

REPUBLIC OF KENYA



THE COUNTY ASSEMBLY OF SIAYA

FIRST ASSEMBLY – THIRD SESSION

THE BUDGET, APPROPRIATIONS AND FINANCE

COMMITTEE REPORT ON

THE COUNTY GOVERNMENT OF SIAYA QUARTERLY

FINANCIAL AND BUDGETARY REVIEW REPORT FOR

SECOND QUARTER ENDING 31 DEC 2014

2014/2015

MARCH, 2015

PREFACE

Mr. Speaker Sir, on behalf of the members of the Budget, Appropriations and Finance Committee, it is my pleasure to present to this Assembly, the Committee's Report on the County Government of Siaya Quarterly Financial and Budgetary Review Report for Second Quarter ending 31 December 2014 which was submitted to the County Assembly of Siaya on Wednesday 4th February 2015.

Mr. Speaker Sir, pursuant to Section 166 (4) (a) of the Public Finance Management Act, 2012, "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, this report was submitted to the County Assembly of Siaya on Wednesday 4th February 2015, tabled to the County Assembly and thereafter committed to the Committee on Budget, Appropriations and Finance.

COMMITTEE MEMBERSHIP

Mr. Speaker Sir, the Committee on Budget, Appropriations and Finance, as was constituted by this Assembly on Tuesday 30th April 2013 comprises of the following members;

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

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.

Mr. Speaker Sir, the Budget, Appropriations and Finance Committee therefore examined and discussed the County Government of Siaya Quarterly Financial and Budgetary Review Report for Second Quarter ending 31 December 2014 and has therefore made recommendations as contained in this report.

In reviewing this Second Quarterly Financial Report, the Committee held three meetings during which a team from the office of the CEC member for Finance was invited to give clarity on specific issues contained in the Second Quarterly Financial Report. The recommendations arising from these deliberations are included in this report.

Acknowledgements

Mr. Speaker Sir, the Committee extends its gratitude to all representatives from Executive arm of the county government who appeared before the committee. The Committee is also particularly grateful to the offices of Siaya County Assembly Speaker, the Siaya County Assembly Clerk for the support received as it discharged its mandate of examining the County Quarterly Financial Report for the Second Quarter ending 31st December 2014.

Mr. Speaker Sir, it is therefore my pleasant duty and privilege, on behalf of the Budget, Appropriations and Finance Committee, to table this report 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 SECOND QUARTERLY FINANCIAL REPORT FOR 2014/2015

SUMMARY OF INCOME AND EXPENDITURE

Mr. Speaker Sir, in accordance with the 2014/2015 Second Quarterly Financial Report, the County Government a total of Ksh 1,701,891,813 (with local revenues at Ksh 24,441,813 and the exchequer releases at Ksh 1,677,450,000) against an expenditure of Ksh 1,381,797,529.70 thereby resulting to a surplus of Ksh 320,294,283.30 as tabulated here under;

1. TOTAL REVENUE	
a) Local	24,441,813
b) Exchequer releases	<u>1,677,450,000</u>
	1,701,891,813
Less	
2. TOTAL EXPENDITURE	
a) Recurrent	784,432,876.70
b) Development	<u>597,364,653.00</u>
	1,381,797,529.70
3. SURPLUS/DEFICIT	
	320,094,283.30

Revenue breakdown

Mr. Speaker Sir, the total revenue which was received by the County Government both from the local sources and the exchequer releases amounted to Ksh 1,701,891,813 with local revenues at Ksh 24,441,813 which is 1.45% and the exchequer releases at Ksh 1,677,450,000 which is 98.55% of the total revenue.

Quarter	Local revenue	Exchequer releases	Total
2 nd Quarter	24,441,813	1,677,450,000	1,701,891,813

INDIVIDUAL LOCAL REVENUE PERFORMANCE ANALYSIS

Comparison between the first quarter and the second quarter.

