

REPUBLIC OF KENYA
MURANG'A COUNTY ASSEMBLY
THE HANSARD

Wednesday, 15th May 2019

The House met at 2: 40 p.m.

[The Temporary Speaker (Hon. Morris Thuku) in the Chair]

PRAYER
MOTION

**ADOPTION OF REPORT OF FINANCE AND ECONOMIC PLANNING COMMITTEE
ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 2018**

Hon. Ruoho Wangechi: Thank you, Mr. Speaker, I represent the people of Kinyona and I am also the Chairperson to the Finance and Economic Planning Committee. I beg to move the following Motion;

That, this Assembly adopts the Report by the sectoral Committee on Finance and Economic Planning on the Murang'a County Government quarterly report and financial statements for the period ended December 2018, laid on the Table of the Assembly on Tuesday 7th May 2019.

Mr. Speaker, on behalf of the Members of the Committee on Finance and Economic Planning, and pursuant to the provisions of Standing Order 204 (5) (g), it is my pleasure and duty to present to the House the Committee's Report on the Murang'a County Government quarterly report and financial statements for the period ended 31st December 2018. Allow me to highlight several points and to start with, the Committee reviewed and considered the Report and derived a summary that is in the files of every Member of this House. Some of the most important issues that I ought to consider during this presentation are also in our files. I will, therefore, consider selectively some of the most burning issues that we realised while we were going through this Report.

Mr. Speaker, I thank the Members of the Committee for their work in ensuring the process was very successful. I also thank the Offices of the Speaker and the Clerk for the support accorded to the Committee while executing its mandate, not forgetting the Committee secretariat who worked tirelessly to criticise the contents of the financial reports and statements, examined compliance with the applicable provisions of the County Public Finance Management (PFM) law and documents to come up with this Report.

Mr. Speaker, in accordance with Section 166 of the PFM Act, 2012, the County Executive Committee Member (CECM) for Finance is required to submit quarterly reports and statements to the County Assembly and the CECM has been very compliant with that. The reports on the Murang'a County Government financial statements as at 31st December 2018 were submitted on 15th January 2019 and, thereafter, committed to the Finance and Economic Planning Committee for deliberations; this happened in a workshop where the Committee deliberated and derived the following Report.

Mr. Speaker, I wish to highlight a few points in that Report that is so detailed and also compiled in an explanatory manner. The County approved Budget for the Financial Year (FY), 2018/2019 is Kshs8.81billion which comprises of Kshs4.93billion as recurrent expenditure and Kshs3.88billion as development expenditure. In accordance with the law, the County Government ought to have projected the sources of the mentioned approved Budget. To finance the Budget, the County Government expects to receive Kshs6.25billion from the equitable share, Kshs572.24million from conditional grants, and Kshs1billion shillings from own source

revenue. We have Kshs750,000,000 which represents 8.5 percent cash balance from the FY 2017/2018 and Kshs239.94million as other sources/revenues expected during the year.

Up to that point, we realised an approved Budget with a set projected source of income that would ensure 100 percent financing of the said Budget. However, there are several things that we are going to realise in this Report that may or may not justify that point. The Committee scrutinized the quarterly report statements for the first and second quarters for the FY2018/2019. We examined the revenue and expenditure against the approved Budget for the FY 2018/2019 and also examined relevant statutory documents and applicable provisions of County Public Finance Law and Regulations to come up with the Report.

Mr. Speaker, in the areas of sources of revenue, there are several points that the Committee found very important for this House to know. In the quarter ending September 2018, Exchequer releases amounted to Kshs1.245billion and Kshs1.812billion for the subsequent quarter; thus the cumulative amount was Kshs3.057billion as at 31st December, which is the Report under review. This represented Kshs48.9 percent of the total equitable share of Kshs6.25billion. In the projections, the County expected to receive grants from various bodies, and they are highlighted in table one. Those are the conditional grants received in first half of the FY 2018/2019, including World Bank and universal health care to devolved systems from the Danish International Development Agency (DANIDA). From the World Bank, we have the Kenyan Urban Support projects. The Fuel Levy Fund is from the road maintenance that amounted to Kshs1.5billion.

Most importantly, is the area on County own generated revenue, and this is where I call for the attention of the Members, having considered the projected or expected amount for the FY was expected to be Kshs1billion. As a Committee, we looked into the amount collected versus the projected amount and realised several things and I want to highlight a few of them. In the analysis of the revenue streams, meat inspection, building materials cess and sale of tender forms are the top three revenue sources for the County during the first half of the FY. Meat inspection leads the pack at Kshs28.5million, building materials' cess at Kshs27.7million and sale of forms at Kshs23,000,000.

