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21 MAR 2019

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21/03/19

THE SENATE

Rt. Hon. Speaker
You may approve
for tabling.
21/03/19

*Approved
22/3/19*

TWELFTH PARLIAMENT – THIRD SESSION

REPORT OF THE STANDING COMMITTEE ON FINANCE &
BUDGET ON THE CONTROLLER OF BUDGET ANNUAL
COUNTY GOVERNMENTS BUDGET IMPLEMENTATION
REVIEW FOR FINANCIAL YEAR 2017/2018

PAPERS LAID	
DATE	27/03/2019
TABLED BY	Chairperson
COMMITTEE	Finance
CLERK AT THE TABLE	Jillan

PARLIAMENT BUILDINGS
NAIROBI

MARCH 2019

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PREFACE

The Committee on Finance and Budget was constituted by the House on Thursday 14th December, 2017 during the First Session of the Twelfth (12th) Parliament. The Committee as currently constituted, comprises the following members:

1. Sen. (Eng) Mohamed M. Mahamud, CBS, MP - Chairperson
2. Sen. (Dr) Isaac Mwaura, CBS, MP - Vice Chairperson
3. Sen. Wetang'ula Moses Masika, EGH, MP - Member
4. Sen. Mutula Kilonzo Junior, MP - Member
5. Sen. Aaron Cheruiyot, MP - Member
6. Sen. (Dr.) Ali Abdullahi Ibrahim, CBS, MP - Member
7. Sen. (Dr) Rose Nyamunga, MP - Member
8. Sen. CPA Farhiya Haji, MP - Member
9. Sen. Boniface Mutinda Kabaka, MP - Member

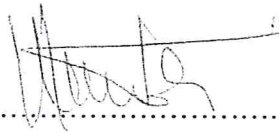
The Standing Committee on Finance and Budget is established pursuant Section 8 of the Public Finance Management Act, 2012 and standing order 218(3) of the Senate Standing Orders and is mandated to -

- a) Investigate, inquire into and report on all matters relating to coordination, control and monitoring of the county budgets and to examine -
 - i) *the Budget Policy Statement presented to the Senate;*
 - ii) *report on the Budget allocated to Constitutional Commissions and independent offices;*
 - iii) *the Division of Revenue Bill, County Allocation of Revenue Bill, and cash disbursement schedule for county governments;*
 - iv) *Consider all matters related to resolutions and Bills for appropriations, share of national revenue amongst the counties and all matters concerning the National Budget, including public finance and monetary policies and public debt, planning and development policy.*
- b) *Pursuant to Article 228 (6) of the Constitution, to examine the report of the Controller of Budget on the implementation of the budgets of county governments*

Acknowledgement

The Committee is grateful to the Offices of the Speaker, the Clerk of Senate for the support received as it discharged its mandate.

On behalf of the Committee and pursuant to standing order 213 (6) it is now my pleasant and honourable duty to present and lay on the table of the house the report of the Finance and Budget Committee regarding the Office of the Controller of Budget Annual County Governments Budget Implementation Review for Financial Year 2017/2018.



.....
SEN. (ENG) MOHAMED MAALIM MAHAMUD, MP

CHAIRMAN, FINANCE AND BUDGET COMMITTEE

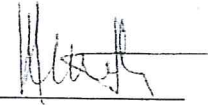
DATE: 20/3/..... 2019

Adoption of the Report

Pursuant to standing order 213 (2) of the Senate Standing Orders, the Senate Standing Committee on Finance and Budget Committee adopted the Report on the Controller of Budget Annual County Governments Budget Implementation Review for Financial Year 2017/2018. The members of the committee hereby affix their signatures to this Report to affirm the correctness of the contents and support for the Report –

Sen. (Eng) Mohamed M. Mahamud, CBS, MP

-Chairperson

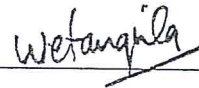


Sen. (Dr) Isaac Mwaura, CBS, MP

-Vice Chairperson

Sen. Wetang'ula Moses Masika, EGH, MP

- Member

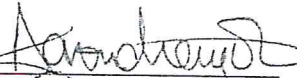


Sen. Mutula Kilonzo Junior, MP

- Member

Sen. Aaron Cheruiyot, MP

- Member



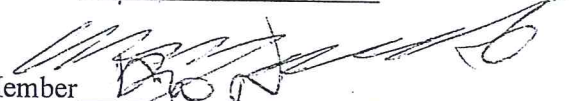
Sen. (Dr.) Ali Abdullahi Ibrahim, CBS, MP

- Member



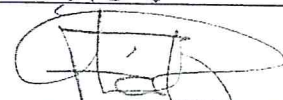
Sen. (Dr) Rose Nyamunga, MP

- Member



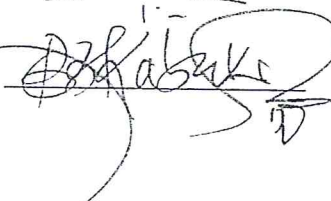
Sen. CPA Farhiya Haji, MP

- Member



Sen. Boniface Mutinda Kabaka, MP

- Member



CHAPTER 1

INTRODUCTION

- 1) The County Budget Implementation Review Report (CBIRR) is based on quarterly financial returns submitted to the Controller of Budget (CoB) by all county governments through respective county treasuries, for purposes of expenditure control and expenditure performance reporting. The County Budget Implementation Review Report was tabled on 11th October 2018, notably late by more than two (2) months, contrary to constitutional and enabling legislation timelines.
- 2) According to the COB, counties have made progress in addressing some of the challenges highlighted in previous annual County Budget Implementation Review Reports (CBIRRs). This is mainly attributable to enhanced capacity, relative improvement in utilization of IFMIS and compliance with budgetary timelines.
- 3) Nevertheless, there are still persisting challenges such as
 - a) late submission of financial reports by the counties (County Treasuries and Accounting Officers) to the CoB which then leads to late submission of the such statutory reports by CoB;
 - b) poor internet connectivity affecting operational systems such as IFMIS and E-procurement;
 - c) high and increasing pending bills;
 - d) delay in disbursement of the Equitable Share by the National Treasury coupled with under-performance in local revenue collection, and
 - e) high expenditure on personnel emoluments forming a basis for a first charge on county resources thereby posing risks to implementation of other priorities.

