

COUNTY GOVERNMENT OF KISUMU



COUNTY ASSEMBLY OF KISUMU

THE HANSARD

Official Report

SECOND ASSEMBLY – FIFTH SESSION

Wednesday, 07th April, 2021

House met in the Main Chamber at 2:30 p.m.

(The Speaker (Hon. Elisha J. Oraro) in the Chair)

PRAYERS

The Speaker (Hon. Oraro): Mr. Clerk, take us through the Order Paper of the day.

The Speaker (Hon. Oraro): Next order!!

PAPER LAID

The Speaker (Hon. Oraro): Hon. Okiri.

Okiri: Thank you Mr. Speaker. Pursuant to the provision of the County Assembly of Kisumu Standing Order No. 182 (6), I wish to lay today Wednesday 07th April, 2021, Cooperative, Finance, Trade and Enterprises Development Committee Report on the Consideration of the Kisumu County Investment and Development Corporation Bill, 2021. Thank you.

The Speaker (Hon. Oraro): Honourable Members, I confirm the receipt of the Cooperative, Finance, Trade and Enterprises Development Committee Report on the Consideration of the Kisumu County Investment and Development Corporation Bill, 2021 as presented by Hon. Paul Okiri. I now want to direct that this report be scheduled for debate on the Floor by the House Business Committee.

The Speaker (Hon. Oraro): Next order!

NOTICE OF MOTION

The Speaker (Hon. Oraro): Proceed Hon. Okiri.

Hon. Okiri: Thank you Mr. Speaker, Pursuant to the provision of the County Assembly of Kisumu Standing Order No. 45, I wish to give a Notice of Motion for Cooperative, Finance, Trade and Enterprises Development Committee report on the consideration of the Kisumu County Investment and Development Corporation Bill, 2021.

The Speaker (Hon. Oraro): Next order!

MOTION

COOPERATIVE, FINANCE, TRADE AND ENTERPRISES DEVELOPMENT COMMITTEE
REPORT ON THE COUNTY GOVERNMENT OF KISUMU REPORTS AND FINANCIAL
STATEMENT FY ENDED 30TH JUNE, 2020

BY

HON. PAUL OKIRI

CHAIRPERSON, COOPERATIVE, FINANCE, TRADE AND ENTERPRISES
DEVELOPMENT COMMITTEE

The Speaker (Hon. Oraro): Yes, Hon. Paul Okiri.

Hon. Okiri: Thank you Mr. Speaker and Honourable Members. The County Executive Committee Member for Finance and Economic Planning forwarded to the County Assembly the reports and financial statements of the County Executive of Kisumu for the Financial year ended June 30, 2020 for tabling. The reports were subsequently tabled in the House as a Paper by the Majority leader Hon. Kenneth Onyango.

Mr. Speaker and Hon. Members, consequently, pursuant to the Standing Orders No. 193(5) Second Schedule, the Hon. Speaker directed that the reports be committed to the Sectoral Committee on Co-operative, Finance, Trade and Enterprise Development for analysis and to cause a report on the same.

Acknowledgement

Mr. Speaker Sir and Hon. Members, it is my privilege and pleasure on behalf of the Committee to convey my gratitude to all Members of the Committee for their valuable input throughout its proceedings. The Committee equally extends thanks to its members for taking their valuable time out of their busy schedule to participate robustly during the interrogation and scrutiny of this report

The Committee also appreciates the invaluable support from the offices of the Speaker and Clerk of the County Assembly for providing conducive atmosphere to prepare this report. To our Clerk and the technical staff who tirelessly worked through to make this exercise a success, I applaud you.

It is now my humble desire and wish to hereby submit this report to this House for consideration on behalf of the Sectoral Committee on Co-operatives, Finance, Trade and Enterprise Development.

