanjiku Gitu , MCA | |
| 8. Hon. Charles Mwangi Kirigwi, MCA | |
| 9. Hon. Duncan Mwangi Njuguna, MCA | |
| 10. Hon. John Njoroge Gitau, MCA | |
| 11. Hon. Eliud Kabuthi, MCA | |
| 12. Hon. Caroline Njoroge, MCA | |
| 13. Hon. James Kariuki Ngugi, MCA | |
| 14. Hon. Boniface Mbogo, MCA | |
| 15. Hon. Jesse Mburu Gitau, MCA | |

Article 228(6) of the Constitution of Kenya 2010 requires the Controller of Budget to submit to each House of Parliament a report on the implementation of Budgets of the National and County Governments every four months.

The First Quarter County Budget Implementation Review Report for FY 2015/16 was submitted to the Assembly in May 2015 and was committed to the County Budget and Appropriations committee.

The Committee held a series of meetings where the said report was examined in details to identify various fiscal principles that informs the Office of the Controller of budget in it's work and the pertinent issues underlying implementation of budget in Murang'a County, so as to draw appropriate recommendations to that effect.

2.0 OBJECTIVES

The committee set out the following objectives:

- a) To establish the analysis of expenditure and revenue for the First Quarter in the FY 2015/16
- b) To establish the absorption capacities of the key items for the First Quarter in the financial year 2015/16
- c) To identify the challenges that inhibited budget implementation during the First Quarter in the FY 2015/16

3.0 METHODOLOGY

The committee scrutinized the report on the County Budget Implementation Review for the First Quarter of FY 2015/16 and made reference to the relevant laws, markedly, the Public Finance Management Act, 2012 and the Standing Orders, in gathering relevant information as well as the County Budget Manual.

4.0 FINDINGS

4.1 The Analysis of expenditure and revenue during the First Quarter of FY 2015/16

The committee found out that:-

4.1.1 The County had an approved annual budget of Kshs. 6.66 billion, comprising of Kshs. 3.36 billion (50.4%) for recurrent expenditure and Kshs.3.30 billion (49.6%) for development expenditure.

4.1.2 During the first quarter of FY 2015/16, the county received Kshs. 428.48 million as the national equitable share from the National Government, collected Kshs. 109.73 million from local revenue sources and had Kshs. 432 million as cash balance from FY 2014/15.

4.1.3 As at the first quarter, the total expenditure amounted to Kshs. 899.84 million which was 95.2% of the funds released. The County spent 467.55 million (52%) on recurrent expenditure activities and Kshs. 432.29 million (48%) on development activities.

4.1.4 Analysis of the recurrent expenditure shows that the County spent Kshs. 358.42 million on personnel emoluments and Kshs. 109.13 million on operations and maintenance. The amount of personnel emoluments accounted for 39.8% of total expenditure and declined significantly from 503.38 million in a similar period of FY 2014/15. The decline is attributed to the September 2015 salaries which were paid in early October 2015 as a result of delayed disbursement of funds by the National Treasury.

4.1.5 The development expenditure for the period under review comprised of Kshs. 160.39 million spent on construction of roads, water conservation and other infrastructures, Kshs. 113.93 million on curative, preventive and Promotive health services Kshs. 46 million on scholarship fund, Kshs. 28.44 million on milk value chain program, 26.92 million on agribusiness, trade and tourism projects, 18.68 million on culture, youth and sports program, 16.55 million on cash crops and food security program, 9.59 million on livestock development, 4.83 million on ECDE programs, 4.44 million on budget planning and implementation, 1.5 million on executive mortgage and car loan-fund and 1.02 million on other developments.

The table below shows a comparison of the total approved budget, the amount requisitioned as at March 31, 2015 and the total expenditure for the period under review on departmental basis.

4.1.6 Recurrent Expenditure

Department	Approved recurrent budget Kshs Million	Total requisitions as at 30/09/15 Kshs Million	Total expenditure as at 30/09/15 Kshs Million	Variance 1 Kshs Million	Variance 2 Kshs Million
Agriculture, Livestock & Irrigation	141.3	38.9	32.8	108.5	6.1
Commerce, Industry & Coop Devt	6.1	1.74	0.5	5.6	1.24
Education & Technical Training	276.2	60.6	11.1	265.1	49.5
Energy, Transport & Infrastructure	54.7	14	5.2	49.5	8.8

Public Service & Administration	727.6	185.4	-	542.2	185.4
Finance, IT & Planning	276.2	60.6	46.6	229.6	14
Health & Sanitation	1252.2	301.8	197	1055.2	104.8
Lands, Housing & Physical Planning	11.3	2.4	0.1	11.2	2.3
Public Service	40	9.75	3.8	36.2	5.95
Youth, Culture & Social Services	49.7	9.75	15.9	33.8	(6.15)
Governorship	218.4	49.5	65.3	153.1	(15.8)
County Assembly	588.9	106.8	89.2	499.7	17.6