ADHERENCE TO THE LEGAL FRAMEWORK

- 4) Section 9 of the Controller of Budget Act, 2016 provides for the legal provisions to be followed by the Controller of Budget when reporting on the implementation of county budgets. A review of the legal adherence indicates that-

- a) There is observed persistent late submission of implementation reports by CoB to Parliament and by respective County Treasuries to CoB. This impedes legislative oversight and scrutiny on budget implementation including monitoring and evaluation as well as timely resolve of some of the challenges on budget implementation on account of the delays.
- b) The format of reporting for total funds released to counties is not by programmes as required by the Controller of Budget Act, 2016 thus further affecting effective accountability and transparency in budget implementation as budget estimates are prepared in a programme based format as provided for in Section 130 of the PFM Act, 2012. Moreover, county appropriations (the basis for funds release to counties) are also by programme for both recurrent and development expenditure.
- c) CoB implementation reports do not provide information on the extent to which the amounts received by counties comply with the Cash Disbursement Schedule approved by the Senate. This may mean that releases to counties are not based on the approved Cash Disbursement Schedule, and thus subject to discretion which may pose inherent risks including negating the provisions of Art. 219 on the need to transfer county allocations without undue delay or deductions except where it involves stoppage of funds (Art.225).

REALISM OF THE COUNTY BUDGET AND EXPENDITURE PERFORMANCE

- 5) The total approved county budgets amounted to Ksh. 410.50 Billion, made up of Ksh. 270.69 Billion (66%) recurrent and Ksh. 139.81 Billion (34%) for development. In aggregate terms, this level of approvals (before budget implementation – ex-ante stage) indicates compliance to the fiscal rules that stipulates that at-least 30% of total county allocation is towards development outlays while not more than 70% is approved for recurrent activities. This is to foster strategic use and improve allocative efficiency of county resources.
- 6) However, a compliance review for individual counties indicate that five (5) counties breached the legal threshold while the other forty-two (42) counties were at between 30% to 47.2% development allocation. The non-compliant counties included-

- a) Bomet (29.9%);
 - b) Garissa (29.7%);
 - c) Taita Taveta (29.5%);
 - d) Nairobi City (24.9%); and
 - e) Kiambu (22.0%).
- 7) With regards to county actual expenditure performance, total expenditure for FY 2017/18 amounted to Ksh. 303.83 Billion, translating to expenditure level of 74% against approved budget. Moreover, this expenditure level is also lower compared to the previous FY 2016/17 and FY 2015/16.
- 8) Recurrent expenditure amounted to Ksh. 236.94 Billion (87.33% of total recurrent budget), which is also relatively higher than that of previous years of Ksh. 215.71 Billion in FY 2016/17 and Ksh. 191.85 Billion in FY 2015/16, thus reflecting an upward trend in recurrent provisions and expenditure. The total actual development expenditure performance stood at Ksh. 66.89 Billion (or 48.05%) of overall expenditure allocation. This compares to an average performance of 65% for the last two previous financial years meaning that counties are not implementing all the development budget.
- 9) A further review indicates 28 counties are below 50% utilization of the development budget while 19 counties reflect expenditure performance of between 52% and 76%. On recurrent expenditure, Laikipia County had the highest expenditure performance at 99.4% while Vihiga County had the least expenditure at 62.03%.
- 10) In view of actual expenditure, compliance to fiscal rules deteriorated during budget execution perhaps due to reallocations and virements of allocations between programmes towards recurrent expenditure over the implementation period. Only nine counties (19%) maintained the development – recurrent mix threshold and 38 counties (81%) did not comply.

- 11) This implies that the in-year approved re-allocations towards recurrent activities affects creation of asset capacity and pose a potential risk to county expenditure performance. Moreover, the underperformance of development expenditure adversely affects counties' development plans and delays implementation of key county programmes and projects. This puts to question the realism of approved budgets at the counties in view of sub-optimal utilizations of development allocations

Expenditure by Economic Classification

- 12) The expenditure by Economic Classification indicates that there is growing trajectory of personnel emoluments which recorded the highest increase at Ksh.151 Billion in the period under review compared to previous years, whereas development expenditure is going down. This is an indication of rising non-discretionary expenditure (first charge on county resources) which could mean that counties are still recruiting and spending additional expenditure on personnel emoluments.
- 13) This is also likely to be a source of potential fiscal risk build up especially in view of the decreasing utilization of the development outlays. Such an outcome is likely to lead to inflexibility in the budget/ reduction of fiscal space resources whereby resources towards development expenditure are further constrained.
- 14) Similarly, Operation and Maintenance (O&M) component of the recurrent budget has increased marginally by Ksh. 1.1 Billion, to Ksh. 85.8 Billion from Ksh. 84.7 Billion in the previous financial year of 2016/17. The fiscal responsibility principles in both the PFM Act 2012 and the PFM Regulations outlines fiscal limits on expenditure relating to wages and benefits at 35% of the county's total revenue. However, the share of total personnel emoluments to total revenue available to counties for the period was at-least 39 % and therefore breaching the legal limit.
- 15) The less than expected performance in development expenditure is perhaps indicative of several challenges affecting counties. Some of the challenges include election

exigencies that may have disrupted continuity in service delivery. In addition, there is weak technical and administrative capacity impeding counties to actualize programme implementation during the expected period.

