



REPUBLIC OF KENYA

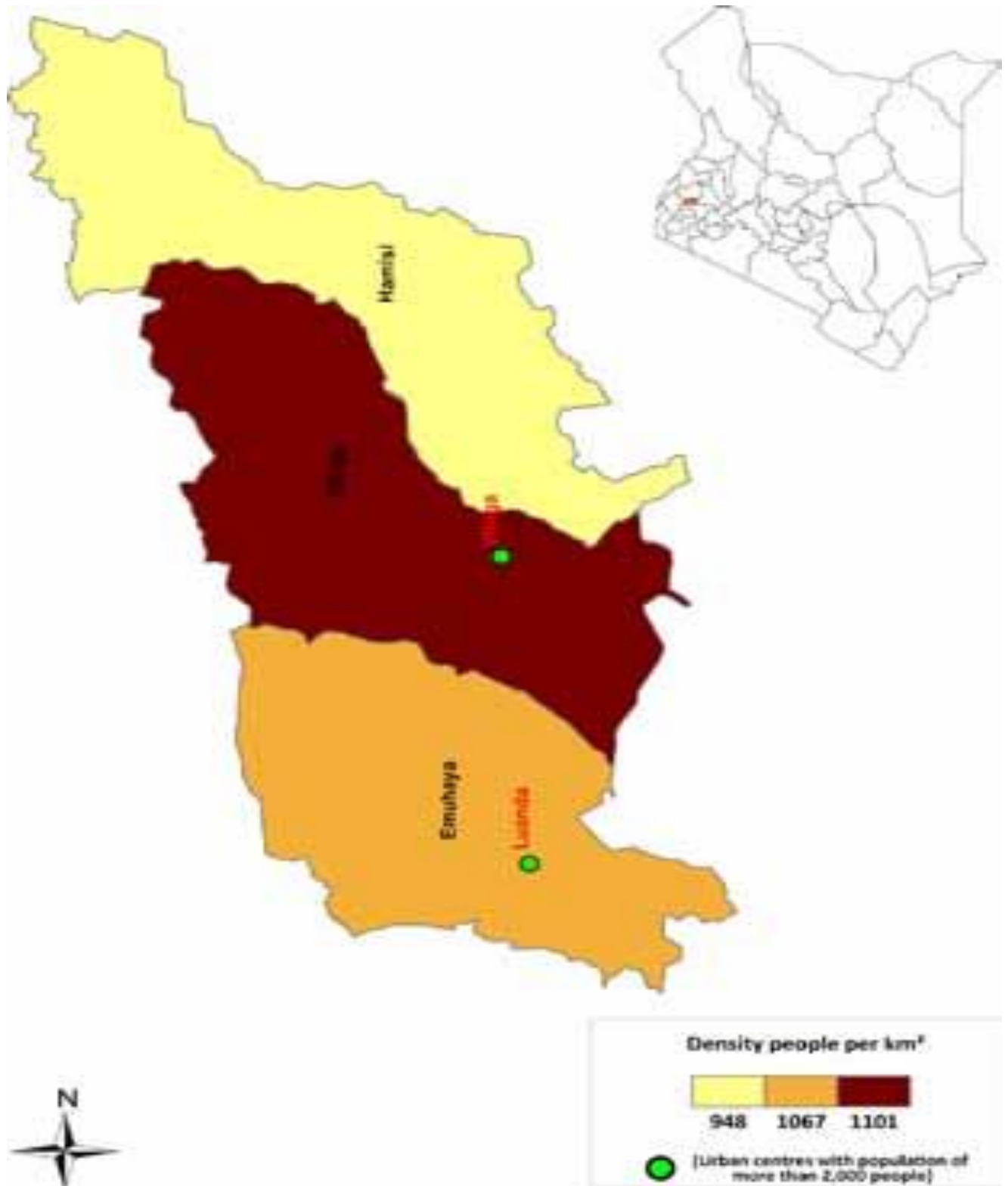
OFFICE OF THE CONTROLLER OF BUDGET

**VIHIGA COUNTY
BUDGET IMPLEMENTATION
REVIEW REPORT**

**SECOND QUARTER
FY 2013 /2014**

FEBRUARY 2014

A map Vihiga County



FOREWORD

It's with profound pleasure that i present to you the Second Quarter 2013/204 Budget Implementation Review Report for Vihiga County. The Constitution of Kenya, 2010 (Article 228 (6)) stipulates that the Controller of Budget shall submit to each House of Parliament a report on the implementation of the budgets of the National and County Governments on a quarterly basis.

The Constitution bestows upon the County Governments the responsibilities of promotion of social and economic development to address high rates of poverty, inequality and social injustices. In order to effectively deliver the mandate, County Governments need to develop strategic partnerships with the public and focus on the impact of budget implementation on the County residents. This will definitely require more emphasis on development programmes which should be responsive to the needs of the County residents. It will also involve containing the ever sprawling recurrent costs to provide adequate resources to capacity enhancing programmes. This can only be achieved if all arms of the County Government prioritize their programmes within the agreed budget ceilings and take the right step towards management of County resources.

Vihiga County should also prioritize the budget process. The Public Finance Management (PFM) Act, 2012 ushered in a paradigm shift in budgeting process of the Public Sector. It requires Medium Term Expenditure Framework budgeting and adoption of Programme Based Budgeting. The County should therefore develop the necessary structures, improve capacity of staff in budget making and observe statutory budget timelines.

The report compares actual performance against budgeted revenues and expenditures. It also highlights the instances of breaches of the law. It further provides recommendations to the County Government for improvement in budget making and implementation. In our view, the report will be useful in evaluating the budget implementation of the County and improvement of processes in management of public funds. It's also ~~our~~my expectation that the County Assembly will use the report to further their oversight role and to enact laws that encourage prudent use of county resources.

Agnes N. Odhiambo (Mrs)

Controller of Budget

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EXECUTIVE SUMMARY

This is the second report on Vihiga County budget implementation by the Office of Controller of Budget (OCOB) for 2013/2014 financial year. The CK 2010 mandates OCOB to report to each House of Parliament on implementation of budgets of the national and county governments [Article 228 (6)]. The report gives an account of the status of budget implementation through review of fiscal activities of the County during the period July to December 2013.

The County received total revenue of Kshs 1,155,907,948 against 2013/2014 financial year target of Kshs 3,232,274,739 in the period July to December 2013, representing a performance of 35.8 per cent. Total revenue consisted of disbursements to CRF account from national treasury of Kshs 991,047,555, County Revenue Fund account opening balance as at 01/07/2013 of Kshs 96,744,155, unspent 2012/13 operations accounts balance swept back to CRF account of Kshs 31,656,380 and local revenue collections of Kshs 36,656,380. The major sources of local revenue were parking fees (51.1 per cent), Market fees (25.9 per cent), and single business permit (9.8 per cent)

The county had total expenditure budget of Kshs 6,153,319,734 which was later revised to Kshs 3,263,931,119 through amendment estimates. The revised budget included allocations of Kshs 2,274,304,440 to recurrent activities and Kshs 989,626,679 to development programmes. The exchequer issues for the period under review totaled Kshs 625,790,154. Out of the total, exchequer issues for recurrent activities amounted to Kshs 435,150,273. The balance (Kshs 190,639,881) was issued for development activities.

During the period under review, the County total expenditure stood at Kshs 405,441,609, which represents an absorption rate of 12.4 per cent. Expenditure on recurrent activities amounted Kshs 348,943,672 while development programmes only attracted expenditure of Kshs 56,497,937. County Executive Services department was the highest spender at Kshs 175,111,843 (43.2 per cent), followed by County Assembly and Public Service and Administration at Kshs 114,031,273 (28.1 per cent) and Kshs 62,727,073 (15.5 per cent) respectively. County Treasury department however, had the least expenditure of Kshs 95, 895 (0.02 per cent).

The budget implementation review established low absorption of development funds and plummeting revenues from local sources. There was also failure to observe statutory budget implementation deadlines and IFMIS implementation challenges.

The report recommends proper budgeting processes, increasing capacity in procurement and project management, deepening local revenue streams through legislation and strengthening controls over collections through target setting, proper supervision and central control of receipt books. The County should also adhere to PFM Act, 2012 and other legislations. Finally, the County should also liaise with the national government to address the current challenges eminent in the implementation of IFMIS.