4.1.7 Development Expenditure

Department	Approved recurrent budget Kshs Million	Total requisitions as at Kshs Million	Total expenditure as at Kshs Million	Variance 1 Kshs Million	Variance 2 Kshs Million
Agriculture, Livestock & Irrigation	136.5	36.8	26.1	110.4	10.7
Commerce, Industry & Coop Devt	95	59	26.9	68.1	32.1
County Assembly	255.6	0	-	255.6	-
Education & Technical Training	167.6	6	50.8	116.8	(44.8)
Energy, Transport & Infrastructure	1215.7	190	160.4	1055.3	29.6
Environment & Natural resources	36.9	8.6	-	36.9	8.6
Finance, IT & Planning	140.7	20	5.9	134.8	14.1
Health & Sanitation	631.5	163.6	113.9	517.6	49.7

Lands, Housing & Physical Planning	33.3	24.1	1	32.3	23.1
Public Service & Administration	24.3	5	-	24.3	5
Youth, Culture & Social Services	610.125	140.9	47.1	563.025	93.8
Governorship	6.1	0	-	6.1	-
Public Service Board	5.5	0	-	5.5	-

Notes: Variance I = Approved Budget – Total Expenditure

Variance II = Total requisitions – Total Expenditure

Negative values on variance I indicates that the department overspent by that value while negative values on variance II shows diversion funds.

4.2 Absorption capacities of the key expenditure items during the first quarter of FY 2015/16

The committee observed that the Education department had the highest absorption rate of its annual development budget at 55.2 per cent, followed by Health and Sanitation at 26.1 per cent. The department of Youth, Culture, Gender, Social and Special programs recorded the highest absorption rate of its annual recurrent budget at 42.7 per cent followed by Office of the Governor at 29.9 per cent.

4.3 The challenges that inhibited budget implementation during the first quarter of FY 2015/16

4.3.1 Utilization of local revenue at source is a continuous practice by the county. This contravenes the Article 207 of the Constitution and Section 109 of the of PFM Act, 2012 which stipulate that all funds raised or collected on behalf of the County Government should be deposited in the CRF account.

4.3.2 Lack of embracing the use of IFMIS fully in processing financial transactions since some transactions are generated manually. This challenge may lead to inaccurate reporting.

4.3.3 There is low absorption of development funds and slow implementation of development funds in the first quarter of FY 2015/16, which stood at 6.2 per cent.

5.0 RECOMMENDATIONS

The committee made the following recommendations:-

- 5.1 The county Treasury should ensure that all local revenue is deposited in the County Revenue account as required by Section 109 of the PFM Act, 2012.
- 5.2 The County Assembly should embrace IFMIS and Internet Banking to process all financial transactions as required by the law. This will enhance accuracy and transparency in the management of public funds.
- 5.3 The County should identify the factors that contribute to observed low absorption of development expenditure and come up with appropriate remedial strategies. An appropriate framework for monitoring and implementing development activities may be necessary in order to enhance development expenditure.
- 5.4 That the executive should explain why so much money was allocated to development expenditure while no activities of development have been seen in the entire financial year.
- 5.5 The county Treasury should breakdown the programs under development expenditure in a table that shows the program, amount allocated and activities carried per ward.
- 5.6 The development expenditure on roads, water and market amounting to 160.8 million should also be tabulated by the County Treasury indicating the program, specific activity per ward and the amount expended.
- 5.7 The sectoral committees should come up with an analysis of the releases done, projects that have been completed and the remaining projects that need to be completed in their respective departments.
- 5.8 That the COB should not release all monies to the County Treasury without ensuring that the funds are being utilized appropriately.

5.9 The County Treasury should also consider distributing development activities to all wards across the County so as to embrace equity and wellbeing of all citizens living in Muranga County.

5.10 The County Treasury should also explain how the Kshs.46 million Scholarship Fund was utilized.

5.11 The Chairperson Governance, Justice and Legal Affairs Committee should seek information from CEC Public Administration regarding on the utilization of budget allocation for recurrent expenditure for the department.

6.0 CONCLUSION

The Committee is grateful to the Office of the Speaker, the Office of the Clerk of the County Assembly and the Committee secretariat for the support received as it discharged its mandate of examining the Third Quarter County Budget Implementation Review Report for FY 2015/16.

Mr. Speaker Sir,

It is therefore my pleasant duty and privilege, on behalf of the County Budget and Appropriations Committee to table this Report and recommend it to the House for adoption.

Signed



The Hon. Joseph Muchina, MCA
Chairperson, Budget and Appropriations Committee

Date **May 2016**

7.0 ADOPTION OF THE REPORT

The following Committee Members adopted the report:

1. Hon. Joseph Muchina, MCA.



2. Hon. Peter Mweri Maina, MCA.

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3. Hon. Joseph Kimani Gitau, MCA



4. Hon. Joseph Kimani Machiri, MCA

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5. Hon. Rosemary Wakuthii Njine, MCA



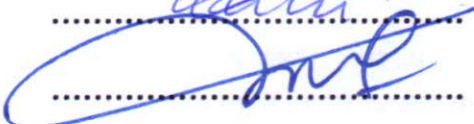
6. Hon. Esther Wanjiru Ngugi, MCA

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7. Hon. Cecilia Wanjiku Gitu, MCA



8. Hon. Charles Mwangi Kirigwi, MCA



9. Hon. Duncan Mwangi Njuguna, MCA

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10. Hon. John Njoroge Gitau, MCA



11. Hon. Eliud Kabuthi, MCA



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