Pending Bills

- 16) According to the Controller of Budget, County Governments total pending bills for the period under review stood at Ksh. 108.41 Billion. This is as compared to the cumulative pending bill of Ksh. 35.84 Billion as at end of June 2017, thus increased by approximately 202 percent. A further review of the CoB Report reflected that some counties did not submit status of their pending bills in the previous years unlike in the FY 2017/18 when the disclosure was done by respective County Treasuries.
- 17) The counties include Nairobi City (Ksh. 64.8 Billion), Kisumu (Ksh.2.045 Billion), Machakos (Ksh. 975 million), Mandera (107 million), among others. Comparatively, this translates to an average of 36 percent of the 2017/18 equitable share that was disbursed to counties in the same period which was Ksh. 302 Billion.
- 18) The total pending bill for FY 2017/18 is composed of 74% recurrent component and 26% development component, being the respective values of invoices and commitments whose services are deemed to have been rendered but not honoured as the end of June 2018. (See annex 4 on respective county pending bills)

FINANCING OF THE COUNTY BUDGETS FOR FY 2017/18

- 19) The county governments have four main sources of revenue to fund the county budgets, namely –
 - a) Equitable Share of the revenue raised nationally,
 - b) conditional allocation from the national revenue,
 - c) conditional allocation from the and development partners, and
 - d) Own Source Revenue (OSR).

- 20) For FY 2017/18, county governments received Ksh. 387.09 Billion, which was comprised of-
- a) Ksh. 302 Billion as Equitable Share,
 - b) Ksh.17.36 Billion as conditional allocations from the National Government revenue,
 - c) Ksh. 9.49 Billion as conditional allocations from the development partners.
- 21) In addition, county governments collected Ksh. 32.49 Billion as Own Source Revenue.
- 22) A review of the revenue released to the counties for FY 2017/18 reveal that 100% of the equitable share of revenue for FY 2017/18 was disbursed which is in line with the DORA, 2017 and CARA 2017. However, the COB report doesn't comprehensively indicate status of some conditional allocations such as construction of county headquarters and EU grant for Devolution Advice and Support (IDEAS) as well as the leasing of medical equipment.

County Own Source Revenue Collection

- 23) The local revenue collection for the period under review was Ksh. 32.49 Billion compared to an average of Ksh. 32.52 Billion for the same period in previous year. The collection is lower than the target of Ksh. 49.22 Billion for FY 2017/18. The slight decline in actual revenue collection may be attributed to removal or reduced rates of some revenue raising measures such as Cess tax, by some of the current county governments after the 2017 elections.
- 24) There is urgent need for implementation of a mechanism of mobilization of revenue for counties that will ensure increased revenue collection and also safeguard counties from collecting substantially less revenue than previous similar periods.
- 25) The performance of OSR collection for the period compared to the annual targets indicate that Tana River (188.8%), Migori (111.1 %), Kwale (100.5 %), Uasin Gishu (96.4%), Nakuru (91.1%) and Bomet (90.6%) were amongst the highest counties. The

counties with the lowest performance are Kisii (27.0 %), Mandera (26.8%), Garissa (34.7%), Nyamira (38.2%), Busia (42.8 %), Wajir (45.1%) and Taita Taveta (48.6%).

- 26) Notably, the revisions in the annual target for own source revenue collection during the year, as reported by the Controller of Budget, from Ksh. 55.92 Billion at the beginning of the financial year to Ksh. 49.22 Billion by the end of the financial year. This reflects overly optimistic revenue targets at the beginning of the financial year or the in-year underperformance of revenue that often result to adjustments of the county expenditures through supplementary budgets when these targets are revised.

County Exchequer Releases

- 27) During the period under review, the COB authorized withdrawals from the County Revenue Funds amounting to Ksh.324.12 Billion. Notably, 77.7 percent of the withdrawals were for recurrent expenditure and the remaining 22.3 percent were for development expenditure, for both the County Assembly and County Executive. Moreover, a total of Ksh. 32.53 Billion were funds for County Assemblies and Ksh. 291.59 Billion for the County Executive.
- 28) Indeed, a bulk of the recurrent spending was geared towards salaries and allowances that are mostly non-discretionary. Further, it is necessary to prioritize development spending in support of productive investment in counties that can result to improved service delivery with long term sustainable impacts of increased job creation for the youths and poverty alleviation.

CHAPTER 2

COMMITTEE OBSERVATIONS

1. There is delay in release and submission of the CoB implementation reports for counties. There was need to engage the CoB with a view of addressing the cause of such delays, as it greatly impedes timely fiscal oversight and monitoring of county budget performance.
2. There is substantial shift of development allocation to recurrent outlays during budget execution and thus also breaching legal threshold. There may be need to enhance oversight especially by the County Assemblies to curtail supplementary budgeting that breach fiscal responsibility principles. In addition, there may be need to assess CoB requirements from respective counties as basis of exchequer releases.
3. Review of expenditure performance reflects majorly on financial performance and the format does not include programme performance and result based budget implementation. It is imperative that the reporting format on county budget implementation includes programme and sub programme performance to foster results based budget implementation including monitoring and evaluation. This will also promote accountability to further evaluate components and quality of development spending which is currently not provided.
4. There was increasing pending bills across the counties which portends risks of budget inflexibility in the medium term. It is not clear why counties are not providing for pending bills of the previous financial year in subsequent budgeting on a first charge basis. To contain further build-up of unsettled expenditure and attendant risks, there may be need to foster legislation around prompt payment and adequate disclosure around county pending bills.
5. It will be important for the National Treasury and the implementing agencies to report to the Senate on the status of conditional allocations such as construction of county

headquarters, leasing of medical and the various conditional allocations in form of loans and grants. This will enhance transparency on the status of implementation of these programmes.