REVENUE SOURCE	1ST QTR (KSH)- A	2ND QTR (KSH) -B	VARIANCE -(B-A)	VARIANCE AS % OF QTR 1
CATTLE AUCTION FEES	242,940	847,890	604,950	249.0121018
PLOT RENT	611,221	1,048,327	437,106	71.51357692
PUBLIC HEALTH	87,100	215,875	128,775	147.847302
FISH CESS	1,076,810	1,195,964	119,154	11.06546187
HOUSE RENT	51,350	66,600	15,250	29.69814995

TRACTOR HIRE	10,400	22,800	12,400	119.2307692
SIGN-BOARD	4,000	16,000	12,000	300
CLEARANCE CERTIFICATE	20,000	28,500	8,500	42.5
HIRE OF HALL	6,200	13,200	7,000	112.9032258
HIDE & SKIN CESS	400		-400	-100
PLAN APPROVAL	167,644	163,900	-3,744	-2.233303906
SCHOOL REGISTRATION	39,000	34,900	-4,100	-10.51282051
ADVERTISEMENT	10,700		-10,700	-100
ROAD SHOWS	11,000		-11,000	-100
AUDIT FEES	31,500	19,020	-12,480	-39.61904762
BURIAL FEES	19,800	4,000	-15,800	-79.7979798
SAND CESS	20,100		-20,100	-100
KIOSK RENT	238,012	213,134	-24,878	-10.45241416
MISCELLANEOUS FEES	111,770	76,050	-35,720	-31.95848618
QUARRY CESS	77,140	39,990	-37,150	-48.15919108
TRANSFER FEES	71,150	34,000	-37,150	-52.21363317
WEIGHTS AND MEASURES	39,050		-39,050	-100
SCHOOL FEES	48,575	8,800	-39,775	-81.88368502
EXTENSION OF LEASE	80,150	17,000	-63,150	-78.78976918
PROMOTION	77,140	5,250	-71,890	-93.19419238
SLAUGHET FEES	175,990	99,658	-76,332	-43.37291892
SITE FEE	95,446	7,097	-88,349	-92.56438195
STALL RENT	104,700		-104,700	-100
GROUND RENT	116,757		-116,757	-100
TENDER FEES	238,012	24,000	-214,012	-89.9164748
VET SERVICES	350,030	39,620	-310,410	-88.6809702
BUS-PARK FEES	4,207,900	3,616,401	-591,499	-14.05686922
PLOT RATES/CARD APPLICATION	989,200	364,875	-624,325	-63.11413263
MARKET FEES	5,895,946	4,703,651	-1,192,295	-20.22228494
SINGLE BUSINESS PERMIT	3,748,484	819,358	-2,929,126	-78.14161672
HOSPITAL REVENUE	17,294,835	10,695,953	-6,598,882	-38.15521802
			0	
			0	
TOTAL	36,370,452	24,441,813	-11,928,639	

Tabulated here below is the individual local revenue performance analysis as analyzed above;

RANK	REVENUE SOURCE	2ND QTR (KSH)	% OF REVENUE COLLECTION
1	HOSPITAL REVENUE	10,695,953	43.76088222
2	MARKET FEES	4,703,651	19.24428028
3	BUS-PARK FEES	3,616,401	14.79596051
4	FISH CESS	1,195,964	4.893106743
5	PLOT RENT	1,048,327	4.289072173
6	CATTLE AUCTION FEES	847,890	3.469014348
7	SINGLE BUSINESS PERMIT	819,358	3.352279964
8	PLOT RATES/CARD APPLICATION	364,875	1.492831158
9	PUBLIC HEALTH	215,875	0.883220079
10	KIOSK RENT	213,134	0.87200569
11	PLAN APPROVAL	163,900	0.670572187
12	SLAUGHET FEES	99,658	0.407735711
13	MISCELLANEOUS FEES	76,050	0.311147131
14	HOUSE RENT	66,600	0.272483878
15	QUARRY CESS	39,990	0.163613067
16	VET SERVICES	39,620	0.162099268
17	SCHOOL REGISTRATION	34,900	0.142788098
18	TRANSFER FEES	34,000	0.139105884
19	CLEARANCE CERTIFICATE	28,500	0.116603461
20	TENDER FEES	24,000	0.098192389
21	TRACTOR HIRE	22,800	0.093282769
22	AUDIT FEES	19,020	0.077817468
23	EXTENSION OF LEASE	17,000	0.069552942
24	SIGN-BOARD	16,000	0.065461592
25	HIRE OF HALL	13,200	0.054005814
26	SCHOOL FEES	8,800	0.036003876
27	SITE FEE	7,097	0.029036308
28	PROMOTION	5,250	0.021479585
29	BURIAL FEES	4,000	0.016365398
30	HIDE & SKIN CESS		0
31	ADVERTISEMENT		0
32	ROAD SHOWS		0
33	SAND CESS		0
34	WEIGHTS AND MEASURES		0
35	STALL RENT		0
36	GROUND RENT		0
			0
	TOTAL	24,441,813	100