Committee Mandate

Mr. Speaker, the mandates of the Committee as set forth in the County Assembly of Kisumu Standing Order 193 (5) are as follows:-

- (a) Investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned departments;
- (b) Study the programme and policy objectives of departments and the effectiveness of the implementation;
- (c) Study and review all County legislation referred to it;
- (d) Study, assess and analyze the relative success of the departments as measured by the results obtained as compared with their stated objectives;
- (e) Investigate and inquire into all matters relating to the assigned departments as they may deem necessary, and as may be referred to them by the County Assembly;
- (f) To vet and report on all appointments where the Constitution or any law requires the County Assembly to approve, except those under Standing Order 185 (Committee on Appointments); and
- (g) Make reports and recommendations to the County Assembly as often as possible, including recommendation of proposed legislation.

Terms of References of the Committee

Mr. Speaker, the Committee's specific mandate with regards to the above financial reports was as follows:-

- i. To study, analyze and examine the financial reports from the County Government for probity, compliance and any material defect.
- ii. To establish the compliance with Section 164(4) of the PFM Act 2012, on submission of financial reports,
- iii. Review of County Fiscal Performance during the financial year 2019/2020
- iv. To establish the absorption rates for both the development and recurrent expenditures.
- v. To examine in details the nature and behavior of the expenditure for the financial year 2019/2020
- vi. Identify any significant details or information in the reports that may be of material importance to the House and the Assembly in general

Legal Framework

Mr. Speaker, the Committee was guided in its work by the following legal instruments:-

1. Article 228 (4) of the Constitution of Kenya, 2010 which confers on the Controller of Budget the duty of submitting a report on the implementation of the budget to the County Governments.
2. PFM Act 166 which stipulates that:
 - a) An accounting officer for a County Government entity shall prepare a report for each quarter of the financial year in respect of the entity.
 - b) In preparing a financial report for a county government entity, the accounting officer shall ensure that the report:-
 - Contains information on the financial and non-financial performance of the entity; and
 - Is in a form determined by the Accounting Standards Board.
3. Assembly Standing Order 193 (5) (Second Schedule)

1.5. Committee Membership

- | | | |
|--------------------------|---|------------------|
| 1. Hon. Paul Okiri | - | Chairperson |
| 2. Hon. Victor Rodgers | - | Vice Chairperson |
| 3. Hon. Sally Okudo | - | Member |
| 4. Hon. Samson Ameso | - | Member |
| 5. Hon. Joachim Oketch | - | Member |
| 6. Hon. Rashid Miruka | - | Member |
| 7. Hon. Steve Owiti | - | Member |
| 8. Hon. Julius Genga | - | Member |
| 9. Hon. John Atieno | - | Member |
| 10. Hon. Kennedy Agengo | - | Member |
| 11. Hon. Judith Ogaga | - | Member |
| 12. Hon. Vitalis Otura | - | Member |
| 13. Hon. Florence Olango | - | Member |
| 14. Hon. Beatrice Odongo | - | Member |
| 15. Hon. George Olwal | - | Member |

Secretariat

- | | | |
|---------------------|---|---------------------------|
| 1. Annebelle Wabuge | - | Senior Clerk Assistant |
| 2. Austine Ochieng | - | Committee Clerk Assistant |
| 3. Geoffrey Omollo | - | Accountant |
| 4. Zablon Otiende | - | Senior Hansard Reporter |
| 5. Kennedy Okise | - | Serjeant-at-Arms |

ANALYSIS OF THE REPORT

Introduction

Mr. Speaker, in the pursuit of its mandate, the committee conducted several sittings to interrogate the financial reports laid before it. With the help of a technical team of staff members who are well-versed in matters of finance, the Committee conducted its job with all the due consideration of the oversight responsibility they owe to the House and the people of the great County of Kisumu.

Scrutiny of the Reports and Financial Statements for the period ended 30th June 2020

Mr. Speaker and Hon. Members, in tandem with the terms of reference of the Committee, the analysis and the reporting of the financial activities of the County Executive of Kisumu as detailed in the Financial Reports presented hinged on the broad agendas set out below.

(a) Compliance with the provisions of section 165 of the PFM Act 2012

Mr. Speaker and Hon. Members, the above section explicitly stipulates that an Accounting officer shall prepare Annual Reports for receiver of Revenues. Further, Section 165 (4) of this Act also states that not later than two months after the end of each financial year, a receiver of revenue for the County Government shall submit to a County Assembly a report with respect to all waivers and variations of taxes, fees or charges granted by the receiver during that year.