6. The stagnant performance of local revenue collection, OSR, indicates an increased reliance by county governments on the equitable share allocation and this points to fiscal risk to the county budget implementation. The Senate may consider legislating on revenue measures that cut-across several counties in view of addressing leakages, poor revenue policies and practices that hinder economic optimization at the counties.
7. The delays in the disbursement of funds have affected budget implementation in counties. The cash disbursement schedule approved by Senate in line with CARA 2017 was not adhered to, as allocations such as the equitable share were not released according to the expected timelines and a huge amount funds were released barely two months to the end of the financial year 2017/18. These delays hamper implementation of development projects, partly resulting to accumulation of pending bills thus affects overall service delivery in the counties.

CHAPTER 3

COMMITTEE RECOMMENDATIONS

1. The National Treasury should fast track formulation of the policy on county governments revenue mobilization measures and submit to the Senate by 30th April, 2019.
2. The National Treasury should adhere to the Cash Disbursement Schedule to ensure timely release of funds to promote predictability of transfers to counties and to allow adequate time for absorption of development allocations.
3. The COB should engage the relevant stakeholders including Senate, National Treasury and Council of Governors with view of developing measures of alleviating the following persistent challenges facing county governments-
 - i) late submission of financial reports by the counties (County Treasuries and Accounting Officers) to the CoB which then leads to late submission of the such statutory reports by CoB;
 - ii) poor internet connectivity affecting operational systems such as IFMIS and E-procurement;
 - iii) high and increasing pending bills;
 - iv) under collection of own source revenue, and
 - v) high and increasing expenditure on personnel emoluments.
4. The COB should adopt a programme based reporting framework as provided for in section 9 of the COB Act, 2016.
5. The county treasuries should formulate a mechanism to ensure pending bills are cleared as a fast charge in the succeeding financial year.
6. The National Treasury should submit to the Senate the implementation status of the projects financed through conditional grants from loans and grants from development partners.
7. The Council of Governors and County Assemblies Forum in consultation with relevant stakeholders should engage the Senate on legislative and policy interventions which are necessary to enable budget implementation with regards to-
 - i) own source revenue,

- ii) pending bills, and
 - iii) absorption of development expenditure
8. The County Governments which had surpassed the recommended threshold expenditure on wages and benefits for public officers (as prescribed in the Public Finance Management –County Governments- Regulations, 2015) should-
- i) Stop further recruitment of new employees,
 - ii) Develop a mechanism of reducing the expenditure on personnel emoluments to ensure it is within the acceptable limits, and
 - iii) Submit the mechanism in (ii) above to the COB within six (6) months.

ANNEXURES

Annex 1: Percentage share of Personnel Emoluments, O&M to the Total Expenditure for FY 2017/18, Ksh. millions

No.	County	Recurrent Estimates (A)	Personnel Emoluments Expenditure	O&M Expenditure	Total Recurrent Expenditure (B)	Total Recurrent Expenditure performance % (B/A)
1	Laikipia	3,816.13	2,577.73	1,213.63	3,791.36	99.35%
2	Baringo	4,245.69	3,011.12	1,203.80	4,214.92	99.28%
3	Garissa	5,600.12	3,214.57	2,292.50	5,507.07	98.34%
4	Wajir	5,689.22	3,400.86	2,171.15	5,572.01	97.94%
5	Elgeyo/Marakwet	3,006.92	2,289.17	631.88	2,921.05	97.14%
6	Kirinyaga	3,985.80	2,620.38	1,250.68	3,871.06	97.12%
7	Narok	6,515.50	3,233.45	3,088.09	6,321.54	97.02%
8	Uasin Gishu	5,020.83	2,963.15	1,769.06	4,732.21	94.25%
9	Marsabit	4,296.49	1,884.75	2,142.43	4,027.18	93.73%
10	Busia	5,059.61	2,719.08	2,011.18	4,730.26	93.49%
11	Bomet	4,377.78	2,429.99	1,644.42	4,074.41	93.07%
12	Kericho	4,499.68	2,527.99	1,652.29	4,180.28	92.90%
13	Bungoma	7,689.80	4,631.84	2,491.76	7,123.60	92.64%
14	Embu	4,318.08	2,813.64	1,158.22	3,971.86	91.98%
15	Makueni	6,095.39	3,294.28	2,297.21	5,591.49	91.73%
16	Kakamega	7,280.88	4,874.92	1,789.12	6,664.04	91.53%
17	Kiambu	9,810.82	6,035.27	2,894.72	8,929.99	91.02%
18	Machakos	7,010.71	4,834.56	1,546.05	6,380.61	91.01%
19	Turkana	6,799.83	3,728.53	2,457.44	6,185.97	90.97%
20	Kisumu	6,376.83	3,607.43	2,150.89	5,758.33	90.30%
21	Samburu	3,379.31	1,581.38	1,456.62	3,038.00	89.90%
22	Nyandarua	4,079.94	2,146.22	1,503.12	3,649.34	89.45%
23	Kisii	7,534.27	4,755.35	1,926.40	6,681.75	88.68%
24	Nairobi City	25,284.30	14,837.20	7,525.02	22,362.22	88.44%
25	Nyamira	4,222.90	2,622.04	1,081.42	3,703.45	87.70%
26	Kitui	6,688.21	3,615.80	2,229.79	5,845.59	87.40%
27	Mandera	6,471.92	2,375.73	3,268.83	5,644.55	87.22%
28	West Pokot	3,930.26	2,019.17	1,407.40	3,426.57	87.18%
29	Nandi	4,693.02	2,340.07	1,739.06	4,079.13	86.92%
30	Kwale	5,202.14	2,426.46	2,018.33	4,444.79	85.44%
31	Tharaka -Nithi	3,036.06	2,060.28	510.13	2,570.41	84.66%
32	Lamu	2,009.12	1,090.44	609.31	1,699.75	84.60%
33	Mombasa	8,808.50	4,561.17	2,832.58	7,393.74	83.94%
34	Murang'a	5,284.32	3,398.84	970.30	4,369.13	82.68%
35	Nyeri	5,471.57	2,770.89	1,735.14	4,506.03	82.35%
36	Kilifi	7,858.07	3,220.98	3,185.28	6,406.26	81.52%
37	Isiolo	2,768.51	1,474.16	777.75	2,251.91	81.34%
38	Homa Bay	5,049.12	2,645.45	1,421.82	4,067.27	80.55%
39	Taita/Taveta	3,892.92	2,150.33	980.78	3,131.10	80.43%
40	Nakuru	9,947.60	5,113.73	2,863.38	7,977.11	80.19%
41	Meru	7,521.37	4,345.52	1,642.17	5,987.70	79.61%
42	Kajiado	5,003.92	2,551.93	1,384.72	3,936.65	78.67%
43	Siaya	4,299.05	2,397.34	936.11	3,333.46	77.54%
44	Migori	5,469.84	2,761.99	1,322.72	4,084.71	74.68%
45	Trans Nzoia	4,632.20	2,132.51	1,005.48	3,137.98	67.74%
46	Tana River	3,400.44	1,385.96	872.32	2,258.28	66.41%
47	Vihiga	3,882.05	1,620.53	787.38	2,407.91	62.03%
Total		271,317.04	151,094.16	85,849.90	236,944.06	87.33%