OVERALL EXPENDITURE BREAKDOWN

Mr. Speaker Sir, the County Government of Siaya incurred a total expenditure of Ksh 1,381,797,529.70 in the 2nd quarter of 2014/2015 with recurrent expenditure consuming Ksh 784,432,876.70 which is 56.77% and development expenditure consuming Ksh 597,364,653 which is 43.23% of the total expenditure.

1. Recurrent	- 784,432,876.70	- 56.77%
2. Development	- 597,364,653	- 43.23%
TOTAL	- 1,381,797,529.70	- 100%

INDIVIDUAL RECURRENT EXPENDITURE ANALYSIS

Comparison between 1st quarter and 2nd quarter recurrent expenditure;

SECTOR	1ST QUARTER	2ND QUARTER	VARIANCE	VARIANCE AS % OF 1ST QTR
THREE MONTH SALARY		363,155,184.70	363,155,185	
FINANCE AND ECONOMIC PLANNING	23,734,151	92,721,194	68,987,043	290.6657
COUNTY ASSEMBLY	84,148,876	142,614,056	58,465,180	69.47827
EDUCATION, YOUTH AFFAIRS, CULTURE AND SOCIAL SERVICES	1,281,248	11,217,525	9,936,277	775.5155
TOURISM AND ICT	1,164,101	3,200,630	2,036,529	174.9444
ROADS, TRANSPORT AND PUBLIC WORKS	1,670,268	1,395,554	-274,714	-16.4473
TRADE, INDUSTRY, CO-OPERATIVE DEVELOPMENT	4,593,432	4,120,721	-472,711	-10.291
WATER, ENVIRONMENT AND NATURAL RESOURCES	15,209,570	14,311,574	-897,996	-5.90415
LANDS, SURVEY & HOUSING	4,554,210	1,729,458	-2,824,752	-62.0251
AGRICULTURE	36,797,148	14,893,320	-21,903,828	-59.5259
COUNTY HEALTH SERVICES	158,783,845	104,979,085	-53,804,760	-33.8855
COUNTY EXECUTIVE	135,161,735	30,094,565	-105,067,170	-77.7344
			0	
			0	
	467,098,584	784,432,867	317,334,283	67.93732

Tabulated here below is the Sectoral recurrent expenditure performance analysis as analyzed above;

RANK	SECTOR	2ND QUARTER	CONSUMPTION RATE
1	THREE MONTH SALARY	363,155,184.70	46.29525
2	COUNTY ASSEMBLY	142,614,056	18.18053
3	COUNTY HEALTH SERVICES	104,979,085	13.3828
4	FINANCE AND ECONOMIC PLANNING	92,721,194	11.82016
5	COUNTY EXECUTIVE	30,094,565	3.836474
6	AGRICULTURE	14,893,320	1.89861
7	WATER, ENVIRONMENT AND NATURAL RESOURCES	14,311,574	1.824449
8	EDUCATION, YOUTH AFFAIRS, CULTURE AND SOCIAL SERVICES	11,217,525	1.430017
9	TRADE, INDUSTRY, CO-OPERATIVE DEVELOPMENT	4,120,721	0.525312
10	TOURISM AND ICT	3,200,630	0.408018
11	LANDS, SURVEY & HOUSING	1,729,458	0.220472
12	ROADS, TRANSPORT AND PUBLIC WORKS	1,395,554	0.177906
	TOTAL	784,432,867	100

Mr. Speaker Sir, below is the analysis of the Sectoral recurrent expenditures absorption rates