ACRONYMS

CA	County Assembly
CECM-F	County Executive Member for Finance
CBEF	County Budget and Economic Forum
CEC	County Executive Committee
CIDP	County Integrated Development Plan
CK	Constitution of Kenya
CRF	County Revenue Fund
FY	Financial Year
IFMIS	Integrated Financial Management System
LAs	Local Authorities
PBB	Programme Based Budgeting
OCOB	Office of the Controller of Budget
PFM	Public Finance Management
TA	Transition Authority

1. INTRODUCTION

This chapter discusses the OCOB mandate, budget process and approval. It also covers the general County environment including political, economic and social structure.

1.1 Mandate of the Office of the Controller of Budget (OCOB)

The OCOB is an independent office under article 248 (3) (b) of the CK 2010. The office has several mandates as stipulated by the various articles of the constitution including overseeing the implementation of the budgets of the national and county governments by authorizing withdrawals from public funds (Article 228 (4)). These funds include Equalization Fund (Article 204 (9)), Consolidated Fund (Article 206 (4)) and Revenue Fund (Article 207 (3)). All withdrawals from the funds are authorized by OCOB if satisfied that the same is in accordance with the law (Article 228 (5)).

The OCOB also reports to each house of parliament, every four months on implementation of budgets of national and county governments (Article 228 (6)). Further, OCOB is required to report after the end of every year to the President and Parliament (Article 254 (1); and at any time, as may be required by the President or Parliament (Article 254 (2)). All OCOB reports are published and publicized (Article 254 (3)). This reporting mandate entails analysis of expenditure returns and undertaking monitoring and evaluation activities at both levels of government.

The Office is further required to conduct investigations based on its own initiative or a complaint made by a member of the public and conduct alternatives dispute resolution mechanisms to resolve disputes (Article 252 (1) (a) and (b)). Besides, OCOB is expected to advise Parliament where it may not approve or renew the decision to stop further transfer of funds to a State organ or any other public entity (Article 225 (7) (a)).

1.2 Physical Location, Size and Political Landscape

Vihiga County borders Nandi County to the East, Kakamega County to the North, Siaya County to the West and Kisumu County to the South. It lies between longitudes 34⁰30' and 35⁰0' E and latitudes 0⁰ and 0⁰15' N. The county covers a total area of 531 Km² with equator cutting across the southern part of the County. The County is located on the western region of Kenya, in the

Lake Victoria basin. The County has five constituencies/ sub-counties namely; Emuhaya, Sabatia, Luanda, Hamisi, and Vihiga. Each constituency is represented by a member of parliament. The County assembly currently has twenty five (25) elected representatives and fourteen (14) nominated representatives.

The County has an executive committee and Public Service Board (PSB) but the appointment of chief officers and sub county administrators is yet to be finalized.

1.3 Socio - economic Structure

According to 2009 National Census Vihiga County has a population of 554,622 comprising of 262,716 males and 291,906 females. The population density is 1,051 persons per km², which makes it one of the highly populated counties in Kenya. Out of these only 10,736 persons live in town and urban centres within the county. The poverty level is 62 per cent for both urban and rural population. There were 396 primary schools, 117 public secondary schools and several teacher colleges in the County in the year 2007. The enrollment in primary and secondary schools stood at 180,112 and 36,413 respectively. The teacher to pupils ratio was 1:45 for primary and 1:31 for secondary.

The County has a diverse economic potential. Vihiga County has a good amount of forest cover such as Kibiri forest and Maragoli forest, which is an extension of Kakamega forest. Agriculture is the main economic activity and contributes about 64 per cent to the County's income. Crops planted include tea, maize, beans millet, bananas, avocado, papaya, sweet potatoes, cassava and mushroom. Livestock rearing especially dairy and zebu cattle and poultry is also practiced in the county.

Vihiga County also has unique features such as the 'Hill of vision', indigenous forests, hilly terrain and peculiar stones among others which collectively make Vihiga a tourist destination. Tourist infrastructure, such as Sosa Cottages in Gisambai, Hemara and Alliance hotels at Chavakali and lodges have also sprung up. Its proximity to Kisumu international Airport creates the potential not only to access international markets for its agricultural produce but also deliver international tourists to the County. The County also has one tea processing factory at Mudete Market in Sabatia Sub-county and miniature milk processing factories.

There are several paved roads in Vihiga County, major ones being the Majengo – Kakamega road and Luanda – Busia road. Important roads are paved with asphalt (approx.135 Km). County roads are mostly murrum but provide all weather movement all year.

1.4 Budget Process and Approval

Budget is the principle policy instrument used for allocating resources among the competing entities and holding them accountable of their expenditure and revenue which they control. The PFM Act, 2012 prescribes the budget process for County Governments which includes 4 stages namely; formulation, approval, execution, monitoring and reporting.

Budget formulation begins with the County Executive Committee Member for Finance (CECM-F) issuing initial instructions through a circular to guide budget process by 30th August each year. The county budget is based on approved development plan. The County treasury determines the fiscal framework through County fiscal strategy paper which sets out estimates of available financial resources after seeking the views of the public or any interested party. The treasury then consolidates the budget proposals by County entities for ratification by the County Executive Committee (CEC) before submission to County Assembly on or before 30th April each year. The County Assembly reviews the budget estimates and if satisfied approves the budget. However, if not satisfied, it makes amendments in line with the fiscal strategy paper. Approved estimates are then included in the County appropriation bill to be approved by the County Assembly before the end of June each year.

Accounting officers designated by CECM-F execute the approved budget. They ensure that public resources are used in a manner that is lawful, authorized, efficient and effective. The oversight institutions at the County level include the County Assembly, County Executive Committee, County Budget and Economic Council, OCOB, CRA and Auditor General

The 2013/2014 Vihiga County budget was prepared and approved within a shorter duration than that contemplated under the law. This resulted in a number of anomalies in the approved budget including huge deficit without financing arrangements. This occasioned the revision of the budget. The revised estimates were approved in November 2013 through supplementary appropriation.

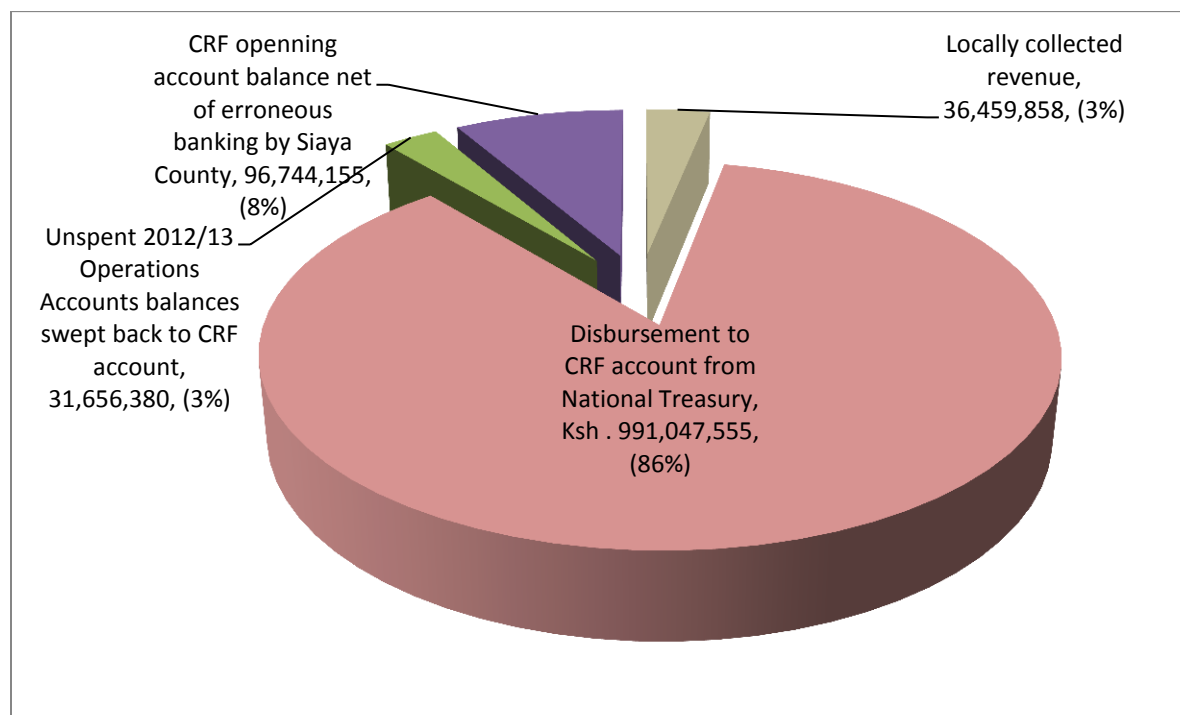
2 COUNTY BUDGET IMPLEMENTATION

This section covers analysis of revenue receipts and expenditure of the County. On the County revenue it presents an analysis of revenues collected locally, national grant and exchequer issues. The expenditure section analyses the total county expenditure and its economic classification.