Source: COB

**Annex 2: Percentage share of Development Expenditure to the Budget Estimates for FY
2017/18**

No.	County	Development Estimates	Development Expenditure	Total Expenditure Performance (%)
1	Mombasa	3,825.95	2,908.11	76.01%
2	Marsabit	3,434.38	2,540.47	73.97%
3	Kilifi	4,268.84	3,121.95	73.13%
4	Murang'a	3,033.93	2,199.00	72.48%
5	Isiolo	1,572.29	1,138.42	72.41%
6	Kitui	4,555.14	3,281.01	72.03%
7	Kakamega	5,624.39	3,879.96	68.98%
8	Migori	2,697.06	1,848.99	68.56%
9	Tharaka -Nithi	1,596.18	1,080.39	67.69%
10	Mandera	5,774.94	3,892.28	67.40%
11	Kiambu	2,774.74	1,833.63	66.08%
12	Embu	1,847.16	1,090.53	59.04%
13	Narok	3,290.13	1,928.02	58.60%
14	West Pokot	1,718.85	983.31	57.21%
15	Kisii	3,363.08	1,901.23	56.53%
16	Trans Nzoia	1,996.33	1,077.21	53.96%
17	Laikipia	1,890.37	1,011.32	53.50%
18	Uasin Gishu	3,041.31	1,597.04	52.51%
19	Kwale	4,113.35	2,143.28	52.11%
20	Elgeyo/Marakwet	1,937.77	948.90	48.97%
21	Kericho	2,040.79	996.25	48.82%
22	Bomet	1,864.13	873.54	46.86%
23	Turkana	4,164.92	1,944.93	46.70%
24	Nyeri	2,489.53	1,140.32	45.80%
25	Busia	2,389.41	1,078.18	45.12%
26	Makueni	3,579.50	1,603.30	44.79%
27	Nyandarua	2,025.24	895.38	44.21%
28	Homa Bay	2,519.87	1,078.23	42.79%
29	Garissa	2,368.93	1,012.26	42.73%
30	Bungoma	3,563.59	1,507.06	42.29%
31	Kirinyaga	1,709.20	722.27	42.26%
32	Samburu	1,453.35	549.02	37.78%
33	Kajiado	3,184.09	1,185.16	37.22%
34	Tana River	2,513.32	918.61	36.55%
35	Baringo	2,713.70	987.44	36.39%
36	Lamu	1,009.94	361.27	35.77%
37	Machakos	3,067.81	1,021.77	33.31%
38	Nandi	2,154.91	716.92	33.27%
39	Siaya	2,546.29	777.57	30.54%
40	Nyamira	1,888.80	527.66	27.94%
41	Nairobi City	8,365.39	2,179.31	26.05%
42	Nakuru	6,151.33	1,576.63	25.63%
43	Meru	3,218.18	812.69	25.25%
44	Kisumu	2,837.89	669.36	23.59%
45	Wajir	3,673.09	842.54	22.94%
46	Vihiga	1,699.58	297.47	17.50%
47	Taita/Taveta	1,631.48	206.45	12.65%
	Total	139,180.45	66,886.63	48.06%

Source: COB

Annex 3: Performance of Local Revenue Collection for FY 2017/18

No.	County	Revenue Collection for FY 2017/18	Target Revenue Collection for FY 2017/18	% Revenue collection to annual Target
1	Baringo	301.40	350.00	86.1
2	Bomet	181.38	200.21	90.6
3	Bungoma	656.75	865.55	75.9
4	Busia	176.29	412.16	42.8
5	Elgeyo/Marakwet	105.48	160.29	65.8
6	Embu	416.11	653.49	63.7
7	Garissa	86.69	250.00	34.7
8	Homa-Bay	106.94	118.66	90.1
9	Isiolo	114.56	182.86	62.6
10	Kajiado	682.16	1,040.79	65.5
11	Kakamega	440.61	774.57	56.9
12	Kericho	414.05	554.64	74.7
13	Kiambu	1,693.71	3,227.49	52.5
14	Kilifi	523.35	929.66	56.3
15	Kirinyaga	343.97	600.00	57.3
16	Kisii	256.28	950.00	27.0
17	Kisumu	874.90	1148.69	76.2
18	Kitui	335.12	579.16	57.9
19	Kwale	276.30	275.00	100.5
20	Laikipia	413.33	500.00	82.7
21	Lamu	55.29	90.00	61.4
22	Machakos	1,063.73	1594.39	66.7
23	Makueni	319.28	600.00	53.2
24	Mandera	61.81	231.00	26.8
25	Marsabit	83.39	130.00	64.1
26	Meru	441.69	821.78	53.7
27	Migori	222.25	200.00	111.1
28	Mombasa	3,159.16	3595.74	87.9
29	Murang'a	453.71	850	53.4

