BCA/BFA/14/2019/LS

REPUBLIC OF KENYA

COUNTY GOVERNMENT OF BOMET

COUNTY ASSEMBLY

BUDGET AND APPROPRIATION COMMITTEE

REPORT ON THE CONTROLLER OF BUDGET IMPLEMENTATION REVIEW OF THE FIRST NINE MONTHS OF THE FY 2016/17.

NOVEMBER 2019

Laid on the Table of the County Assembly on 19/11/2019 at 2:30pm

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Preface

Mr. Speaker sir,

Controller of Budget Report serves as a pragmatic tool in determining the implementability of a County budget and should always be subjected to comprehensive review and consultations. The committee members deliberately held numerous lengthy sessions, sometimes burning midnight oil as well as their weekends to accord the document the attention it deserves. For this reason, Mr. Speaker, I wish to sincerely appreciate the Committee members for their patience and commitment in fulfilling their oversight role and generate a well baked reliable report on the findings raised by the Controller of Budget in their report of covering the first nine months of the financial 2016/17.

We would like also to extend our appreciation to the Controller of Budget Officer for Bomet County for finding time to share with us on the revenue trend in Bomet County reported during the period mentioned in the report.

On behalf of the Committee, I wish to extend the committee appreciation to the Assembly administration for facilitation as well as the secretariat in ensuring a timely production of the report.

Mandate of the Committee

Standing Order No. 190 establishes the committee on Budget and Appropriation with specific mandate to:

i. *Investigate, inquire into and report on all matters related to coordination, control and monitoring of the County Budget.*
ii. *Discuss and review the estimates and make recommendations to the County Assembly.*
iii. *Examine the County Fiscal Strategy Paper presented to the County Assembly;*
iv. *Examine Bills related to the County budget, including Appropriations Bills; and*
v. *Evaluate tax estimates, economic and budgetary policies and programs with direct budget outlays.*

Membership and Ownership of the Report

We, honorable members of the Budget and Appropriation Committee, do hereby affix our signatures to this report to affirm our approval, confirm its accuracy, validity and authenticity: -

No.	Name	Position	Signature
1.	Hon. Haron Kirui	Chairperson	
2.	Hon. Clarah Cherotich	Vice Chairperson	
3.	Hon. Weldon Kirui	Member	
4.	Hon. Josphat Kirui	Member	
5.	Hon. Robert Langat	Member	
6.	Hon. Leonard Kirui	Member	
7.	Hon. Robert Serbai	Member	
8.	Hon. Davis Kipkirui	Member	
9.	Hon. Joseah Chepkwony	Member	
10.	Hon. Chesangi Alice	Member	
11.	Hon. Kiprotich Wesley	Member	
12.	Hon. Robert Rono	Member	
13.	Hon. Andrew Maritim	Member	

Signed---Date---------18-11-2019------------

THE HON. HARON KIRUI

CHAIRPERSON, BUDGET AND APPROPRIATION COMMITTEE

1.0 Introduction and Background Information

Mr. Speaker sir,

This report is a product of Budget &Appropriation Committee having deliberated on the Controller of Budget Report tabled on 26th December 2017. The Committee was given 21 days to study it and recommend way forward.

1.1 Legal and Constitutional Framework on the Mandates of Controller of Budget.

Article 228(4) of the Constitution provides that The Controller of Budget shall oversee the implementation of the budgets of the national and county governments by authorizing withdrawals from public funds under Articles 204, 206 and 207. Sub-Article (5) again provides that The Controller shall not approve any withdrawal from a public fund unless satisfied that the withdrawal is authorized by law.

Subsequently, Sub-Article (6) provides that every four months, the Controller shall submit to each House of Parliament a report on the implementation of the budgets of the national and county governments.

1.2 Goal and Objectives of the report

Mr. Speaker sir,

The committee's main goal in examining the report was to track back by way of review how the County Budget of the first nine months of the FY 2016/2017 was implemented.

Mr. Speaker Sir, the Committee attained the mentioned goal having narrowed down its study by focusing on the following 10 specific objectives as listed.