The committee would wish to categorically state that the report with respect to all waivers and variations of taxes, fees or charges granted has hardly been submitted to this Assembly.

(b) Review of County Fiscal Performance during the financial year 2019/2020

Mr. Speaker and Hon. Members. Revenue generated from local sources during the Financial Year 2019/2020 was Kshs. 804,387,971 against a target of Kshs.1,438,478,604. This resulted in a negative variance of Kshs.634,090,632 which translates to 44% of the annual local revenue target.

As you are aware Mr. Speaker, the actual locally collected revenue reduced as compared to the FY 2018/2019 due to the effects of the Covid 19 pandemic.

Mr. Speaker, during the financial year 2019/2020, the County received Kshs. 9,422,125,244 as disbursements from National treasury consisting of equitable share of revenue of Kshs. 6,248,469,600, conditional grants of Kshs. 1,295,703,368, opening balance arising from FY 2018/2019 Budget of Kshs. 1,524,076,529 and Transfers from other government entities amounting to Kshs. 194,055,749.

To address the COVID 19 Pandemic, the National Treasury disbursed an additional Kshs. 159,820,000 to the County.

(c) County Own Source Revenue

LOCALLY COLLECTED REVENUE	A Budget Estimate (Ksh)	B Actual Revenue (Ksh.)	C Deviation (Kshs.) (B-A)	Deviation %(C/A)
Main Revenue Streams				
Market Fees	118,436,119	56,466,970	(61,969,149)	(52.32)
Parking Fees/Monthly Sticker/Clamping Fee/Buss Park/Boda Boda	305,464,954	166,551,027	(138,913,927)	(45.48)
Rents	43,572,630	19,350,062	(24,222,568)	(55.59)
Trade License Fees	140,000,000	122,243,700	(17,756,300)	(12.68)
Proper Income-Land Rates/Building Plans	238,280,539	142,399,103	(95,881,436)	(40.24)
Signboard Promotion etc.	82,000,000	48,927,654	(33,072,346)	(40.33)
Other-Cess	55,104,362	6,373,725	(48,730,637)	(88.43)
Public Health and others	3,000,000	3,811,290	811,290	27.04
Sub-total	985,858,604	566,123,531	(419,735,073)	(42.58)
Revenue from other sources				
Health	320,000,000	154,501,933	(165,498,067)	(51.72)
Education, Sports and Social Services/ Liquor license	38,000,000	10,516,800	(27,483,200)	(72.32)
Land, Housing and Physical Planning/Public Works	3,000,000	6,242,659	3,242,659	108.09

Environment	2,000,000	1,939,073	(60,927)	(3.05)
Other Miscellaneous Receipts	89,620,000	65,063,976	(24,556,024)	(27.40)
Sub-total	452,620,000	238,264,441	(214,355,559)	(47.36)
Gross Locally Collected Revenue	1,438,478,604	804,387,972	(634,090,632)	(44.08)