2.1 County Revenue

The Revised 2013/2014 budget for Vihiga County projected revenue amounting to Kshs 3,232,274,739. During the period July to December 2013, total revenue of Kshs 1,155,907,948 was received by the County, which is 35.8 per cent of the budgeted revenue. Disbursement to CRF account from National Treasury was the principal contributor of the total revenue (86 per cent), followed by CRF opening account balance (8 per cent), locally collected revenue (3 per cent) and unspent 2012/13 operations accounts balances swept back to CRF account (3 per cent).

Figure 1: Analysis of revenue by source



Source: Vihiga County Treasury and OCOB

2.1.1 Disbursements to CRF account

The disbursement of funds to County Revenue Fund (CRF) account by the national Treasury is done monthly based on FY 2013/2014 Disbursement schedule that covers the month of August 2013 to June 2014. During the period under review, disbursements from the National Treasury

amounted to Ksh 991,047,555. The highest disbursement was on 19th November 2013 (Kshs 283,156,444) while the least amount (Kshs 226,525,155) was received on 31st December 2013.

Table 1: Disbursements to Vihiga County Revenue Fund account from National Treasury

Date	Corresponding month as per Disbursement Schedule	Amount (Kshs)	% of the total
30-Aug-13	Aug-13	240,682,978	24.3
17-Sep-13	Sep-13	240,682,978	24.3
19-Nov-13	Oct-13	283,156,444	28.6
31-Dec-13	Nov-13	226,525,155	22.9
Total		991,047,555	100.0

Source: Vihiga County Treasury

2.1.2 Locally Collected Revenue

The total revenue collected for the period July to December 2013 amounted to Kshs 36,459,858 against FYR 2013/14 revised target of Kshs 204,274,739, a performance rate of 17.8 per cent. Table 2 shows monthly analysis of collections by revenue streams. The revenues from parking fees contributed the highest revenue for all the months summing up to Kshs 18,641,840, which is 51.1 per cent of the total local revenue collection. House/ Plot/ Office rent performed the least having contributed revenue total of Kshs 321,108, representing 0.9 per cent of the total local revenue collection.

Table 2: Monthly Analysis of local collections by revenue streams

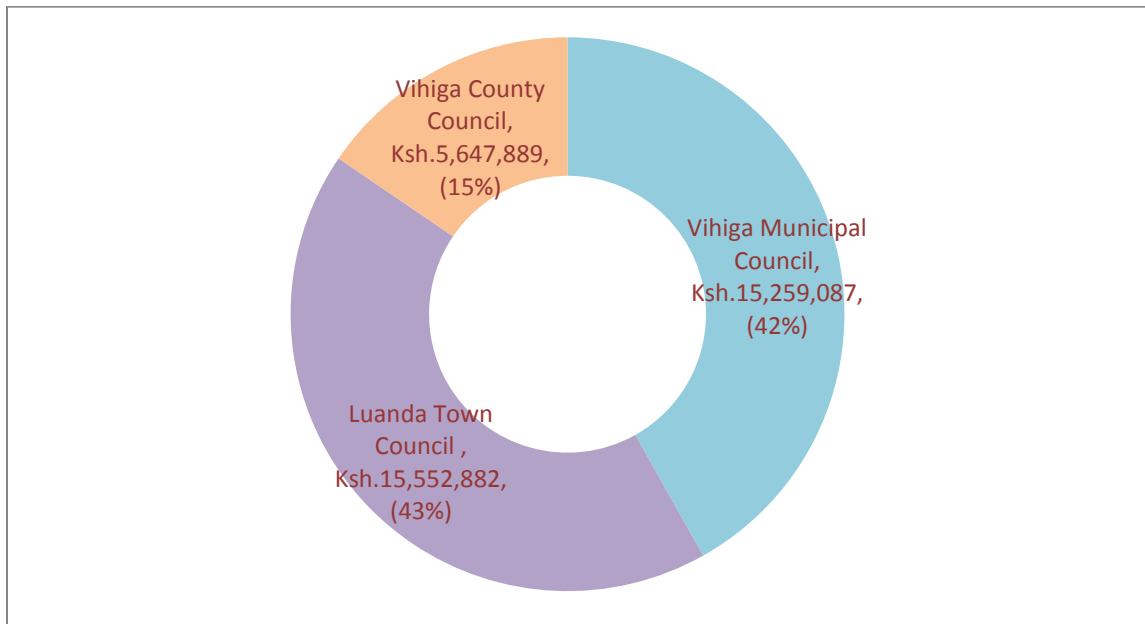
Revenue Stream	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Total	% of total collection
Market fees	1,694,250	1,424,825	1,492,810	1,623,990	1,575,360	1,615,790	9,427,025	25.9
Parking Fees	3,100,230	3,100,320	2,906,200	3,072,640	3,156,060	3,306,390	18,641,840	51.1
Single Business Permit	1,203,010	519,780	530,350	829,385	366,639	124,304	3,573,468	9.8
Stall Rent	244,820	77,500	151,075	96,000	57,000	99,600	725,995	2.0
Land rates	268,813	269,461	181,883	111,265	122,725	349,553	1,303,700	3.6
House/plot/ Office rent	0	0		215,436	74,304	31,368	321,108	0.9
Plan Approval	93,100	69,100	71,100	33,600	106,900	44,750	418,550	1.1
Hire of Machine	0	0		290,340	62,000	45,000	397,340	1.1
Miscellaneous	239,400	864,057	292,918	93,307	116,850	44,300	1,650,832	4.5
Total	6,843,623	6,325,043	5,626,336	6,365,963	5,637,838	5,661,055	36,459,858	100.0

Source: OCOB

On the other hand, the County collected the most local revenues in the months of July 2013 (Kshs 6,843,623), October 2013 (Kshs 6,365,963) and August 2013 (6,325,043) respectively. The least amount of Kshs 5,626,336 was collected in December 2013.

The revenue collection at the County continued to be undertaken by the former Councils during the period under review. Figure 4 below presents the analysis of the total local revenue collection by respective councils.

Figure 2: Analysis of local collections by Former Councils (in Kenya Shillings)



Source: Vihiga County Treasury

The former Vihiga Municipal Council was the highest collector at Kshs 15,259,087, representing 42.0 per cent of the total local collection. On the other hand, the former Vihiga County Council had the least collection of Kshs 5,647,889, which is 15.0 per cent of the total collection.

2.1.3 CRF Account opening balance

The Vihiga CRF Account had a net balance of Kshs 96,744,155 as at the end of 30th June 2013. The figure is arrived at after deducting revenues of Siaya County amounting to Kshs 17,945,864 erroneously banked into Vihiga CRF account from the CRF account actual closing balance of Kshs 114,690,019.20. The amount (Kshs 96,744,155) comprised of revenues from local collections of 2012/2013 financial year and revenue transfers from closed accounts of former Local Authorities. The balance was carried forward for use in FYR 2013/2014.

2.1.4 Unspent balances of FYR 2013/14

This was unspent balance of Kshs 31,656,380 relating to infrastructure funds appropriated for 2012/2013 from TA which was swept back to County Revenue Fund (CRF) account in July 2013.

2.1.5 Exchequer Issues

Total exchequer issued by OCoB during the period July to December 2013 amounted to Kshs 625,790,154. Out of the amount, a total of Kshs 435,150,273 was issued for recurrent activities, representing 19.1 per cent of the revised estimates. Analysis by departments shows that County Assembly Services received the highest exchequer issues for recurrent activities totaling Kshs 157,120,598. This is 24.3 per cent of the revised allocation to the department.

On the other hand, exchequer issued to the County for development activities in the period under review amounted to Kshs 190,639,881 which is 19.3 per cent of the revised estimates. County Executive Services received the bulk of the exchequer of Kshs 88,351,881, representing 33.3 per cent of the approved estimates.