No.	County	Revenue Collection for FY 2017/18	Target Revenue Collection for FY 2017/18	% Revenue collection to annual Target
30	Nairobi	10,109.42	17,229.01	58.7
31	Nakuru	2,278.65	2,500.00	91.1
32	Nandi	197.89	385.44	51.3
33	Narok	2,188.44	2,483.46	88.1
34	Nyamira	96.62	253.11	38.2
35	Nyandarua	318.59	371.00	85.9
36	Nyeri	760.23	1,000.00	76.0
37	Samburu	257.29	301.23	85.4
38	Siaya	139.34	270.00	51.6
39	Taita/Taveta	193.60	398.47	48.6
40	Tana River	56.63	30.00	188.8
41	Tharaka-Nithi	126.61	179.92	70.4
42	Trans Nzoia	246.06	400	61.5
43	Turkana	143.90	200.00	72.0
44	Uasin Gishu	819.22	850.00	96.4
45	Vihiga	143.53	220.00	65.2
46	Wajir	67.61	150.00	45.1
47	West Pokot	88.41	111.25	79.5
	Total	32,491.73	49,219.02	66.0

Source: COB

Annex 4: Status of cumulative pending bills by county as at 30th June 2018 (Ksh. Millions)

No.	County	FY 2016/17 Pending Bills	FY 2017/18		
			Recurrent	Development	Total Pending Bills
1	Baringo	91.48	27.35	36.25	63.6
2	Bomet	269.09	332.28	823.19	1,155.47
3	Bungoma	888.74	110.28	216.12	326.39
4	Busia	826.09	390.11	603.49	993.6
5	Elgeyo/Marakwet	785.05	126.01	10.75	136.75
6	Embu	860.46	532	746.74	1,278.74
7	Garissa	446.83	274.06	706	980.06
8	Homa Bay	532.18	80.27	666.21	746.48
9	Isiolo	219.45	12.52	88.81	101.33
10	Kajiado	394.05	459.24	310.56	769.81
11	Kakamega	556.95	87.42	547.32	634.74
12	Kericho	396.77	289.38	965.9	1,255.28
13	Kiambu	920.26	278.58	507.18	785.76
14	Kilifi	819.83	630.5	594.21	1,224.71
15	Kirinyaga	219.51	160.14	89.95	250.09
16	Kisii	909.78	167.31	697.76	865.08
17	Kisumu	1792.85	643.91	1,403.69	2,047.60
18	Kitui	0.00	230.93	936.16	1,167.09
19	Kwale	989.89	142.37	1,687.75	1,830.12
20	Laikipia	854.57	197.36	563.25	760.61
21	Lamu	1.63	139.89	39.6	179.49
22	Machakos	0.00	167.65	807.81	975.46
23	Makueni	183.49	26.75	6.82	33.57
24	Mandera	0.00	50.91	56.67	107.58
25	Marsabit	799.15	330.63	468.53	799.15
26	Meru	832.09	350.51	1,650.42	2,000.93
27	Migori	865.45	98.48	192.46	290.94
28	Mombasa	3,945.94	3,176.14	529.37	3,705.50
29	Murang'a	1,347.65	166.34	303.14	469.49
30	Nairobi City	0.00	64,802.99	-	64,802.99
31	Nakuru	2,795.80	811.17	1,568.64	2,379.82
32	Nandi	813.51	349.92	1,044.31	1,394.23
33	Narok	1,653.25	634.51	1,090.94	1,725.44
34	Nyamira	327.67	410.76	938.83	1,349.59
35	Nyandarua	731.07	95.28	811.64	906.92
36	Nyeri	712.92	345.76	1,065.61	1,411.37
37	Samburu	704.83	276.02	516.64	792.66
38	Siaya	277.60	367.75	246.75	614.51
39	Taita/Taveta	281.38	196.07	43.59	239.65
40	Tana River	946.03	92.59	853.44	946.03
41	Tharaka –Nithi	275.14	39.3	221.48	260.78
42	Trans Nzoia	702.13	468.28	313.3	781.57
43	Turkana	2,900.00	423.79	209.88	633.66
44	Uasin Gishu	263.93	235.2	84.15	319.35
45	Vihiga	1,184.81	977.48	207.33	1,184.81
46	Wajir	409.37	126.72	2,492.86	2,619.58
47	West Pokot	113.05	23.18	89.88	113.05
	Total	35,841.72	80,356.09	28,055.38	108,411.43

Source: CoB reports

MINUTES OF THE 77TH MEETING OF THE SENATE STANDING COMMITTEE ON FINANCE & BUDGET HELD ON TUESDAY, 19TH MARCH, 2019 AT COUNTY HALL, GROUND FLOOR BOARDROOM AT 10:00 AM.

PRESENT

1. Sen. (Eng) Mohamed M. Mahamud, CBS, MP - Chairperson
2. Sen. Moses Wetang'ula, MP - Member
3. Sen. CPA Farhiya Haji, MP - Member
4. Sen. (Dr) Rose Nyamunga, MP - Member
5. Sen. Aaron Cheruiyot MP -Member
6. Sen. Boniface Mutinda Kabaka, MP - Member

ABSENT WITH APOLOGY

1. Sen. (Dr) Isaac Mwaura, CBS, MP - Vice Chairperson
2. Sen. Mutula Kilonzo Junior, MP - Member
3. Sen. (Dr) Ali Abdullahi Ibrahim, CBS, MP - Member

IN-ATTENDANCE

SENATE SECRETARIAT

1. Mr. Christopher Gitonga - Clerk Assistant
2. Ms. Lucy Radoli - Legal Counsel
3. Ms. Julie Mwithiga - Fiscal Analyst
4. Mr. Stephen Nyanguti - Audio Officer

MIN. NO. 373/03/2019:

PRELIMINARIES

The Chairperson called the meeting to order at 10.10 am and there followed a word of prayer. The Chairperson welcomed Members to the meeting.