Descriptions	Budget for FY 2019/2020	Q 1	Q 2	Q 3	Q 4	TOTAL
Equitable share	6,836,400,000.00	1,189,533,600.00	1,230,552,000.00	1,333,098,000.00	2,495,286,000.00	6,248,469,600.00
DANIDA	20,625,000.00	0.00	10,312,500.00	0.00	18,012,500.00	28,325,000.00
World Bank (Kenya Devolution Support Programme)	30,000,000.00	0.00	0.00	0.00	30,000,000.00	30,000,000.00
Conditional Allocations-Development of Youth Polytechnic	41,673,298.00	0.00	0.00	20,836,649.00	20,836,649.00	41,673,298.00
World Bank Grant for THS	35,000,000.00	0.00	11,328,137.50	23,754,181.00	0.00	35,082,318.50
WORLD BANK Grant for Devolution advice		0.00	0.00	0.00	0.00	0.00
Level 5 conditional Grant	369,017,341.00	0.00	163,843,700.00	101,479,769.00	103,693,873.00	369,017,342.00
Conditional allocations compensation for user fees foregone	21,299,489.00	0.00	0.00	0.00	21,299,489.00	21,299,489.00
Conditional allocations for leasing of medical equipment	131,914,894.00	0.00	0.00	0.00	0.00	0.00
Conditional allocations for Rmlf	194,055,750.00	0.00	0.00	97,027,875.00	97,027,874.50	194,055,749.50
EU Grant for instruments for devolution advice (IDEAS)	90,000,000.00	0.00	0.00	0.00	0.00	0.00
IDA (World Bank) Climate Smart Agri Project	118,482,110.00	0.00	45,394,174.00	0.00	60,031,953.10	105,426,127.10
IDA (World Bank) Kusp (UDG)	773,573,300.00	0.00	0.00	0.00	553,289,634.90	553,289,634.90
IDA (World Bank) Kusp (urban Institutional Grant)	8,800,000.00	0.00	0.00	0.00	8,800,000.00	8,800,000.00
UHC Funds(Arrears)	183,051,088.00	0.00	0.00	91,525,545.00	0.00	91,525,545.00
Sweden ASDSP	17,029,227.00	0.00	0.00	9,764,613.00	1,500,000.00	11,264,613.00
UHC Funds	274,576,632.00	0.00	0.00	0.00	0.00	0.00
EU Water tower protection and Climate change mitigation	80,000,000.00	0.00	0.00	0.00	0.00	0.00
COVID-19 FUND	159,820,000.00	0.00	0.00	0.00	159,820,000.00	159,820,000.00
Total share of National Revenue	9,385,318,129.00	1,189,533,600.00	1,461,430,511.50	1,677,486,632.00	3,409,777,973.50	7,738,228,717.00
Local Revenues	1,438,478,604.00	154,522,553.70	210,141,266.20	307,730,027.00	131,994,125.00	804,387,971.90

(d) Absorption of the Budget

Recurrent expenditure amounted to Kshs. 6,827,139,101 against a target of Kshs 8,129,207,638 representing an absorption rate of 84%.

Recurrent Expenditure

S/No.	Department	Revised budget (Kshs) A	Actual Expenditure (Kshs.) B	Performance B/A (%)
1.	Governance and Administration	517,673,228	464,167,160	90
2.	Tourism Trade and Heritage	104,560,663	61,581,287	59
3.	Health and Sanitation	3,569,181,584	3,186,132,097	89
4.	Roads, Transport and Public Works	176,527,192	122,697,147	70
5.	Lands, Housing and Physical Planning	25,447,643	24,049,058	95
6.	Agriculture, Livestock and Fisheries	237,733,430	222,841,093	94
7.	Education, Ict and Human Resource Development	396,583,660	167,821,622	42
8.	Water Services	78,153,775	41,917,498	54
9.	Public Service Board	47,579,162	37,474,905	79
10.	Finance and Economic Planning	1,570,454,378	1,196,183,603	76
11.	Business Cooperative and Markets	31,472,602	21,709,394	69
12.	Energy and Industrialization	51,406,179	24,692,363	48
13.	City of Kisumu	620,544,648	559,608,147	90

	TOTAL	8,129,207,638	6,827,139,101	84
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The departments of Lands, Housing and Physical Planning, Agriculture, Livestock and Fisheries, Governance and administration and the City of Kisumu had the highest absorption rates in the recurrent budget. Energy and industrialization, Education, ICT and Human Resource Development and the department of Tourism, Trade and Heritage had the lowest absorption rates.

(e) Development Expenditure

Mr. Speaker, as can be shown in the table below, a total expenditure of Ksh 2,226,237,562 was incurred on development against a target of Kshs. 4,066,750,730 translating to an absorption rate of 54.5%. The highest absorption realized was in the department of Finance and Economic Planning with a great portion being payment of pending bills.