Table 3: Analysis of exchequer issues against revised estimates (in Kenya Shillings)

County Departments	Recurrent Budget			Development Budget		
	Revised Estimates	Exchequer Issues	% Ech. to Rev. Est.	Revised Estimates	Exchequer Issues	% Ech. to Rev. Est.
County Executive Services	390,586,691	141,506,590	36.2	265,000,000	88,351,881	33.3
County Assembly Services	646,718,231	157,120,598	24.3	50,000,000	12,000,000	24.0
Health Services	515,458,423	54,644,000	10.6	79,354,729	11,500,000	14.5
Agriculture, Livestock, Fisheries & Cooperatives	133,884,096	7,539,727	5.6	105,406,950	9,800,000	9.3
Education, science and technology	82,243,864	9,207,079	11.2	41,000,000	4,700,000	11.5
Gender, Culture, Youth and Tourism	56,711,544	6,650,000	11.7	55,000,000	3,900,000	7.1
Industrialization, Trade and Tourism	22,355,254	4,471,600	20.0	14,000,000	2,450,000	17.5
Environment, Natural Res., Water & Forestry	36,541,868	9,377,000	25.7	100,250,000	6,045,000	6.0
County Treasury	10,088,457	1,992,509	19.8	16,500,000	6,733,000	40.8
Transport and Infrastructure	23,143,888	5,233,718	22.6	220,500,000	37,880,000	17.2
County Public Service Board	39,477,526	8,569,545	21.7	-	-	-
Land, Housing and Physical Planning	8,792,017	1,846,856	21.0	42,615,000	7,280,000	17.1
Public Service and administration	308,302,581	26,991,051	8.8	-	-	-
TOTAL	2,274,304,440	435,150,273	19.1	989,626,679	190,639,881	19.3

Source: OCOB and Vihiga County Treasury

2.2 County Budget Expenditure

This section analyses budgeted expenditure versus exchequer issues and actual expenditure of the County. It includes discussion of total County Expenditure as well as economic classification of the total expenditure.

2.2.1 Total County Expenditure

The County Treasury implemented the use of IFMIS system in November 2013 of which data entry relating to previous expenditure was completed in December 2013. However, in the data entry process, there was no monthly breakdown of expenditure. There was also reclassification of expenditure leading to transfer of some expenditure previously categorized under certain departments to other departments. Table 4 shows expenditure of the County before adoption of IFMIS and analysis of total County Expenditure by departments.

Table 4: Analysis of total County Expenditure by Departments (in Kenya Shillings)

Departments	Rev. Est.	Before adoption of IFMIS			After adoption & updating IFMIS	
		Aug-13	Sep-13	Total	Cumulative Expenditure to December 2013	Absorption Rate
County Executive Services	390,586,691	43,871,677	65,213,900	109,085,577	148,674,661	38.1
County Assembly Services	646,718,231	28,081,069	21,265,370	49,346,439	107,431,273	16.6
Health Services	515,458,423	-	12,000	12,000	4,096,610	0.8
Agriculture, Livestock, Fisheries & Cooperatives	133,884,096	-	43,000	43,000	517,625	0.4
Education, science and technology	82,243,864	-	184,800	184,800	1,961,612	1.4
Gender, Culture, Youth and Tourism	56,711,544	-	580,800	580,800	3,598,100	6.3
Industrialization, Trade and Tourism	22,355,254	-	194,040	194,040	3,185,899	14.3
Environment, Natural Res., Water & Forestry	36,541,868	-	444,300	444,300	6,136,943	16.8
County Treasury	10,088,457	-	1,661,483	1,661,483	95,895	1.0
Transport and Infrastructure	23,143,888	-	2,604,330	2,604,330	185,694	0.8
County Public Service Board	39,477,526	-	4,231,580	4,231,580	9,533,287	24.1
Land, Housing and Physical Planning	8,792,017	-	-	-	799,000	9.1
Public Service and administration	308,302,581	-	1,775,897	1,775,897	62,727,073	20.3
Total for Recurrent Activities	2,274,304,440	71,952,746	98,211,500	170,164,246	348,943,672	15.3
Development programmes	989,626,679	-	26,034,940	26,034,940	56,497,937	5.8
GRAND TOTAL	3,263,931,119	71,952,746	124,246,440	196,199,186	405,441,609	12.4

Source: Vihiga County Treasury and OCOB

The County allocated a total of Kshs 6,153,319,734 to cater for both recurrent and development programmes for FY 2013/14 which was later revised to Kshs 3,263,931,119 through amendment

estimates. The County spent total of Kshs 405,441,609 for the period under review, giving rise to an absorption rate of 12.4 per cent. The low absorption can be attributed to withholding of exchequer due to failure by the County to comply with the timeline for budget revision and IFMIS downtime challenges.

Recurrent activities were allocated Kshs 2,274,304,440 through revised estimates and total recurrent expenditure stood at Kshs 348,943,672, thus absorption rate of 15.3 per cent. County Executive Services department incurred the bulk of the total recurrent expenditure of Kshs 148,674,661 compared to its allocation of Kshs 390,586,691, representing absorption rate of 38.1 per cent. The County treasury department, however, had the least of total expenditure of Kshs 95,895, an absorption rate of 1.0 per cent.

The County had revised allocation of Kshs 989,626,679 for FYR 2013/2014 development activities. Total expenditure on these programmes during the period under review amounted to Kshs 56,497,937. This results in absorption rate of 5.7 per cent.

2.2.2 Economic Classification

In this section expenditure is categorized into six groupings:

- a) **Personnel Emoluments:** includes basic salaries, personal allowances paid as part of salary to both permanent and temporary employees, pension and retirement benefits.
- b) **Operations and Maintenance:** comprises hospitality supplies, purchase of office furniture and general equipment, domestic travel, subsistence and other transportation costs, office and general supplies, utilities, routine maintenance, purchase of specialised materials and supplies, purchase of motor vehicles and other related costs.
- c) **Development Programmes:** includes all capital projects such as construction of roads, Construction of Dispensaries, water supplies etc .

Table 5 shows that the largest proportion of total expenditure of 54.6 per cent was incurred on operations and maintenance which is non- core activity. However, personnel emoluments and development programmes were 31.5 per cent and 13.9 per

cent respectively of the total expenditure which is unfavourable performance for core-activities. There is need for the County Government to contain maintenance and operation costs and focus more on development programmes to deliver services to Vihiga residents..

Table 5: County Expenditure analysis by economic classification

Expenditure Classification	Revised Estimates	Exchequer Issues	Actual Expenditure	% of total Expenditure
<i>Recurrent Expenditure</i>				
Personnel Emoluments	1,443,566,204	211,442,180	127,572,982	31.5
Operations and Maintenance	1,820,364,915	223,708,093	221,370,690	54.6
<i>Capital Expenditure</i>				
Development Programmes	989,626,679	190,639,881	56,497,937	13.9
Total Expenditure	4,253,557,798	625,790,154	405,441,609	100.0