Hon. Ruoho Wangechi: We also noted a decline in bus park fee, during the fourth quarter of the FY 2017/2018 the revenue administration department managed to collect Kshs32 million against Kshs18.8million collected during the first and second quarter of the year. This indicated a 42.3 percent decline. The lowest revenue generator being education and polytechnics which managed Kshs47.272 during the first half of FY indicating a very big difference between the highest source of local revenue and the lowest. That is whereas a Committee we request this House even after this report we think of ways and means of trying to improve the County own generated revenue performance. In conclusion the County own generated revenue performance is below par. That is according to the finding of the Committee

In payment, that is on expenditure the County Government spent a total of Kshs2.96 billion on recurrent and development activities. The total expenditure represented 81.2 per cent of the total funds released from the County Revenue Fund (CRF) account and was an increase of 5.7 percent from Kshs2.80billion spent in the first half of FY 2017/2018. In development expenditure tabulated in table two; that is the list of development projects with the highest expenditure in FY 2018/2019. We have maintenance of roads which happened countywide, annual budget of the project took Kshs227.8 million, project expenditure in the first half of FY 2018/2019 IS Kshs200 million. The following on the table indicate other development project which happens to have the highest expenditure for the FY 2018/2019.

We also have recurrent expenditure which amounted to 2.09 billion and expenditure was 86.9% of the fund released for recurrent activities. It comprised of Kshs1.68billion incurred on personnel emoluments and Kshs414.56 on operations and maintenance.

Table three shows personnel emoluments in that we have County Assembly service first quarter 77,226,060.00, second quarter 199,000,000.00, cumulatively 276,266,060.00.

Table four, revenues realized in half financial year. Most importantly as I had highlighted is local revenue because the shareable revenue received is almost permanent, based on national government from Treasury. The local revenue has indicated we managed to raise 251,681,463.00.

4.4. in our Report is transfer to the County Assembly it is also indicated in the previous page. Where the approved Budget for FY 2018/19, County Assembly was allocated Kshs894 million. The recurrent expenditure was allocated Kshs686.4million and 207.7million for development. Article 207(2) (a) Constitution of Kenya, 2010 provides that money may be withdrawn from a County Revenue Fund of a County Government only if it is provided for by county legislation in this case Murang'a County Appropriation Act, 2018. And several other aspects are highlighted in the paragraph that follows.

Mr. Speaker I wish to draw the attention of this House to 8.0 where the Committee also looked at options in own sources revenue administration, and there is a very important aspect may be in a minute I would like to highlight. The County Governments are permitted for administrative arrangements for revenue collection and management, but there are no guidelines on how to select the most suitable. According to the PFM Act (2012), the four options are: internal revenue administration, and in the table that follows, table six we have tried to look into argument for each model and arguments against. Establishment of an autonomous revenue authority (or County corporation); contracting the KRA; contracting a private firm which in that table we shall realize that we tried to look into the aspect of positive things that come with contracting KRA or internal revenue administration and negative aspects thereof.

Most importantly as a Committee we realized contracting KRA remains the most viable option given the more benefits and minimal risks. In a Committee meeting held on February 27, 2019, the CEC, Finance confirmed to members that indeed the process of procuring a new revenue collection system was at the tail end pending the outcome of an appeal to the Public Procurement Administrative Review Board by one of the losing bidders. The assurance was that by March 2019, the new revenue collection system would be up and running albeit with a favorable ruling of the board.

Therefore, we realized that KRA which happens to be national tax collecting agency in the country would be the best option if the County would wish to contract, but that will be a recommendation by the Committee.

There are other proposed mechanisms to enhance own revenue collection and I will highlight two and seven that is; automation of revenue collection system, which is something as a committee we have highlighted several times here. And The need to link between the fees charged and services provided. This will enhance willingness of members of public to pay their taxes without being coaxed.

Mr. Speaker there are very many findings that committee made but also, I would like to look at only one because the others are also in the report. That is point number six; That there was an under performance in own source revenue collection which was at 25.1 per cent of the annual target. The Committee is reasonably apprehensive that local revenue projections will not be met despite a commendable improvement in performance during the first half financial year. The local revenue projections remain ambitious, but it is important that the

County Assembly has since moved to remedy the situation in the approved fiscal framework of Year 2019 by capping it at Kshs875 Million. The reason why that finding is there is we have been projecting very highly but also achieving very low. You realize in financial year 2017/2018 the projection was one billion and we were able to raise only 454 million. This year the projection is one billion and we have only managed to raise 474 million implying we are very far from the target therefore we may not achieve that.