S/No.	Department	Revised budget (Kshs). A	Actual Expenditure (Kshs.) B	Performance B/A (%)
1.	Governance and Administration	34,000,000	0	0.00
2.	Tourism Trade and Heritage	35,500,000	4,109,440	11.6
3.	Health and Sanitation	234,550,000	117,661,149	50.2
4.	Roads, Transport and Public Works	455,905,750	162,539,959	36.5
5.	Lands, Housing and Physical Planning	90,226,998	47,380,556	52.5
6.	Agriculture, Livestock and Fisheries	167,364,452	102,630,922	61.3

7.	Education, Ict and Human Resource Development	225,640,600	88,390,727	39.2
8.	Water, Environment and Natural Resources	228,436,566	43,344,681	19.0
9.	Public Service Board	0	0	0
10.	Finance and Economic Planning	1,731,351,228	1,550,257,212	89.5
11.	Business Cooperative and Markets	156,748,824	32,323,562	20.6
12.	Energy and Industrialization	71,300,000	9,741,749	13.7
13.	City of Kisumu	635,726,312	55,655,428	8.8
	TOTAL	4,066,750,730	2,226,237,562	54.5

During the FY 2019/2020, the county received Kshs. 2,140,004,146 for Development purposes from the exchequer account.

(f) Fiscal Outturn

Mr. Speaker and Hon. Members, the table below presents the fiscal outturn for the 2019/2020 financial year. The actual fiscal performance for the FY 2019/2020 is compared by way of deviations to the revised budget estimates for the financial year in question.

REVENUE	Revised Budget (Kshs) (A)	Actual Expenditure (Kshs) (B)	Deviation (Kshs.) (A-B=C)
Opening Balance to CRF A/C	-		
Total Share of National Revenue	10,777,479,764	7,898,048,717	2,879,431,047
Gross Locally Collected Revenue	1,438,478,604	804,387,972	634,090,632

Total Revenue	12,215,958,368	8,702,436,689	3,513,521,679
Expenditure			
Recurrent	8,129,207,638	6,827,139,101	1,302,068,537
Development	4,086,750,730	2,226,237,562	1,860,513,168
Total Expenditure	12,215,958,368	9,053,376,663	3,162,581,705

The FY 2019/20 financing as analyzed above shows a performance in revised revenue target of Kshs. 12,215,958,368 against the actual expenditure of Kshs. 9,053,376,663. This means in actual terms that the budget was under financed by Kshs. 3,162,581,705.

IMPLICATIONS OF 2019/2020 FISCAL PERFORMANCE ON FISCAL RESPONSIBILITY PRINCIPLES

Fiscal responsibility is essential to creating a better, stronger and more prosperous administrative and financial management system in the County Government of Kisumu.

The Expenditure projection for the FY 2019/2020 ended with a closing balance hence included in the subsequent Budget Estimate for FY 2020/2021 as opening balance to facilitate payment for committed goods and services.

The county under spent on Operation and maintenance and development budget for the FY 2019-20 hence having implications on the base used to project expenditures in the FY 2020/21 and the medium term.

The committee however understands that Kisumu County faces a number of Fiscal challenges including;

1. Budget deficit,
2. Accrued pending bills
3. Under-spending on development projects and,
4. Late disbursement of funds from the national government

A number of fiscal responsibilities should therefore be put in place to provide a clear direction and decision making on the management and use of financial resources. These principles set

operational parameters for the County Government in order to maintain accepted financial outcomes. They should be viewed as enabling strategies that aim to provide financial stability, affordability, delivery and value for money on all implemented projects over the short, medium and longer term.

A reasonable degree of predictability with respect to the level of tax rates and tax bases should be maintained, taking into account any tax reforms that may be made in the future.

RECOMMENDATIONS

1. The County Treasury should work closely with the implementing departments to improve resource absorption especially through the budget implementation committees and at the same time work out to achieve the revenue targets with revenue generating departments to ensure that the revenues are collected as projected.
2. The County Executive Committee member concerned must show financial discipline by ensuring budget absorption is on priority basis.
3. Own Source Revenue is on a downward trajectory meaning the budget estimates aren't realistic. The County Government should work on means and ways of improving revenue collections and to provide realistic estimates when preparing the budget estimates with the suggested revenue targets. In doing this, the County must explore and expand revenue sources e.g. property rates, sand harvest cess, boda boda tax, through proper legislation.
4. The Committee recommends timely financial reporting to ensure financial gaps are filled in time and in accordance with the PFM Act.