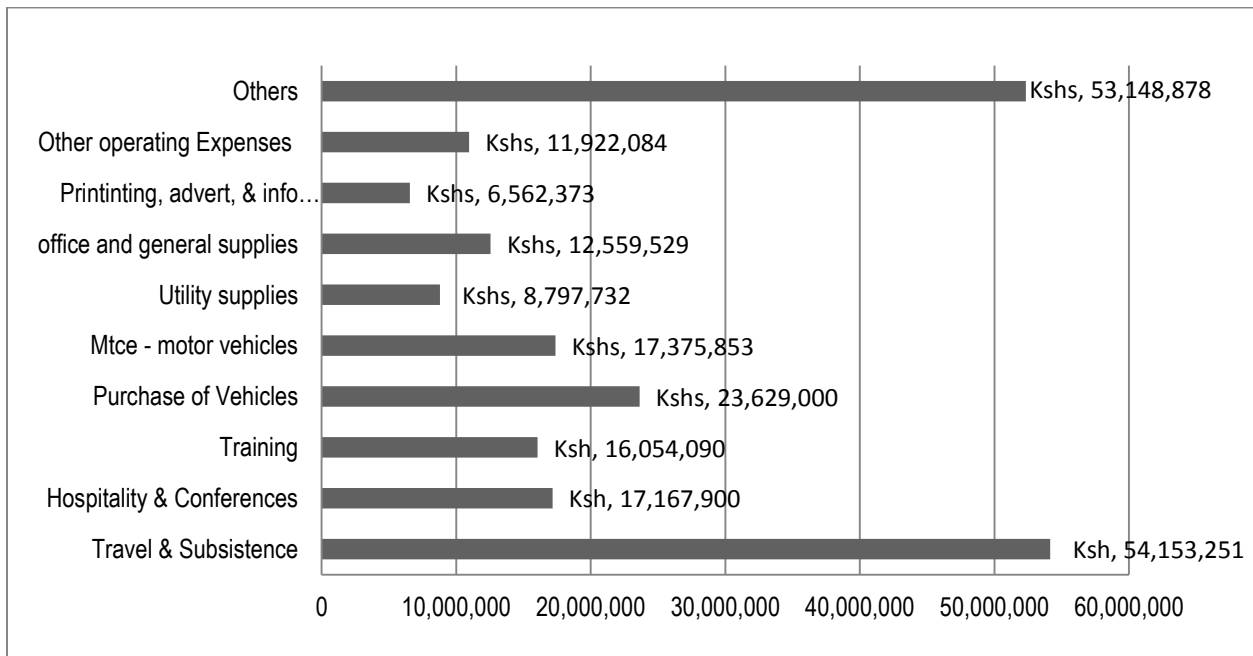
Source: OCOB and Vihiga County Treasury

2.2.3 Operations and Maintenance

This comprises of domestic travel and subsistence, printinting, advertising and inforamation supplies, training expenses, purchase of vehicles, hospitality supplies and services, routine maintenance of vehicles and other transport, routine maintence of other assets,fuel,oil and lubricants among others.

The County allocated total of Kshs 1,820,364,915 to cater for operations and maintenance in 2013/14 financial year. Exchequer release amounting to Kshs 222,708,093 were issued by OCoB during the period under review, thus 12.2 per cent of the the total allocation. Figure 3 shows that the highest amount was spent on travel and subsistence (Kshs 54,153,251), followed by others and purchase of vehicles which stood at Kshs 53,148,878 and Kshs 23,629,000 respectively. However, the least amount of Kshs 6,562,373 was spent on printing, advertising and information supplies.

Figure 3: Expenditure breakdown of operations and maintenance



Source: Vihiga County Treasury

3 DEPARTMENTAL REPORTS

This Section outlines the mandate and key priorities of each department. It also takes a critical analysis of each of department's revenue and budget performance.

3.1 County Executive Services

This department comprises the office of the Governor, office of the deputy Governor and offices of County Executive Committee members.

3.1.1 Mandate

The department implements Acts of the County Assembly; and national legislations to the extent appropriate; manage and coordinate the functions of the county administration and its departments. It also prepares bills for consideration by a County Assembly; and provides to the County Assembly, full and regular reports on matters relating to the County. Finally, it submits / presents the budget of a County to the relevant Select Committee of a County Assembly.

3.1.2 Key Priorities

The department has prioritized provision of leadership, improving relations between the two arms of the County Government, preparation of plans for delivery of devolved services and ensuring a stable environment for political, social and economic development of the County. Other priorities include construction of a modern resource centre, construction of county headquarters at Mbale, and sub county office in Emuhaya and construction of AP lines.

3.1.3 Revenue Analysis

No revenue was realized by the department during the period under review.

3.1.4 Allocation and Budget Performance

The department was allocated a total of Kshs 1,364,796,600 for both recurrent and development activities, which was revised to Kshs 655,586,691. Total exchequer issued to the department for the period July to December 2013 for both recurrent and development activities amounted to Kshs 229,858,481 that is 35.1 per cent of the revised estimates. A total of Kshs 147,200,264 was spent by the department, representing an absorption rate of 22.5 per cent.

The largest amount of total allocation to the department of Kshs 265,000,000 was for development programmes. The exchequer issues and actual expenditure on these programmes amounted Kshs 88,351,881 and Kshs 26,437,182 respectively. This gives rise to 33.3 per cent of exchequer issues to approved estimates and absorption rate of 10.0 per cent.

Table 6: Analysis of Expenditure and Exchequer Issues of the County Executive Services

Expenditure classification	Revised Estimate	Exchequer Issues	Actual Expenditure	% of Exch. to Rev. Est.	% of Exp.to Rev. Est.
Personnel Emoluments	188,126,691	81,304,691	44,004,401	43.2	23.4
Recurrent Operations	202,460,000	60,201,909	104,670,260	29.7	51.7
Development Expenditure	265,000,000	88,351,881	26,437,182	33.3	10.0
Total Expenditure	655,586,691	229,858,481	175,111,843	35.1	26.7

Source: OCOB and Vihiga County Treasury

The highest expenditure was on recurrent operations at Kshs 104, 670,260 against exchequer issues of Kshs 60,201,909. The excess of actual expenditure over exchequer issues (Kshs 44,468,351) was due to unauthorized re-allocations of funds across the budgeted items within the vote.

3.2 County Assembly (CA) Services

The CA department comprises the office of the Speaker, office of the deputy Speaker, County representative members (both elected and nominated) and office of CA clerk and Civil service of the CA.

3.2.1 Mandate

The mandate of the department includes executing legislative authority of the County by making and unmaking laws to facilitate the due execution of the powers and functions of County Government under existing statute. It also exercises oversight over all issues and matters of governance, especially, the operation of the County Executive Committee and all organs of the County Executive. Further, it receives, deliberates on and approves development plans, County Government borrowing and budget of a County Government. It also approves appointment of all nominees for appointment as County Executive Committee members and chief officers after vetting. Finally it represents the electorate of a County in the governance, including providing leadership in deliberation on all matters of concern and interest

3.2.2 Key Priorities

The priorities of the County Assembly in the first half of 2013/2014 financial year were to enhance capacity through hiring of staff to fill skill gaps and approve the supplementary budget estimates and County Integrated Development Plan. The Assembly was also to ensure legislation of Finance Act and further their oversight role over the executive.

3.2.3 Allocation and Budget Performance

The County Assembly was allocated a total of Kshs 1,106,587,094 for both recurrent and development activities. This allocation was revised to Kshs 696,718,231 through amendment estimates. Total Exchequer issues to the department for the period July to December 2013 for both recurrent activities and development programmes amounted to Kshs 169,120,598 that is 24.3 per cent of the approved estimates. Total actual expenditure stood at Kshs 114,031,273 during the aforementioned period, absorption rate of 16.4 per cent.

Table 7: Analysis of Expenditure and Exchequer Issues for the County Assembly (in Kenya Shillings)

Expenditure classification	Revised Estimate	Exchequer Issues	Actual Expenditure	% of Exch. to Rev. Est.	% of Exp.to Rev. Est.
Personnel Emoluments	296,680,000	54,906,364	26,624,226	18.5	9.0
Recurrent Operations	350,038,231	102,214,234	80,807,047	29.2	23.1
Development Expenditure	50,000,000	12,000,000	6,600,000	24.0	13.2
Total Expenditure	696,718,231	169,120,598	114,031,273	24.3	16.4

Source: OCOB and Vihiga County Treasury

The least allocation and Exchequer issues of Kshs 50,000,000 and Kshs 12,000,000 respectively were for development programmes. Actual expenditure on development activities amounted to Kshs 6,600,000, thus absorption rate 13.2 per cent.

3.3 County Treasury

This is a financial management service department that comprises Finance and Accounts department, revenue department, budget office, procurement and supplies office and Internal Audit.

3.3.1 Mandate

The department performs all the activities provided under Section 104 of the PFM Act 2012. This includes monitoring, evaluating and overseeing the management of public finances and economic affairs of the County Government.

3.3.2 Key priorities

Key priorities of the County Treasury include automation of revenue collection, development of County valuation roll, and building capacity of staff through upgrading of skills and improving efficiency of systems.

3.3.3 Revenue Analysis

No revenue was realized by the department during the period under review. However, sale of tenders is a potential revenue stream for the department.

3.3.4 Allocation and Budget Performance

The department was allocated a total of Kshs 130,188,457 for both recurrent and development activities, which was revised to Kshs 26,588,457. Total Exchequer issues to the department for the period under review amounted to Kshs 8,725,509 that is 32.8 per cent of the revised estimates.