In our recommendations I will only look at recommendation number two which touches on local revenue; That CEC, Finance in the approved fiscal framework of 2019 made a provision for a revenue policy in the FY 2019/2020. The Committee prescribes the following guiding principles in formulating own sources revenue policy. This is a deep understanding of a formula that was applied to target one billion yet the amount realized is less than half. Therefore, we had the following points;

1. Simplicity and enforceability: County Governments' taxes, fees and charges should be easily understood by rate payers, as this will facilitate compliance and enforcement.
2. Efficiency and effectiveness.
3. Equity.
4. Good governance.
5. Buoyancy: As a measure of efficiency, taxes, fees and charges imposed by County Government should be responsive to local economic developments. Ideally, the revenue should increase more than proportionately as a result of improvements in economic performance.

Mr. Speaker in summary of the whole report. The report is in compliance with the law however, several aspects that we highlighted in our recommendations need to be met. Because every time we have this Report which is periodic, sometimes we highlight similar points especially on own source of revenue.

Mr. Speaker it is my pleasure and duty to request this house to adopt this report and I also wish to invite Hon. Mungai to second this Motion. I thank you Mr. Speaker.

Hon. John Mungai: I rise to second the Motion.

(Question proposed)

Hon. Lucy Ngugi: I stand to support the Motion, but as the Chairperson mentioned and the Committee findings number six that there is underperformance in own source revenue collection. I agree with him and like we have said in other Reports, we really pray and hope for the implementation of the same Reports that have been adopted in this House. I have observed busy towns that should be sources for revenue collection in terms of parking where you do not see a parking attendant, like in Kenol you park for half an hour. This is an area that is supposed to be charged, it is a busy area with many businesses happening. I think there is laxity in enacting or enforcing what we should be doing in terms of revenue collection, so the implementing team, I hope it is in their commitment for us to meet our revenue aspirations. Thank you Mr Speaker Sir, I support the Motion.

Hon. Kibe Githuka: I rise to support the good work done by the Committee. As Hon. Lucy has mentioned, one of the factors that give equitable share is the county revenue collected in the previous year. If the County does not collect enough money, even the county allocation fund will go down and we have been talking of the factors that can contribute to higher revenue collection and this one has been mentioned severally. Mr. Speaker, I do not know what we are going to do so that we can raise this money. The Committee has recommended that Kenya Revenue Authority (KRA) be among the bodies tasked in collecting revenue but also in the

KRA we have the shortcomings. I would request the Committee to benchmark with other counties. We have counties that are collecting more than they have predicted. Like Kiambu, although Kiambu has bigger towns. We have Uasin Gishu which is equal to Murang'a but collecting more. The Committee should benchmark so that we can know what they are doing to raise the high revenue in their counties.

In these allocations like Hon. Lucy has said, there are many loopholes. Each member has a ward where he or she comes from. In my ward, there is murrum which is harvested there, sometimes you get a big company collecting the murrum without paying and a lorry goes for 1500 which is a loss to the County. Putting in mind that some of those lorries go to Kiambu and our roads are not that good to give murrum for free to those people. I think the chair and the vice chair to the committee, there is a lot to be done so that we can raise money for this County. I support. Thank you.

Temporary Speaker (Hon. Morris Thuku): Mover do you have something to respond to.

Hon. Ruoho Wangechi: Thank you Mr Speaker, I wish to thank this House for taking time to look into our Report and most importantly Hon. Lucy and Hon. Kibe, for making the remarks. Mr Speaker, it is important to note that we are gearing all our energies towards the County own revenue collection. In the aspect of KRA on our recommendations. The reason was due to a point that I had highlighted there that there was a tender process done by the department and one of the losing bidders went to court halting contracting of any private agencies and therefore as that is being done in other Counties, we recommended KRA . Like the member have stated. Here are many loopholes and we as a committee with the support of this House we shall ensure and put in place all measures within our powers as a committee to ensure that money that is supposed to be collected as revenue to this County is collected. I also support Hon. Kibe by saying that the county generated revenue also forms the formula used b national government in allocating funds to the counties. I thank this house and request the members to adopt this Report. Thank you very much Mr Speaker.

(Question put and agreed to)

PAPER

MURANGA COUNTY GOVERNMENT BUDGET ESTIMATES OF REVENUE AND EXPENDITURE FOR FINACIAL YEAR 2019/2020

Hon. Dinah Muthoni: I am the vice-chairperson, and on behalf of the Chairperson Budget and Appropriations Committee. Mr. Speaker I beg to lay the following Paper;-

That, the Murang'a County Government Budget Estimates of revenue and expenditure for financial year 2019/2020 are laid on the Table of the Assembly today Wednesday May 15. 2019. Thank you Mr Speaker.

(Hon. Dinah Muthoni laid the Paper on the Table)

ADJOURNMENT

Temporary Speaker (Hon. Morris Thuku): This House stands adjourned until tomorrow 15th May 2019 at 2:30 p.m.

The House rose at 3:20 p.m.