

**COUNTY GOVERNMENT OF KITUI**



**THE COUNTY ASSEMBLY**

**SECOND ASSEMBLY – (THIRD SESSION)**

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**BUDGET AND APPROPRIATIONS COMMITTEE**

**REPORT ON CONSIDERATION OF THE KITUI COUNTY  
SUPPLEMENTARY BUDGET ESTIMATES II, FOR  
THE FINANCIAL YEAR  
2018/2019**

**CLERK OF ASSEMBLY CHAMBERS  
P. O BOX 694  
KITUI**

**JUNE, 2019**

## Table of Contents

ABBREVIATIONS .....	iii
ANNEXURES .....	iv
1.0 PREFACE .....	1
2.0 COMPOSITION AND THE MANDATE OF THE COMMITTEE. ....	4
2.1 COMPOSITION OF THE COMMITTEE.....	4
2.2 COMMITTEE MANDATE.....	5
3.0 BACKGROUND .....	5
4.0 ACKNOWLEDGEMENT .....	6
5.0 REVIEW AND CONSIDERATION OF THE COUNTY EXECUTIVE AND THE COUNTY ASSEMBLY SUPPLEMENTARY BUDGET II, 2018/2019.....	8
6.0 COMMITTEE OBSERVATIONS.....	9
7.0 COMMITTEE RECOMMENDATIONS.....	12

## ABBREVIATIONS

CASB	County Assembly Service Board
CECM	County Executive Committee Member
CLIDP	Community Level Infrastructure Development Programme
PFM	Public Finance Management
PFM (C/G) REG. 2015	Public Finance Management (County Governments) Regulations, 2015

## ANNEXURES

- i. Signed Members list – Annexure I
- ii. Minutes adopting the report – Annexure II
- iii. Cumulative deviation in the Supplementary Budgets – Annexure III



## 1.0 PREFACE

**Mr. Speaker,**

On behalf of the Members of the Budget and Appropriations Committee, I hereby beg to present to this Honourable House, the Committee's Report on consideration of the Kitui County Supplementary Budget Estimates II for the financial year 2018/2019.

Honourable members, this is a report regarding public finances and shall borrow a lot from and not limited to the following legislations;

- i. Chapter twelve of the Constitution on the public finances
- ii. The Public Finance Management Act, 2012
- iii. The County Government Act, 2012
- iv. The Public Finance Management (County Governments) Regulations 2015
- v. County Assembly Standing Orders.

**Mr. Speaker,**

The Kitui County Supplementary Estimates II, for the financial year 2018/2019 is founded on the following two major reasons:

- I. To adjust the County Budget to Integrated Financial Management Information System (IFMIS) balances.
- II. To accommodate the salary shortfall in the budget of Kshs. 240.0 Million occasioned by KRA liability that has since been settled to Kshs. 498,159,155.60. The salary deficit has been analyzed as indicated in the table below:-

Year	Allocation (Kshs. Million) for Salaries
2016/17	2,996.8
2017/18	3,678.6
2018/19-printed	3,754.0
2018/19- 1st suppl.	4,209.5
2018/19- 2nd suppl.	4,449.5

**Mr. Speaker,**

With the above items duly charged in the approved budget this will reflect a higher expenditure than the resource envelop in the printed Estimates. Subsequently, this will ultimately reflect a deficit in the approved budget 2018/2019 which is contrary to the provisions of Regulation 31 of the Public Finance Management (County Governments) Regulations 2015.

The committee in this report therefore will be seeking to address the issues articulated above while respecting the principle of prudence in public finances as envisaged in Article 201 of the Constitution, the fiscal responsibility principles and the financial objectives as provided in Section 107 and 131(3) of the PFM Act, 2012.

**Mr. Speaker,**

Section 135 of the Public Finance Management Act, 2012 provides for the circumstances under which a County Government may submit to the County Assembly a Supplementary Budget for approval.

Sub Section 135 (1) and (2) provides that;

*“A County government may spend money that has not been appropriated if the amount appropriated for any purpose under the County Appropriation Act is insufficient or need has arisen for expenditure for a purpose for which no amount has been appropriated by that Act, or money has been withdrawn from the county government Emergency Fund”.*

*“A county government shall submit a supplementary budget in support of additional expenditures for authority for spending under subsection (1)”*

The County Executive and the County Assembly in compliance with the above provisions and in adherence of the procedures as provided under Standing Order 214 (procedures on Supplementary Estimates), submitted their Supplementary Budget Estimates II for this financial year 2018/2019. The estimates were laid on the table of the Assembly on Tuesday 13<sup>th</sup> June, 2019 (afternoon sitting) and subsequently committed to the Budget and Appropriations Committee for consideration and recommendations pursuant to Standing Order 186.