Table 8: Analysis of Expenditure and Exchequer Issues of the County Treasury (in Kenya Shillings)

Expenditure classification	Revised Estimate	Exchequer Issues	Actual Expenditure	% of Exch. to Rev. Est.	% of Exp.to Rev. Est.
Personnel Emoluments	2,732,185	520,000	0	19.0	0.0
Recurrent Operations	7,356,272	1,472,509	95,895	20.0	1.3
Development Expenditure	16,500,000	6,733,000	0	40.8	0.0
Total Expenditure	26,588,457	8,725,509	95,895	32.8	0.4

Source: OCOB and Vihiga County Treasury

A total of Kshs 95,895 was spent by the department entirely on recurrent operations, representing an overall absorption rate of 0.4 per cent.

The largest proportion of total allocation to the department of Kshs 16,500,000 went to development programmes. There was nil expenditure on these programmes despite OCOB issuing exchequer of Kshs 6,733,000 in respect of expenditure on the referred programmes.

3.4 Agriculture, Livestock, Fisheries and Co-operatives

This department comprises the former ministries of Agriculture, livestock and fisheries, and co-operatives at the County.

3.4.1 Mandate

The department performs all functions outlined in Part 2 (1) and (7) (e) of the Fourth schedule of the CK 2010. This includes crop and animal husbandry, livestock sale yards, plant and animal disease control, County abattoirs, fisheries. It also includes development and regulation of cooperative societies.

3.4.2 Key Priorities

The department's priorities include promotion of sustainable land use, environmental conservation and sustainable climate change. The department also aims to increase agricultural productivity, increase accessibility to credit and agricultural inputs and improve institutional capacity in service delivery.

3.4.3 Revenue Analysis

No revenue was declared by the department during the period under review. However, the potential revenue streams under the department include cess on livestock and agricultural produce. Small levies could also be imposed on extension services.

3.4.4 Allocation and Budget Performance

The department was allocated Kshs 439,558,372 for recurrent and development activities. This allocation was revised to Kshs 239,291,046 through amendment estimates. Exchequer issues totaled Kshs 17,339,727, thus 7.2 per cent of the revised estimates. Total of Kshs 43,000 was spent by the department entirely on recurrent operations, representing an overall absorption rate of 0.2 per cent.

Table 9: Analysis of Recurrent Expenditure and Exchequer issues to Agriculture, Livestock, Fisheries and Co-operatives Department (in Kenya Shillings)

Expenditure classification	Revised Estimate	Exchequer Issues	Actual Expenditure	% of Exch. to Rev. Est.	% of Exp. to Rev. Est.
Personnel Emoluments	95,551,096	1,000,000	0	1.0	0.0
Recurrent Operations	38,333,000	6,539,727	517,625	17.1	1.4
Development Expenditure	105,406,950	9,800,000	0	9.3	0.0
Total Expenditure	239,291,046	17,339,727	517,625	7.2	0.2

Source: OCOB and Vihiga County Treasury

3.5 Education, Science and Technology

It comprises the ECD department of ministry of Education, Science and Technology and education depart of the former LAs within the County.

3.5.1 Mandate

The department performs all functions outlined in Part 2 (9) of the Fourth schedule of the Constitution. This includes pre-primary education, homecraft centres, village polytechnics and childcare facilities.

3.5.2 Key Priorities

The department has prioritized the establishment of bursary fund for needy secondary school students, expansion of technical colleges and village polytechnics, construction of a university at Mbale, Construction of new ECD classrooms and renovation of existing ones , equipping ECD centres and construction of ICT laboratories. Other priorities include implementing water harvesting and lighting programmes for public schools.

3.5.3 Revenue Analysis

No revenue was declared by the department during the period under review. However, the potential revenue streams under the department include; Polytechnic fees, ECD fees, levies on inspection of schools and sale of handicrafts.

3.5.4 Allocation and Budget Performance

The department has revised allocation of Kshs 123,243,864 for both recurrent and development activities. Exchequer issues totaled Kshs 13,907,079 thus 11.3 per cent of the approved estimate. However, only a total of Kshs 1,961,612 was spent by the department, an absorption rate of 1.6 per cent.

Table 10: Analysis of Recurrent expenditure and Exchequer issues to Education, Science and technology Department (in Kenya Shillings)

Expenditure classification	Revised Estimate	Exchequer Issues	Actual Expenditure	% of Exch. to Rev. Est.	% of Exp.to Rev. Est.
Personnel Emoluments	77,843,864	7,713,078	0	9.9	0.0
Recurrent Operations	4,400,000	1,494,001	1,961,612	34.0	44.6
Development Expenditure	41,000,000	4,700,000	0	11.5	0.0
Total Expenditure	123,243,864	13,907,079	1,961,612	11.3	1.6

Source: Vihiga County Treasury and OCOB

3.6 Industrialization, Trade and Tourism

The department comprises former ministries of Trade & Commerce, Industrialization Tourism & Heritage at the County. It also includes the markets and business permits management units of the former LAs.

3.6.1 Mandate

The department performs functions outlined in Part 2 (7) of the Fourth schedule of the CK 2010. This includes markets, trade licenses (excluding regulation of profession), fair trading practices and local tourism.

3.6.2 Key Priorities

The department has prioritized the establishment of food processing factory at Gambogi by year 2014 and stone quarrying factory by 2015. The department also aims at establishment of cultural sites, scenic sites, and tourists' attraction sites, construction of a wholesale hub and modern retail markets, and issue loans to small scale traders.

3.6.3 Revenue Analysis

Market fees, single business permit and stall rent were the principal revenue streams of the department during the first half of 2013/2014 financial year. The department realized revenue amounting to Kshs 13,726,488 against County revenue total of Kshs 36,459,858, which 37.6 per cent of the total revenue. Other potential revenue streams include liquor lincencing and tourism levies.

3.6.4 Allocation and Budget Performance

This department was allocated Kshs 103,481,326 for recurrent and development activities, which was later revised to 36,355,254 through amendment estimates. Exchequer issues totaled Kshs 6,921,600, representing 19.0 per cent of the revised estimates. Total expenditure of Kshs 3,185,899 was incurred by the department, an absorption rate of 8.8 per cent. The expenditure was entirely on recurrent operations.

Table 11: Analysis of Recurrent Expenditure and Exchequer Issues of Industrialization, Trade and Tourism Department (in Kenya Shillings)

Expenditure classification	Revised Estimate	Exchequer Issues	Actual Expenditure	% of Exch. to Rev. Est.	% of Exp.to Rev. Est.
Personnel Emoluments	15,128,308	2,525,000	0	16.7	0.0
Recurrent Operations	7,226,946	1,946,600	3,185,899	26.9	44.1
Development Expenditure	14,000,000	2,450,000	0	17.5	0.0
Total Expenditure	36,355,254	6,921,600	3,185,899	19.0	8.8

Source: OCOB and Vihiga County Treasury

3.7 County Public Service Board (PSB)

Refers to the Board constituted under section 58 of the County Governments Act 2012 (CGA, 2012).

3.7.1 Mandate

The core functions and powers of a County PSB are provided for under Section 59 of CGA, 2012. The ones includes (1) establishing and abolishing offices in the County Public Service, (2) appointment of persons to hold or act in county public service offices, (3) exercising disciplinary control over and removing persons holding or acting in those offices, and (4) prepare regular reports for submission to CA on the execution of the functions of the Board.

3.7.2 Key Priorities

The department has prioritized the hiring and retention of qualified persons into County public service.

3.7.3 Revenue Analysis

No revenue was realized by the department during the period under review.

3.7.4 Allocation and Budget Performance

This department was allocated Kshs 111,915,877 for recurrent activities, which was revised to Kshs 39,477,526 through amendment estimates. Exchequer issues totaled Kshs 8,569,545, translating to 21.7 per cent of the approved estimates. The department spent total of Kshs 9,533,287, an absorption rate of 24.1 per cent. Total expenditure exceeded exchequer issues by Kshs 963,742. This is due to re-allocation of appropriated funds meant for other departments to recurrent operations of the County PSB. Section 154 (1) (a) of the Public Finance Management Act, 2012 prohibits accounting officers from re-allocating an amount that is appropriated for transfer to another County Government entity or person.