RANK	SECTOR	APPROVED(KSH)	TOTAL FOR QTR 1&2	VARIANCE	ABSORPTION RATE
1	COUNTY EXECUTIVE	145,236,158	165,256,300	-20,020,142	113.784544
2	WATER, ENVIRONMENT AND NATURAL RESOURCES	47,293,248	29,521,144	17,772,104	62.4214772
3	COUNTY ASSEMBLY	386,922,650	226,762,932	160,159,718	58.6067867
4	AGRICULTURE	109,380,839	51,690,468	57,690,371	47.2573338
5	COUNTY HEALTH SERVICES	621,326,941	263,762,930	357,564,011	42.4515521
6	TOURISM AND ICT	10,706,792	4,364,731	6,342,061	40.7660016
7	TRADE, INDUSTRY, CO-OPERATIVE DEVELOPMENT	21,551,223	8,714,153	12,837,070	40.4346101
8	FINANCE AND ECONOMIC PLANNING	292,044,735	116,455,345	175,589,390	39.8758584
9	ROADS, TRANSPORT AND PUBLIC WORKS	9,841,250	3,065,822	6,775,428	31.1527702
10	LANDS, SURVEY & HOUSING	20,244,365	6,283,668	13,960,697	31.0390966
11	EDUCATION, YOUTH AFFAIRS, CULTURE AND SOCIAL SERVICES	51,763,042	12,498,773	39,264,269	24.1461333
	TOTAL	1,716,311,242	1,251,531,451	464,779,791	72.9198423

SECTORAL DEVELOPMENT EXPENDITURE ANALYSIS

Mr. Speaker Sir, tabulated here below is the Sectoral development expenditure performance analysis based on the consumption rate;

RANK	SECTOR	2ND QUARTER	CONSUMPTION RATE
1	ROADS, TRANSPORT AND PUBLIC WORKS	192,738,424.00	32.26479
2	COUNTY EXECUTIVE	112,359,503	18.8092
3	EDUCATION, YOUTH AFFAIRS, CULTURE AND SOCIAL SERVICES	77,843,409	13.03114
4	COUNTY HEALTH SERVICES	70,847,022	11.85993
5	WATER, ENVIRONMENT AND NATURAL RESOURCES	62,185,560	10.40998
6	TRADE, INDUSTRY, CO-OPERATIVE DEVELOPMENT	33,806,733	5.659313
7	COUNTY ASSEMBLY	30,825,377	5.160228
8	AGRICULTURE, LIVESTOCK AND FISHERIES	10,105,468	1.691675
9	TOURISM AND ICT	5,484,358	0.918092
10	LANDS, SURVEY & HOUSING	1,168,799	0.195659
11	FINANCE AND ECONOMIC PLANNING	0	0
			0
			0
			0
	TOTAL	597,364,653	100

Mr. Speaker Sir, below is the analysis for the absorption rates of the Sectoral development expenditure;

RANK	SECTOR	APPROVED (KSH)	TOTAL FOR QTR 1&2	VARIANCE	ABSORPTION RATE
1	TOURISM AND ICT	5,750,000	5,484,358	265,642.00	95.38014
2	COUNTY EXECUTIVE	119,859,417.50	112,359,503	7,499,914.50	93.74274
3	ROADS, TRANSPORT AND PUBLIC WORKS	247,326,901.50	192,738,424.00	54,588,477.50	77.92861
4	COUNTY ASSEMBLY	47,000,000	30,825,377	16,174,623.00	65.58591
5	TRADE, INDUSTRY, CO-OPERATIVE DEVELOPMENT	74,478,096	33,806,733	40,671,363.00	45.39151
6	COUNTY HEALTH SERVICES	171,234,815	70,847,022	100,387,793.00	41.37419
7	WATER, ENVIRONMENT AND NATURAL RESOURCES	160,440,751.50	62,185,560	98,255,191.50	38.75921
8	EDUCATION, YOUTH AFFAIRS, CULTURE AND	256,291,870	77,843,409	178,448,461.00	30.37295

	SOCIAL SERVICES				
9	AGRICULTURE, LIVESTOCK AND FISHERIES	105,169,395.50	10,105,468	95,063,927.50	9.608754
10	LANDS, SURVEY & HOUSING	25,984,128	1,168,799	24,815,329.00	4.498127
11	FINANCE AND ECONOMIC PLANNING	12,500,000	0	12,500,000.00	0
				0.00	
				0.00	
				0.00	
		1226035375	597,364,653	628,670,722.00	48.72328

COMMITTEE FINDINGS

Constitutional requirement in reporting

Mr. Speaker Sir, the Committee was informed that the County Government of Siaya Quarterly Financial and Budgetary Review Report for Second Quarter ending 31 December 2014 had 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.”