**Mr. Speaker,**

It unfortunate that the Budget Committee was at the same time prosecuting the County Budget Estimates, 2019/2020 and as such could not double task by handling two budgets. This had to wait for a while notwithstanding the very short period to the end of the financial year.

## **2.0 COMPOSITION AND THE MANDATE OF THE COMMITTEE.**

**Mr. Speaker,**

The Constitution of Kenya has placed a significant role to County Assemblies on management and exploitation of county's resources as provided in Article 185. To effectively facilitate this and other functions, the County Assembly operates through a committee system as envisaged in Section 14 of the County Government Act, 2012 on procedure and Committees of the County Assembly as similarly contemplated in the County Assembly Standing Orders. It is for this reason therefore that the Budget and Appropriations Committee was established under Standing Order 186 with functions among others to discuss and review estimates and make recommendations to the County Assembly.

## **2.1 COMPOSITION OF THE COMMITTEE**

**Mr. Speaker,**

The Budget and Appropriations committee as currently constituted comprises of the following Members;

Hon. Boniface Kilaa Kasina	Chairperson
Hon. Baridi Felix Daudi Mbevo	Vice Chairperson
Hon. Esther Kalunda Ndile	Member
Hon. James Mutunga Munuve	”
Hon. Mary Kanini Philip	”
Hon. Philip Musyoka Nguli	”
Hon. Annastacia Mwathi Mutunga	”
Hon. Nicholas Nzomo Mwalali	”

Hon. Mary P. Ndumbu

”

## **2.2 COMMITTEE MANDATE**

**Mr. Speaker,**

Standing Order 186 establishes the Committee on Budget and Appropriations with Specific mandates as to inter alia 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 Assembly.*

In undertaking her mandate therefore, the Committee has considered the Kitui County Supplementary budget estimates II for the financial year 2018/2019 and has made some recommendations to the House for consideration and subsequent adoption.

## **3.0 BACKGROUND**

**Mr. Speaker,**

The Kitui County Supplementary Budget II, 2018/2019 is the second supplementary budget to be considered by the Assembly for the financial year ending 30<sup>th</sup> June, 2019. A budget is defined as an estimate of costs, revenues and resources over a specified future period of time (*definition by business dictionary*). Born out of the definition, it is highly probable to have a supplementary budget seeking to harmonize/align the approved plan with the actual implemented events.

**Mr. Speaker,**

County Governments are guided by Section 135 of the Public Finance Management Act, 2012 on matters supplementary budgets through which both Arms of the Government submitted their budgets for approval by the Assembly.

**Mr. Speaker,**

Upon being laid on 13<sup>th</sup> June, 2019, the County Supplementary budget estimates II, 2018/2019 were subsequent Committed to the Committee for consideration and recommendations to the Assembly. It is against this back drop that the Committee retreated to Mwingi Cottage Hotel to interrogate, consider and undertake report writing on these estimates.

#### **4.0 ACKNOWLEDGEMENT**

**Mr. Speaker,**

At this juncture, allow me to thank the Office of the Hon. Speaker of the Assembly and that of the Clerk of Assembly for the logistical support accorded in this exercise. The Committee also extends her gratitude to the County Executive Committee, County Treasury for her input in this budget. I further extend my gratitude to the able members of this Committee who worked tirelessly and demonstrated passion to work in undertaking this exercise within one day.

I will not hesitate however to acknowledge the Staff of Assembly serving the Committee who also contributed significantly in providing technical support and compiling of this report.

**Hon. Boniface Kilaa Kasina**  
**Chairman, Committee on Budget & Appropriations**  
**June, 2019.**

**5.0 REVIEW AND CONSIDERATION OF THE COUNTY EXECUTIVE  
AND THE COUNTY ASSEMBLY SUPPLEMENTARY BUDGET II,  
2018/2019**

**Mr. Speaker,**

The Constitution of Kenya provides in Article 201(d) that “*public money shall be used in a prudent and responsible way*”. This means that we must make every effort to reduce misapplication of public resources and apply to the most resourceful and productive areas. Indeed, Hon. Members, the principle that should guide budget making should therefore be “*achieving the greatest public good in the most cost-effective way*”.

**Mr. Speaker,**

In compliance with the law, the Submitted Supplementary budget estimates II was found to comply with Section 135(7) of the PFM Act, 2012, in that the reallocations did not surpass the 10% limit as set by the law. However, it is noticeable that the county government’s expenditure on wages and benefits exceeds 35 percent of the total County Government revenue as opposed to regulation 25(1)(b) of the Public Finance Management (County Government) Regulations, 2015.