MIN. NO. 374/03/2019:

ADOPTION OF THE AGENDA

The agenda of the meeting was adopted after it was proposed by Sen. CPA Farhiya Haji, MP and seconded by Sen. (Dr) Rose Nyamunga, MP.

MIN.NO. 375/03/2019: CONFIRMATION OF MINUTES OF PREVIOUS SITTING

- a) The minutes of the 57th meeting held on Thursday, 25th October, 2018 at 11 am were confirmed as a true record of the proceedings of the committee after they were proposed by Sen. Aaron Cheruiyot and seconded by Sen. CPA Farhiya Haji.
- b) The minutes of the 63rd meeting held on Thursday, 13th December, 2018 at 12noon were confirmed as a true record of the proceedings of the committee after they were proposed by Sen. Aaron Cheruiyot and seconded by Sen. Moses Wetang'ula.

- c) The minutes of the 65th meeting held on Tuesday, 19th February, 2019 at 11 am were confirmed as a true record of the proceedings of the committee after they were proposed by Sen. CPA Farhiya Haji and seconded by Sen. Moses Wetang'ula.
- d) The minutes of the 75th meeting held on Wednesday, 13th March, 2019 at 11 am were confirmed as a true record of the proceedings of the committee after they were proposed by Sen. Rose Nyamunga and seconded by Sen. Boniface Mutinda Kabaka.

**MIN.NO. 376/03/2019: CONSIDERATION OF PETITION REPORT ON
ISSUANCE OF KENYA CURRENCY USABLE BY BLIND
AND VISUALLY IMPAIRED PERSONS**

The Committee considered the report and made the following-

a) Observations

- i) Article 231(2) of the Constitution provides that the CBK shall be responsible for *inter alia*, issuing currency.
- ii) In promoting the spirit of Article 43 (1) on economic and social rights, Kenya currency in circulation should be usable by visually impaired and blind persons.
- iii) On 11th December, 2018 the CBK unveiled new generation currency.
- iv) The visually impaired and blind persons rarely use ATMs without assistance.

b) Recommendations

- i) The CBK expedites the engagement with the banking sector to ensure ATMs were installed with appropriate features to allow visually impaired and blind persons to access the services.
- ii) That CBK should fast track the release of the new generation currency.

The Committee resolved to adopt the report on Wednesday, 20th March, 2019.

**MIN.NO. 377/03/2019: CONSIDERATION OF REPORT ON THE COB'S
COUNTY GOVERNMENTS BUDGET
IMPLEMENTATION REVIEW FOR FY 2017/2018.**

The Committee considered the report and made the following-

a) Observations

- 1. There is delay in release and submission of the CoB implementation reports for counties.
- 2. There is substantial shift of development allocation to recurrent outlays during budget execution and thus also breaching legal threshold.

3. Review of expenditure performance reflects majorly on financial performance and the format does not include programme performance and result based budget implementation.
4. There was increasing pending bills across the counties which portends risks of budget inflexibility in the medium term.
5. It will be important for the National Treasury and the implementing agencies to report to the Senate on the status of conditional allocations such as construction of county headquarters, leasing of medical and the various conditional allocations in form of loans and grants.
6. The stagnant performance of local revenue collection, OSR, indicates an increased reliance by county governments on the equitable share allocation and this points to fiscal risk to the county budget implementation.
7. The delays in the disbursement of funds have affected budget implementation in counties. The cash disbursement schedule approved by Senate in line with CARA 2017 was not adhered to, as allocations such as the equitable share were not released according to the expected timelines and a huge amount funds were released barely two months to the end of the financial year 2017/18.

b) Recommendations

1. The National Treasury should fast track formulation of the policy on county governments revenue mobilization measures and submit to the Senate by 30th April, 2019.
2. The National Treasury should adhere to the Cash Disbursement Schedule to ensure timely release of funds to promote predictability of transfers to counties and to allow adequate time for absorption of development allocations.
3. The COB should engage the relevant stakeholders including Senate, National Treasury and Council of Governors with view of remedying the following persistent challenges facing county governments-
 - i) late submission of financial reports by the counties (County Treasuries and Accounting Officers) to the CoB which then leads to late submission of the such statutory reports by CoB;
 - ii) poor internet connectivity affecting operational systems such as IFMIS and E-procurement;
 - iii) high and increasing pending bills;
 - iv) under collection of own source revenue, and
 - v) high and increasing expenditure on personnel emoluments.
4. The COB should adopt a programme based reporting framework to facilitate effective oversight nationally.
5. The county treasuries should formulate a mechanism to ensure pending bills are cleared as a fast charge in the succeeding financial year.

6. The National Treasury should submit to the Senate the implementation status of the projects financed through conditional grants from loans and grants from development partners.
7. The Council of Governors and County Assemblies Forum in consultation with relevant stakeholders should engage the Senate on legislative and policy interventions which are necessary to enable budget implementation with regards to-
 - i) own source revenue,
 - ii) pending bills, and
 - iii) absorption of development expenditure
8. The County Governments which had surpassed the recommended threshold expenditure on wages and benefits for public officers (as prescribed in the Public Finance Management –County Governments- Regulations, 2015) should-
 - i) Stop further recruitment of new employees,
 - ii) Develop a mechanism of reducing the expenditure on personnel emoluments to ensure it is within the acceptable limits, and
 - iii) Submit the mechanism in (ii) above to the COB within six (6) months.

The Committee resolved to adopt the Report on 20th March, 2019.

MIN.NO. 378/03/2019: PRE-PUBLICATION SCRUTINY OF LEGISLATIVE PROPOSAL ON AMENDMENTS TO PFM ACT, 2012.