2.2.1 Local County Revenue Collection

Though it was reported that the county collected a total of Ksh 60,737,313 for the second quarter, it was found out from the tables that this was the total local revenue collection for both 1st quarter and the 2nd quarter. The local revenue collection for the second quarter should therefore be Ksh 24,441,813.

There was a general decline of Ksh 11,928,639 from local revenue in second quarter as compared to the first quarter, representing 32.79 percent.

There was no monthly revenue collection analysis to enable the Committee analyze the revenue pattern of all the local revenue sources.

There was an overstatement of Ksh 200,000 on the reported total local revenue and therefore the correct total for local revenue should be Ksh 24,441,813.

The low local revenue collection experienced during the Financial Year 2013/2014 could be repeating in the Financial Year 2014/2015.

The County Government could be relying much on the exchequer releases hence are reluctant to improve on the local revenue collection.

Mr. Speaker Sir, during the examination of this Quarterly Financial Report, and while meeting the County Director of Revenue, Mr. Joseph Muga Awuor, the following came out as the major factors which led to the under-performance in the local revenue collection;

- i) Some of the devolved functions have not been remitting revenue to the County Revenue Fund Account though this had been factored in the quarterly target of the local revenue collection. As a result of this, out of Ksh 112 million targeted from such devolved functions, on Ksh 27 million was realized from the Health Sector. This is despite the fact that these devolved functions are being facilitated by the county government to undertake their operations.
- ii) The revenue that had been collected from the Agribusiness investment of the Agriculture sector had not been remitted to the County Revenue Fund Account. Of the Ksh 8 million that had been collected, a lot of it had been used whereas the remaining amount was in a different account. This, the Committee was concerned that the County Treasury has never written a protest letter to the Directors of the affected devolved functions in respect of non-remittance of the revenue by the Agriculture sector.
- iii) There is serious under – staffing hence some revenue collection points like market and beaches go un-attended. The Director of Revenue had raised this with the County Director of Human Resource. However, rationalization of staff was reported to be underway after which the staffing problem could be solved.
- iv) Traders in Aram market and Yala market in Rarieda and Gem Sub-counties respectively have not been remitting revenue for almost a year now. This is due to the poor infrastructure and lack of proper facilities in these markets which prompted the traders to decline paying fees and charges. The County Revenue office has initiated talks and plans to improve the facilities and conditions in these markets so that the revenue can be realized.

2.2.2 Direct Funding

Though it was reported that the county received a total of Ksh 2,379,250,000 as direct funding from the National Government for the second quarter, it was found out from the tables that this was the total direct funding for both 1st quarter and the 2nd quarter. The direct funding from the National Government during the second quarter should therefore be Ksh 1,677,450,000.

2.3.1 Overall expenditure Summary

Though it was reported that the county spent Ksh 1,848,896,104 as total expenditure for the second quarter, it was found out from the tables that this was the total expenditure for both 1st quarter and the 2nd quarter. The total expenditure for the quarter should therefore be Ksh 1,381,797,529.70.

2.3.1.1 Recurrent Expenditure

Though it was reported that the county spent Ksh 1,251,531,450.70 as recurrent expenditure for the second quarter, it was found out from the tables that this was the recurrent expenditure for both 1st quarter and the 2nd quarter. The recurrent expenditure for the quarter should therefore be Ksh 784,432,875.

There was no monthly expenditure schedules to enable the Committee analyze the expenditure pattern of all the expenditure items.

3.2 County Domestic Debts

Although it was reported as in annex ix that the defunct Siaya Municipal had loans of Ksh 422,535,756, it was found out that the actual loan is Ksh 42,535,756. Similarly, the total debt under the defunct Siaya Municipal Council was over-stated by Ksh 380,000,000.

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) This Quarterly report as well as other quarterly reports earlier prepared by the County Treasury should be published and publicized as soon as practicable so as to conform to the PFM Act, 2012.
- 2) The monthly revenue analysis and the monthly expenditure schedules should be included in the report for submission to the Committee.
- 3) The Committee also resolved to meet the following relevant offices so as to further discuss the revenue situation in the County;
 - i) The County Revenue Office.
 - ii) The County Human Resource Office.
 - iii) The CEC member for Agriculture.
 - iv) The CEC member for Trade.

- v) The CEC member for Lands.
- 4) That the corrections be done on information wrongly reported and the same be submitted to the Committee for discussion.

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 Second Quarter ending 31 December 2014 be adopted.