Table 12: Analysis of Expenditure and Exchequer issues of County PSB (in Kenya Shillings)

Expenditure classification	Revised Estimate	Exchequer Issues	Actual Expenditure	% of Exch. to Rev. Est.	% of Exp.to Rev. Est.
Personnel Emoluments	24,087,526	4,600,000	5,092,745	19.1	21.1
Recurrent Operations	15,390,000	3,969,545	4,440,542	25.8	28.9
Total Expenditure	39,477,526	8,569,545	9,533,287	21.7	24.1

Source: OCOB and Vihiga County Treasury

Personnel emoluments attracted the most allocation of Kshs 24,087,526 and attracted exchequer issues of Kshs 4,600,000. This represents 19.1 per cent of the revised allocation. The department spent Kshs 5,092,745 on personnel emoluments, which is 21.1 per cent of the revised allocation.

3.8 Transport and Infrastructure

This includes the former ministries of public Works, physical planning and infrastructure development department of former local authorities, Former Ministry of roads, and transport and communication within the County.

3.8.1 Mandate

The department performs functions outlined in Part 2 (5) of the Fourth schedule of the CK 2010. This includes county roads, public road transport, street lighting, traffic and parking, ferries and harbours, excluding the regulation of international and national shipping and related matters.

3.8.2 Key Priorities

The department has prioritized the establishment of hydro power generation plant at Hamisi sub-county, construction of one ICT Centre in each sub-county , construction of foot bdriges and construction of an air strip in Hamisi. Other priorities include opening of new roads and maintenance of existing ones.

3.8.3 Revenue Analysis

Parking fees and hire of machinery were the major revenue stream. The department realized revenue of Kshs 19,039,180 against total local revenue of Kshs 36,459,858, which is 52.2 per cent of the total local revenue collection.

3.8.4 Allocation and Budget Performance

The department allocation of Kshs 481,613,308 for both recurrent and development activities was revised to Kshs 243,643,888. Exchequer issues totaled Kshs 43,113,718, which is 17.7 per cent of the revised estimates. Total expenditure of the department amounted to Kshs 23,646,449, an absorption rate of 9.7 per cent.

Development Expenditure got the bulk of the allocation and exchequer issues of Kshs 220,500,000 and Kshs 37,880,000 respectively. This represents 17.2 per cent of the revised allocation. Actual development expenditure amounted to Kshs 23,460,755 thus absorption rate of 10.6 per cent.

Table 13: Analysis of Expenditure and Exchequer Issues of Transport and Infrastructure Department (in Kenya Shillings)

Expenditure classification	Revised Estimate	Exchequer Issues	Actual Expenditure	% of Exch. to Rev. Est.	% of Exp.to Rev. Est.
Personnel Emoluments	1,707,888	154,808	0	9.1	0.0
Recurrent Operations	21,436,000	5,078,910	185,694	23.7	0.9
Development Expenditure	220,500,000	37,880,000	23,460,755	17.2	10.6
Total Expenditure	243,643,888	43,113,718	23,646,449	17.7	9.7

Source: OCOB and Kisumu County Treasury

3.9 County Health Services

This includes health service management units, Epidemic Control and Inspection units, and communicable disease control units of the former local authorities, former ministry of public health, former ministry of medical services, and department of veterinary services under former ministry of agriculture and veterinary services within the County.

3.9.1 Mandate

The department performs all functions of health services outlined in Part 2 (2) & (6) of the Fourth schedule of the CK 2010.

3.9.2 Key Priorities

The department has prioritized the construction of one model health centre in each sub-county, establishment of medical training institute at Mbale, establishment of one mental health unit, expansion of health infrastructure through construction of maternity, laboratory and staff quarters in the existing health centres. Other priorities of the department include construction of ten staff houses and one paediatric ward at Vihiga County hospital by 2015.

3.9.3 Revenue Analysis

No revenue was declared by the department during the period under review. The potential revenue streams under the department include cost sharing levy, health centre services fees, food handlers' fees, public health inspection, burial fee, and vaccine certificates.

3.9.4 Allocation and Budget Performance

The revised allocation to the department was Kshs 594,813,152 for recurrent and development activities. Exchequer issues totaled Kshs 66,144,000. This is 11.1 per cent of the revised

estimates. Total expenditure of Kshs 4,096,610 was incurred by the department, representing 0.7 per cent absorption.

Table 14 : Analysis of Expenditure and Exchequer Issues of County Health Services (in Kenya Shillings)

Expenditure classification	Revised Estimate	Exchequer Issues	Actual Expenditure	% of Exch. to Rev. Est.	% of Exp.to Rev. Est.
Personnel Emoluments	434,625,776	33,646,000	0	7.7	0.0
Recurrent Operations	80,832,647	20,998,000	4,096,610	26.0	5.1
Development Expenditure	79,354,729	11,500,000	0	14.5	0.0
Total Expenditure	594,813,152	66,144,000	4,096,610	11.1	0.7

Source: OCOB and Vihiga County Treasury

3.10 Environment, Water, Natural Resources and Forestry

This comprises former ministries of water and irrigation, Energy and department of natural resources of the former ministry of Environment and natural resources.

3.10.1 Mandate

The department performs functions outlined in Part 2 (10) & (11) of the Fourth schedule of the CK 2010. This includes electricity and gas reticulation, energy regulation, forestry, soil and water conservation, water and sanitation, and storm management systems.

3.10.2 Key Priorities

The department has prioritized the identification and documentation of best practices in environment management, reviving the stalled Emalindi/ Esirulo water project, rehabilitation of Maseno water supply and expansion of other water supplies. Other priorities include de-siltation of Kaimosi dam and springs protection.

3.10.3 Revenue Analysis

Hire of water distribution network, water levies, tree felling, refuse collection and cess on natural resources are the potential revenue streams. However, the department declared no revenue during the period under review.

3.10.4 Allocation and Budget Performance

This department was allocated Kshs 377,457,508 for recurrent and development activities which was later revised to Kshs 136,791,868, Table 14 shows the analysis of exchequer issues and expenditure. Exchequer issues totaled Kshs 15,422,000, thus 11.3 per cent of the revised

estimates. The department spent Kshs 6,136,943 entirely on recurrent operations, resulting in overall absorption rate of 4.5 per cent.

Development programmes, on the other hand were allocated the highest amount of Kshs 100,250,000 and attracted exchequer issues of Kshs 6,045,000. This represents 6.0 per cent of the revised allocation. However, there was no expenditure on the programmes.

Table 15: Analysis of Expenditure and Exchequer Issues of Environment, Water, Natural Resources and Forestry Department (in Kenya Shillings)

Expenditure classification	Revised Estimate	Exchequer Issues	Actual Expenditure	% of Exch. to Rev. Est.	% of Exp.to Rev. Est.
Personnel Emoluments	13,033,107	3,390,000	0	45.9	0.0
Recurrent Operations	23,508,761	5,987,000	6,136,943	46.4	26.1
Development Expenditure	100,250,000	6,045,000	0	6.0	0.0
Total Expenditure	136,791,868	15,422,000	6,136,943	11.3	4.5

Source: OCOB and County Treasury of Kisumu.

3.11 Land, Housing and Physical Planning

This includes former ministries of land, housing and public works.

3.11.1 Mandate

The department performs functions outlined in Part 2 (8) of the Fourth schedule of the CK 2010. These included land survey and mapping, boundaries and fencing and housing.

3.11.2 Key Priorities

The department prioritized the construction of Appropriate Building Technology (ABT) centres at each sub-county, construction of housing units in the four sub counties, registration of government offices and residential houses, and acquisition of title deeds for government land.

3.11.3 Revenue Analysis

House and office rent, land rates, plot rent and Building and structural plans approval were the key revenue streams. Revenue of Kshs 2,043,358 was realized by the department against total local collection of Kshs 36,459,858, which is 5.6 per cent of the total revenue.

3.11.4 Allocation and Budget Performance

Table 16 shows the analysis of recurrent expenditure and exchequer issues to the department. Kshs 237,509,313 was allocated for both development and recurrent activities. The allocation was later revised to Kshs 51,407,017 through amendment estimates. Exchequer issues totaled

Kshs 9,126,856, giving rise to 17.8 per cent of the revised estimates. Total Expenditure of the department amounted to Kshs 799,000, which is absorption rate of 1.6 per cent..