1. Overview of the amount budgeted for the f/y 2016/17
2. Revenue Analysis
3. Conditional Grants
4. Exchequer issues
5. Overall expenditure Review
6. Analysis of Recurrent Expenditure
7. Analysis of Development Expenditure.
8. Departmental Budget and Budget Performance Analysis
9. Observations and Recommendations by CoB
10. Committee adoption of Controller of Budget report and its recommendation

1.3 Methodology, Analysis, adoption of Controller of Budget report and its recommendation.

Key areas that was scrutinized by the Committee included the following

1. Overview of the amount budgeted for the f/y 2016/17
2. Revenue Analysis
3. Conditional Grants
4. Exchequer issues
5. Overall expenditure Review
6. Analysis of Recurrent Expenditure
7. Analysis of Development Expenditure.
8. Departmental Budget and Budget Performance Analysis
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10. Committee adoption of Controller of Budget report and its recommendation

1.3.1 Amount budgeted for the f/y 2016/17

i. The report showed that the approved budget was Ksh.5.64 Billion, with Ksh.3.96 Billion (70%) and Ksh.1.68 Billion (30%) being allocated to recurrent and development respectively.
ii. Ksh. 5.17 Billion was expected to be received from the National Government (Equitable share) and this represents 91.7%
iii. The rest Ksh.258.04 (4.6%) was expected to be received as conditional grants
iv. Ksh.207.7 Million (3.7%) as collections from local sources

1.3.2 Analysis of Revenues

i. The County received Ksh. 4.22 Billion as equitable share during the first 9 months of the said period.
ii. Ksh.125 Million was received from the conditional grants allocations
iii. Ksh. 197.13 million was locally collected revenues.
iv. The County had a cash balance of Ksh.53Million brought forward from 2015/16.
v. Revenues figures collected locally amounted to Ksh.197.13 Million represented an increase of 88.6% compared to Ksh.104.41 Million generated in a similar period of FY 2015/16 and represented 80.8% of the annual local revenue target.

1.3.3 Conditional Grants

Conditional grants received the first 9 months of the fy 2016/17

S/No.	Conditional Grants	Allocations based on CARA,2016 (Ksh.)	Receipts during the first nine months of FY 2016/17	Actual receipts as a % of Annual Allocations
1	Road maintenance Fuel Levy Fund	78,035,696	78,035,696	100
2	Free maternal Healthcare	61,258,095	46,435,883	76
3	World Bank (Capacity Building)	28,000,000	-	-
4	User Fees foregone	14,191,766	517,865	4
5	DANIDA grant	8,810,000	-	-
	TOTAL	**190,295,557**	**124,989,444**	**66**

NB; by the end of the said 9 months, the county was yet to receive funds from the World Bank grant and to health facilities and DANIDA.

1.3.4 Exchequer issues

i. The Controller of Budget authorized the withdrawal of Ksh.4.22 Billion from CRF account during the reporting period. This was 74.8% of the approved Budget.
ii. Ksh.3.02 Billion (71.6%) was for Recurrent expenditure while Ksh.1.2 Billion (28.4%) went to development.
iii. Compared to previous period of 2015/16 in which Ksh. 3.39 Billion was authorized there was an increase of 24.5%

1.3.5 Overall expenditure Review

i. The county spent Ksh. 3.68 Billion which was 87.3% of the total funds released for operations. This amount represented an increase by 15% compared to 2015/16 in which Ksh.3.2 Billion was spent.

vi. Ksh.2.58 Billion was spent on recurrent activities while Ksh.1.1 Billion was spent on development.
vii. By this period, out of the funds released for recurrent expenditure,85.5% had been spent on recurrent activities while development expenditure had hit 92% of the funds released for development activities.

1.3.6 Analysis of Recurrent Expenditure

Ksh. 1.64 Billion was spent of PE while Ksh. 939.96 Million was spent on Operations and maintenance.

As compared to 2015/16 expenditure on PE, there was an increased by 40.4% where the county had spent Ksh.1.17 Billion.

The table below shows summary of Operations and Maintenance expenditure by major categories.

Item	County executive	County Assembly
Domestic Travel	70 Million	67.11 Million
Foreign Travel	17.42 Million	10.20 Million
Public participations	50.41	
Old persons Funds	42.17	
Fuels and Lubricants	37.11	
Training costs		31.44 Million
MCAs Sitting allowances		24.80 Million
Medical cover		16.65Million
Hospitality	8.12	

During the said period, Ksh.24.80 Million was spent on 35 MCAs as sitting allowances against the annual Budget of Ksh.45.01 Million. This was an increase of 25.6% compared to Ksh.19.74 Million spent on the same period of 2015/16

The average monthly sitting allowance was Ksh. 76,555 per MCA compared to SRC's recommended monthly ceiling of Ksh.124, 800

1.3.7 Analysis of Development Expenditure

Committee Observations

- Total development expenditure of Ksh.1.1 Billion which represented 65.5% per cent of the annual development budget of Ksh.1.68 Billion.
- Summary of development projects with highest expenditure during the period under review was;