CONCLUSION

In Conclusion, budget absorption must be given priority in this County. It is inconceivable for absorption rate to be as high as 73% under finance and economic planning yet it is barely 50% in key sectors as Roads and Agriculture. This means our priorities are misplaced. The Committee has therefore cited various ways in this report to have this improved on. Mr. Speaker and Hon. Members, the Committee recommends that this House considers adopting this report and that the recommendations therein are communicated in time for implementation. May I call upon Hon. Julius Genga to second.

The Speaker (Hon. Oraro): Yes, Hon. Genga.

Hon. Genga: Thank you Mr. Speaker. I rise to second the report as read by the Chair. This report clearly shows the direction we are taking as a County on fiscal matters and it's a great concern that

there is a problem with our revenue that needs to be addressed. Our Resource Envelope for revenue streams needs to be looked at with the reality.

Mr. Speaker, we need to relook as a county how to factor in our Own Source Revenue. Personally, I don't think it is order to say that we should just continually incur accrued Pending Bills every Financial Year. From this report, it is important for the respective CECs to follow up on the recommendations that has been made and much as that is the case, the fiscal challenges that the report has faced from our committee in relations to Budget Deficit. That is from own source revenue which the targets are unrealistic to some extent.

Mr. Speaker and Hon. Members, Pending Bills has been an issue in this County it is high time that something has to be done about it. Pending Bills is a commercial enterprise and needs to clearly be relooked at going forward. It is also interesting to note that a department like Finance and Planning has an Absorption Rate of 90% and yet the development expenditures rarely reach 40%. That is a great concern. Much as we know there is also late disbursement of funds from the National Treasury but having seen what happens in the financial years, we can plan our income streams are on negative trajectory. We cannot attribute everything to Covid 19 pandemic. It is on record that Kisumu City is undergoing regeneration, that is a fact which we must face. How I wish this was done differently where we don't disrupt small scale traders. This has been a backbone of our resources. Same has been disrupted up to 90%.

Mr. Speaker and Hon. Members, the presentation done the other day by the CEC showed that one of the sub counties could only manage to generate Kshs. 2 million. This is a worrying trend and I wish something could be done so that we make our targets realistic. We stick to fiscal disciplines as per the PFM Act. Expand our source revenue streams and in as much as we do that, let us also be realistic.

Mr. Speaker and Hon. Members, in conclusion, it is high time and I said this some time back, in as much as we don't improve on our revenue stream which are anchored by legislation then we should not over budget or make targets that we are not able to achieve. At the end, we end up accruing pending bills every Financial Year. Thank you

The Speaker (Hon. Oraro): Honourable Members, now that the Committee on Cooperative, Finance, Trade and Enterprise Development Report on the Consideration of Financial Statements of the County Executive of Kisumu for the FY ending June 30th 2020 has been presented Hon. Paul Okiri, Chairperson, Committee on Cooperative, Finance, Trade and Enterprise Development, seconded by Hon. Julius Genga, as per our Standing Orders, I want to propose a question that the Committee on Finance Trade and Enterprise Development report on the consideration of Financial

Statements of the County Executive of Kisumu for the FY ended June 30th 2020 is open for debate.

The Speaker (Hon. Oraro): Yes Hon. Otura

Hon. Otura: Thank you Mr. Speaker. Mr. Speaker, I want to commend the work done by the Committee on Cooperative, Finance, Trade and Enterprise Development. Mr. Speaker, the Financial Report for the Year ended 30th June, 2020 has highlighted many good things that we need to consider and get to fully understand.

Mr. Speaker, I am concerned about the challenges as highlighted in the report. What is highlighted as number one is the Budget Deficit. It is so sad that every government entity would work hard to make ends meet. However, for Kisumu, as this report indicates, the budget deficit is on a downward trajectory.

Mr. Speaker, it is very important to understand why this is so. Why budget deficits are allowed to occur year in year out? It is followed by accrued pending bills! Mr. Speaker, it is obvious that once we have the budget deficit every financial year, all that is passed in this House, as the Budget Committee do present; all that is appropriated and committed must always meet some challenges. This results into accrued pending bills. For how long will we have this pending bills?