**Mr. Speaker,**

It is also significant to note that the budget had proposed huge re-allocations from the development to recurrent expenditure. This equally is a breach and deviates from the provisions of Section 154(1)(b) of the PFM

Act, 2012 which provides that capital expenditures can only be reallocated to defray capital expenditures.

## 6.0 COMMITTEE OBSERVATIONS

**Mr. Speaker,**

The Committee scrutinized the Supplementary Estimate II, 2018/2019 and made the following observations;

1. It is important to note that as at May, 2019, the Local Revenue collected was approximately Kshs. 396,800,000 vis a vis the set out target of Kshs.859,035,058. This meant that the budget had to be revised downwards.
2. There is a 12.5% reduction on the development allocation and an increase of 25.1% in the recurrent expenditure. This depicts a shift in the resource envelope with more resources being spend on recurrent as compared to development expenditures.
3. The proposed budget adheres to the fiscal responsibility principles by allocating development expenditures at 36.4% of the total county budget, the obligatory minimum required by law being 30 percent.
4. Personnel emoluments are above the required maximum of 35% by regulation 25(1)(b) of the PFM (County Government) regulations, 2015.

Other specific observations in the proposed Supplementary Budget II for 2018/19 FY are:

## **Office of the Governor**

1. CLIDP initial allocation of Kshs.685 Million has been reduced to Kshs.535 Million. An unspent balance of Kshs.28 Million is intended to cater for pending bills.
2. Other operating expenses have been allocated an additional Kshs. 5 Million from Kshs.41.9 Million to Kshs.46.9 Million to cater for intergovernmental activities.
3. A total of Kshs.182,159,258 has been reduced from its total allocation.

## **Ministry of Health & Sanitation**

1. There is an increased allocation of Kshs. 80M million to cater for salaries.
2. Additional allocation of Kshs. 32.1M for purchase of medical equipment.
3. There is an increased allocation of Kshs.104,404,890 to the ministry's budget.

## **Ministry of Trade, Cooperatives & Investments**

1. Increased allocation on salaries by Kshs. 60M to cater for the Budget Shortfall on salaries
2. An increased allocation to the Ministry's budget by Kshs. 59,750,000 from the initial allocation of Kshs. 365,500,472 to Kshs. 425.250,472.

## **Ministry of Agriculture, Water & Livestock Development**

1. There is a notable reallocation of Kshs. 40 Million from the ministry's allocation to pay electricity bills for KITWASCO and KIMWASCO.

### County Treasury

1. There is a salary increment allocation of Kshs.40M to cater for personal emoluments shortfall.
2. Total resulting effect is an increase of the ministry's budget from Kshs. 451,369,104 to Kshs. 495,082,080 to cater for budget shortfalls.

### County Assembly

1. There is a reduction of County assembly development vote budget by Kshs. 70,000,000 to cater for budget shortfalls.
2. There is an additional allocation of Kshs.21,378,815 to cater for foreign travel and subsistence and other transportation costs.
3. Legislation, Representations and Oversight duties have been allocated an additional Kshs.8,660,000 to enable the Members of Assembly to deliver on their mandate.

The total Supplementary budget II submitted for the both Arms of the Government totaled to **Kshs. 11,609,024,449.00** which was lower than the approved Supplementary Budget I, 2018/2019 by **Kshs. 79,647,997.00** translating to **0.68%** percent reduction. This is attributed some activities which were dropped to defray the budget deficit.

## 7.0 COMMITTEE RECOMMENDATIONS

**Mr. Speaker,**

To this end, this Committee hereby proposes the following recommendations to this House:-

1. The provisions made for every budget on the Salaries for permanent Staff and casuals should observe statutory limits as set out in law.
2. That the County Government should suspend all the recruitments and a comprehensive personnel audit is carried by the relevant committee and reported to the Assembly.
3. That the Supplementary budget is recommended as proposed as the financial year has ended and any recommendations to the contrary will be in futility.
4. The County Assembly Service board must improve in budget absorption. The rate at which the budget has been implemented has been unfavorable to a level of losing allocations made for development as the case in this supplementary budget under consideration.
5. That the re-allocations made for the Assembly be adopted as proposed.

**Mr. Speaker,**

The adjustments in both the County Executive and County Assembly budgets as recommended above will therefore result into a balanced

budget of Kshs. **11,609,024,449.00** which is lower than the approved supplementary budget I, 2018/2019 by Kshs. **79,647,997.00**.

**Mr. Speaker,**

It is therefore my pleasant duty and privilege, on behalf of the Budget and Appropriations Committee to table this Report for adoption by the Assembly.