No.	Project Name	Ward	Estimated Budget(Ksh.)	Expenditure as at 31st March 2017	Absorption rate%
1	Construction of Roads	Across the entire County	423,277,408	396,585,642	94
2	Water infrastructure	BIDP program, Bomet Water Company and various Water projects across the county	284,000,000	165,804,430	58
3	Construction of ECD Classrooms	ECD Classrooms was constructed 6 per ward	147,607,706	127,440,758	86
4	Cooperative societies	Silibwet and Kipsonoi Ward	91,331,856	79,301,736	87

5	Bursaries and support services	All wards in the entire county	55,000,000	51,496,720	93
6	Ward offices	Construction of Ward offices in All wards	60,000,000	50,661,493	83
7	Vocational and Training centers	Kipsonoi Ward	40,000,000	40,000,000	100
8	Development and management of Tegat Sport Facility	Kembu Ward	46,000,000	31,156,636	67
9	Building of Dispensaries/ Health	1 Dispensary per Ward	43,900,000	20,935,806	48
10	Purchase of Dental equipment	Longisa Referral Hospital	10,000,000	4,270,000	81

1. The report showed that the highest expenditure of Ksh.396.59 Million was spent on construction of roads, seconded by Ksh.165.80 on water infrastructure while the third was Ksh.127.44 Million on construction of ECDE classrooms.
2. Water had low absorption rate despite having high allocation.

1.3.8 Departmental Budget and Budget Performance Analysis by Department

The report showed that Social Services Department attained the highest absorption rate of development budget at 159 per cent while the Economic Planning and Development Department did not incur any development expenditure. On the other hand, the Department of Administration and County Executive had the highest percentage of recurrent expenditure compared to recurrent budget at 100.6 and 86.7 per cent respectively while the Department of Social Services had the lowest at 15.4.

Summary table showing Annual allocation for each department for Recurrent and Development expenditure and its comparative absorption rates

	Annual Budget		**Absorption Rates in % during the first 9 months**	
Department	**Recurrent expenditure**	**Development expenditure**	**Recurrent**	**Development**

County executive	325.57	-	86.7%	-
Public Services Board	47.52	-	37.2%	-
Administration	371.61	60	100.6%	84.4%
Finance	314.43	25.36	64.7%	59.5%
Lands, Housing and Urban Planning	205.52	121.76	71.8%	39.2%
Agri-business, Cooperatives and Marketing	182.69	207.08	64.4%	53.6%
Social Services	543.98	30.7	15.4%	159.0%
Medical Services	936.03	55.4	71.3%	47.1%
Economic Planning& Development	45.4	30	67.3%	-
Water Services	92.97	284	51.3%	58.8%
Education &Vocational Training	182.03	253.36	68.4%	86.7%
Roads & Public works	135.87	429.78	72.8%	94.8%
ICT, Training& Industry	60.08	68.2	71.6%	9.2%

County Assembly	519.25	116.41	66.1%	1.8%

2.0 General Observations by the Committee

1. There was an improvement in the use of IFMIS and Internet Banking platform to process financial transactions.
2. High wage bill which has increased by 40.4 per cent to Kshs.1.64 billion in the reporting period compared to a similar period of FY 2015/16 when the County spent Kshs.1.17 billion, and represented 44.6 per cent of total expenditure.
3. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report.
4. Revenue trends were not consistent as reported. When revenues for the three reports (the first 9 months of 2016/17, annual report of 2016/17 and the report of the first quarter of 2017/18) are compared there is a lot of discrepancies and variations.

3.0 Recommendations given by the Controller of Budget which the County should implement in order to improve budget execution;

1. The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.
2. The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.

However, the Committee noted that the issue of wage bill is indeed a matter of concern and is currently being handled by an adhoc Committee at the Assembly.

3.1 Committee Recommendations

Having examined the Controller of Budget report on the budget implementation review for the first nine months of financial year 2016/17 the Committee recommends that;

1. The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.
2. Revenue trends and figures should be reported accurately by ensuring there is consistency in figures not only for a period being reviewed but also for previously reported figures and trends.
3. Any absorption rate way above 100 per cent is an indicator of irregular expenditure which could be interpreted as bursting the approved budget and should be avoided

at all cost except on unforeseen and unavoidable circumstances under section 135 of the Public Finance Management Act.

4. There is need to put up measures and a framework that will ensure there is extensive consultation among stakeholder to ensure projects implemented and its status are verified before final reporting is made. This will reduce inaccurate facts and figures being reported.

Mr. Speaker Sir,

I therefore urge this house to adopt this report and its recommendations.