Table 16: Analysis of Expenditure and Exchequer Issues of Land, Housing and Physical Planning Department (in Kenya Shillings)

Expenditure classification	Revised Estimate	Exchequer Issues	Actual Expenditure	% of Exch. to Rev. Est.	% of Exp.to Rev. Est.
Personnel Emoluments	6,875,080	1,285,007	0	8.2	0.0
Recurrent Operations	1,916,937	561,849	799,000	105.9	41.7
Development Expenditure	42,615,000	7,280,000	0	17.1	0.0
Total Expenditure	51,407,017	9,126,856	799,000	17.8	1.6

Source: Vihiga County Treasury and OCOB

3.12 Gender, Culture, Youth and Sports

The department comprises former ministries of youth affairs, Gender, culture and social services within the County. In addition, it includes social services and sports units of the former LAs within the County

3.12.1 Mandate

The department performs all functions outlined in Part 2 (4) of the Fourth schedule of the CK 2010. This includes cultural activities, public entertainment and public amenities.

3.12.2 Key Priorities

The priorities of the department include establishment of vocational rehabilitation centres in each sub-county, protection of Nganyi indigenous trees, establishment of one cultural centre and a library in each sub-county, , creation of one leisure centre in each sub-county, and construct a herbal clinic at Mbale. The department also wants to create orphans and vulnerable children fund and create child protection units in police stations.

3.12.3 Revenue Analysis

No revenue was declared by the department during the period under review. However, hire of halls and stadia, cinema lincencing and group registration fees are potential revenue stream for the department.

3.12.4 Allocation and Budget Performance

The department was allocated Kshs 111,711,544 through revised estimates for both recurrent activities and development programmes. Exchequer issues only amounted to Kshs 10,550,000, thus 9.4 per cent of the revised estimates. Total expenditure of the department amounted to Kshs 3,598,100, an absorption rate of 3.2 per cent.

Table 17: Analysis of Expenditure and Exchequer issues to Gender, Culture, Youth and Sports (in Kenya Shillings)

Expenditure classification	Revised Estimate	Exchequer Issues	Actual Expenditure	% of Exch. to Rev. Est.	% of Exp.to Rev. Est.
Personnel Emoluments	25,931,544	2,800,000	0	14.8	0.0
Recurrent Operations	30,780,000	3,850,000	3,598,100	15.0	11.7
Development Expenditure	55,000,000	3,900,000	0	7.1	0.0
Total Expenditure	111,711,544	10,550,000	3,598,100	9.4	3.2

Source: Vihiga County Treasury

Personnel Emoluments were allocated the least amount of Kshs 25,931,544 and attracted exchequer issues of Kshs 2,800,000. This represents 14.8 per cent of the approved allocation. However, there was nil expenditure on personnel emoluments.

3.13 Public Service and Administration

This includes all recruited personnel who fall under the jurisdiction of County PSB for deployment to various organs and offices of the County, promotion, discipline and dismissal.

3.13.1 Mandate

This is the team that turns the wheels of the working of governance. They exercise their functions and powers; pursuant to various provisions of the Constitution of Kenya 2010, the enabling statutes and the regulations and rules, enacted under the ambit of the statutes.

3.13.2 Revenue Analysis

No revenue was declared by the department during the period under review.

3.13.3 Allocation and Budget Performance

Table 18 shows the analysis of recurrent expenditure and exchequer issues to the department. Revised allocation to the department was Kshs 308,302,581. Exchequer issues totaled Kshs 26,991,051, representing 8.8 per cent of the revised estimates. A total of Kshs 62,727,073 was spent by the department, an absorption rate of 20.3 per cent.

Table 18: Analysis of Expenditure and Exchequer issues of Public Service and Administration

Expenditure classification	Revised Estimate	Exchequer Issues	Actual Expenditure	% of Exch. to Rev. Est.	% of Exp.to Rev. Est.
Personnel Emoluments	261,243,139	17,109,051	51,851,610	3.8	19.8
Recurrent Operations	47,059,442	9,882,000	10,875,463	21.0	23.1
Total Expenditure	308,302,581	26,991,051	62,727,073	8.8	20.3

Source: OCOB and Vihiga County Treasury

Total expenditure exceeded exchequer issues by Kshs 35,736,022. This is due to re-allocation of appropriated funds meant for other departments to recurrent operations of the Public Service and Administration. Section 154 (1) (a) of the Public Finance Management Act, 2012 prohibits accounting officers from re-allocating an amount that is appropriated for transfer to another County Government entity or person.

4 CONCLUSION AND RECOMMENDATION

4.1 Key Challenges and Recommendations on Budget Implementation

This section explores key issues and proposes remedies that require attention by the County Government of Kisumu to enable it to improve budget making and implementation.

4.1.1 Low absorption of development resources

The County allocated Kshs 989, 626,679 for development programmes through amendment appropriation. As at 31st December 2013 Vihiga County had spent Kshs 56,497,937 on development activities, which is absorption rate of 5.7 percent. The low absorption of development funds is mainly due to lack of project plans and delay in procurement processes.

There is need to address this through proper budgeting processes, and increasing capacity in procurement and project management. The County Government should adopt MTEF and Programme Based Budgeting (PBB) which links the use of public resources to performance in order to maximize value to Vihiga Citizenry.

4.1.2 Under- performance of local revenue

The County had local revenue projection of Kshs 204,274,739 and so far has only managed to collect Kshs 36,459,858 within the first half of the current financial year. This translates to a performance of 17.8 per cent.

The under-performance of local revenue collections can be attributed to lack of access to revenues collected by devolved entities which were previously under the national Government which has led the County not to factor in revenues such as cost sharing, livestock extension levies and similar levies under referred entities in its revenue returns. Besides, these revenues are not being banked into County Revenue fund Account thus breaching Article 207 (1) of the Constitution. It also contravenes section 109 (2) of the PFM Act, 2012.

The budget implementation review established that revenues from local sources constituted merely 3.76 per cent of the total revenue received by the County during first quarter of 2013/2014 financial year. There is therefore need for deepening of the revenue streams through legislations as well as optimizing the current streams in order to mobilize adequate resources

required to achieve quality service delivery and development plans of the County. The County should also adhere to the requirements of the Constitution of Kenya 2010 and PFM Act 2012.

The County should also seal revenue leakages through strengthening of its control over collections by ensuring target setting, proper supervision and central issuance of receipt books.

4.1.3 Non-adherence to statutory budget timelines

PFM Act 2012 stipulates various deadlines for legislations and approvals. Some of the deadlines include approval of the finance bill by the CA not later than ninety days after passing appropriation bill (section 133), submission of County Integrated Development Plan (CIDP) for approval by the CA not later than 1st September (Section 126), establishing the County Budget and Economic Forum CBEF as soon as practicable (Section 137) and approval of County Budget Review and Outlook paper (BROP) by the CEC on or before 30th September each year and thereafter by the CA (Section 118).

During the period under review, the aforementioned deadlines were not observed by the County. The CA has not approved the finance bill thus rendering it illegal to make local revenue collection. The CIDP is also yet to be approved by the CA and CBEF has not been constituted. Besides, BROP is still in draft form and therefore has not been presented to CEC.

Both arms of the County government should adhere to laws and legislations governing the management of public finance especially chapter twelve of the CK, 2010 and PFM Act 2012.

4.1.4 Implementation of Integrated Financial Management System (IFMIS)

The County implemented the use of IFMIS in November 2013. However, its implementation has been characterized by lack of Connectivity and challenge of importing entered data from IFMIS to G-Pay system. The connectivity problem has forced the County treasury staff to make regular trips to Kisumu in search of network to process payments which is expensive for the County. The imported data from IFMIS into G-Pay system in some instances take up to five days to reflect in the G-Pay system thus delaying the payment process.

The county government will need to liaise with the National Government and Central bank on how to eliminate or reduce the impact of IFMIS challenges. Further, there is need for the

national Government to set up regional IFMIS training and technical support Centres so as to reach out to many IFMIS users and hasten response to local problems.

4.2 Conclusion

In conclusion, the County budget for financial year 2013/ 2014 will be adversely affected by underperformance in local revenues. However, there is need to put more emphasis on the impact of budget implementation on county residents. This will require a greater attention to development programmes. The County should therefore prioritize capacity building in effective and efficient project management as well as proper budgeting processes. The County should also innovatively deepen the revenue streams through enacting of enabling legislations and contain the ever sprawling recurrent costs. The county should also ensure that service delivery is timely and appropriated funds are spent as budgeted so as to achieve equitable development in the County. All revenue collected at the County should also be remitted to county revenue fund so that they are used for intended purpose