The Committee considered the legislative proposal. During the consideration, the Committee was informed by the secretariat that the legislative proposal-

1. Intends to establish a collaborative framework for collection of revenues by the county governments and the National Treasury together with the Kenya Revenue Authority.
2. proposes to amend the Public Finance Management Act by inserting new sections 160A, 160B and 160C.
3. The proposed new 160A intends to provide a framework for collaboration between the county governments and the National Treasury together with the Kenya Revenue Authority as regards collection of revenue by counties.
4. The new section requires the county treasury, in consult with the National Treasury and the Kenya Revenue Authority, to put in place a county revenue collection system. It requires that such a system shall respect the distinctiveness of the two levels of government, be secure, effective, efficient and transparent.
5. The proposed new section 160B provide for reporting on the status of revenue collection and performance at the county. It requires the county treasury to report to the county assembly and submit copies of the reports to the Senate, the National Treasury and the Commission on Revenue Allocation

6. The proposed new section 160C would require the county executive committee member to operationalize a county revenue collection system within a period of two years from the coming into force of this Act.
7. Proposes a penalty such as stoppage of transfer of a county's equitable share of revenue for failure to operationalize the county revenue collection system or prepare and submit bi-annual statements or an annual report.

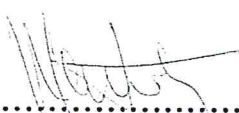

The Committee resolved pursuant to standing order 126(1)(a) of the Senate Standing Orders to seek the views of the following on the legislative proposal-

- a) The National Treasury
- b) Council of County Governors
- c) The Controller of Budget, and
- d) The Commission on Revenue Allocation

Further resolved to request the views to be submitted to the Committee by Friday, 22nd March, 2019.

MIN.NO. 379/03/2019: ADJOURNMENT AND DATE OF THE NEXT MEETING

The meeting was adjourned at 12:20 pm. Date of the next meeting 20th March, 2019 at 11:00 am.

SIGNATURE.....
 (CHAIRPERSON: SEN. (ENG) MOHAMED MAALIM MAHAMUD)
 DATE.....

MINUTES OF THE 78TH MEETING OF THE SENATE STANDING COMMITTEE ON FINANCE & BUDGET HELD ON WEDNESDAY, 20TH MARCH, 2019 AT COUNTY HALL, GROUND FLOOR BOARDROOM AT 11:00 AM.

PRESENT

1. Sen. (Eng) Mohamed M. Mahamud, CBS, MP - Chairperson
2. Sen. Moses Wetang'ula, MP - Member
3. Sen. CPA Farhiya Haji, MP - Member
4. Sen. (Dr) Rose Nyamunga, MP - Member
5. Sen. Aaron Cheruiyot MP -Member
6. Sen. Boniface Mutinda Kabaka, MP - Member
7. Sen. (Dr) Ali Abdullahi Ibrahim, CBS, MP - Member

ABSENT WITH APOLOGY

1. Sen. (Dr) Isaac Mwaura, CBS, MP - Vice Chairperson
2. Sen. Mutula Kilonzo Junior, MP - Member

IN-ATTENDANCE

SENATE SECRETARIAT

1. Mr. Christopher Gitonga - Clerk Assistant
2. Ms. Lucy Radoli - Legal Counsel
3. Ms. Julie Mwithiga - Fiscal Analyst
4. Mr. Stephen Nyanguti - Audio Officer

MIN. NO. 380/03/2019:

PRELIMINARIES

The Chairperson called the meeting to order at 11.25 am and there followed a word of prayer. The Chairperson welcomed Members to the meeting.

MIN. NO. 381/03/2019:

ADOPTION OF THE AGENDA

The agenda of the meeting was adopted after it was proposed by Sen. Aaron Cheruiyot, MP and seconded by Sen. (Dr) Ali Abdullahi Ibrahim, MP.

MIN.NO. 382/03/2019: ADOPTION OF PETITION REPORT ON

ISSUANCE OF KENYA CURRENCY USABLE BY BLIND AND VISUALLY IMPAIRED PERSONS

The Committee unanimously adopted its report on the Petition report on Issuance of Kenya Currency Usable by Blind and Visually Impaired Persons.

The Committee resolved that the report be tabled on Wednesday, 20th March, 2019.

MIN.NO. 383/03/2019: ADOPTION OF REPORT ON THE COB'S COUNTY GOVERNMENTS BUDGET IMPLEMENTATION REVIEW FOR FY 2017/2018.

The Committee unanimously adopted its report on the Controller of Budget (COB) County Governments Budget Implementation Review for Financial Year 2017/2018.

The Committee resolved that the report be tabled on Wednesday, 20th March, 2019.

MIN.NO. 384/03/2019: ANY OTHER BUSINESS

a) The Committee was informed that the standing orders allow only 14 days for prepublication scrutiny. Thus, the earlier resolution to seek views from stakeholders may be overtaken by time owing to the fact that they must be given 7 days' notice. The Committee noted that since the legislative proposal was in line with other laws, the legislative proposal may be published. Further, the identified stakeholders will be consulted during the public participation stage.


b) The Committee was informed that the County Ward (Equitable Development) Bill, 2018 was list for second reading in the Order Paper, yet the report on the Bill was not Published.

The Committee noted the County Assembly Forum had requested for 14 days in order to send their memorandum. However, the Committee granted them 7 days of which they should submit on or before 21st March, 2019.

The Committee resolved to consider the submissions made by the stakeholders on the bill on Tuesday, 26th March, 2019.

MIN.NO. 385/03/2019: ADJOURNMENT AND DATE OF THE NEXT MEETING

The meeting was adjourned at 12 noon. Date of the next meeting Tuesday, 26th March, 2019 at 10:00 am.

SIGNATURE.....
(CHAIRPERSON: SEN. (ENG) MOHAMED MAALIM MAHAMUD)

DATE.....