What causes Budget Deficit? Who is in charge of revenue collection? If the issue is with revenue collection, then it should be clear why there is underperformance in almost all these departments. Another key issue that I have noted, Mr. Speaker, is the Underspending on development projects. We do appropriate funds so that development projects are completed. If successfully done, we shall count such as achievement. Why don't you report that you have underspent the little you have accrued?

The report is good Mr. Speaker. However, under these challenges, I believe that, it is very important that we get to understand why these financial reports do reflect budget deficit, year in, year out thus creating accrued pending bills. Again, accrued pending bills are also reported but they report underspending on development projects. Why do they underspend the little that they have?

Lastly, Mr. Speaker, now that we have generated the very little that we have, it takes again another hurdle that disbursement becomes another problem. This disbursement is not only from the National Government. If we talk of under absorption that definitely means that the little we have is not disbursed in time. The report is good but why late disbursement of funds?

Mr. Speaker, it is high time the committee thought of engaging this department further. The report as presented for the FY ending June 30th 2020 is good and I support. Thank you.

The Speaker (Hon. Oraro): Hon. Beatrice Odongo.

Hon. Beatrice Odongo: Thank you Mr. Speaker, Sir. Allow me to support this report and to commend the Chair of Finance Committee. If you look at this report Mr. Speaker, it is a replica of what is happening in this country. If you look at the Development Expenditure vis-a-vis Recurrent Expenditure, you will realize that almost 84 per cent of recurrent has been spent and 54 per cent for development. This means that when we do our budget, we normally do the recurrent to facilitate the development. However, a lot of recurrent activities happen more than development.

Mr. Speaker, first, we are all aware that this may have happened because of the number of employees we have within the county. However, this should not make development budget be underused because these staff are paid to work. When they are working then it means development should go higher to about 90 per cent and not the 54 per cent as indicated in the report.

Mr. Speaker, looking at the recommendations of the committee; I want to say that going forward, we should align our budget according to what we can achieve in terms of Own Source Revenue. If FY 2021/2022 we could only achieve Kshs 800 million; I'm trying to imagine this FY given that COVID -19 has interfered with us, most businesses have been disrupted and I think our estimate was around 1.5 billion. Mr. Speaker, are we really going to achieve this target? It could be even be lower than what we achieve in the last FY! This may eventually affect us in terms of the pending bills in this county.

Mr. Speaker, I want to request this Honourable House that going forward, as you are aware that we are starting the process of a new FY, we should be a bit more realistic so that we do not incur more pending bills. We are all in this county and are aware of what we as a County can achieve. Let us, in our next budget, include a budget of own source revenue which is achievable, attainable, and time-bound. Remember, we know that around December 2021, people will be out for campaigns. Therefore, collecting revenue may be a challenge during that period.

Mr. Speaker we still have the Corona virus with us and we are not sure when it will end. We are not sure of the possibility of instituting of a total lockdown in future. Therefore, we need to do something on the issue of own source revenue.

In addition, in terms of development absorption, I want to request the Chair Implementation Committee; our role is to do oversight, to represent and to legislate. I want to request Implementation Committee to come up and take the authority and ensure that we have a difference

in terms of development by the end of the FY 2020/2021. This will enable us not to see the 54 per cent absorption and have at least 70 per cent absorption in terms of development.

Mr. Speaker, lastly, there was an implementation of revenue that was to be collected from the 'Bodaboda' sub-sector. There was a bill that was passed for the same in this House, but I am not sure whether or not the process is on-going because the sector has also been affected greatly by the Covid-19 pandemic. I really want to request this Assembly through the Finance Committee that we should follow up and help these department to do the revenue collection wherever we can so that we get something to give back to the community as a county. We often claim here in the House that we lack businesses to transact in this House, and if you look at this report, it gives 3 major committees tasks to do; that is the Budget and Appropriations, Finance Committee and Implementation Committee. For us to achieve the 90% Absorption Rate on development that we want, the Committee on Implementation must work closely with the committee on Budget and Appropriations to ensure that what has been passed in this House is implemented. The Committee on Finance must also come out to help the Department of Finance in order to get the revenue required for this county's development agenda. Otherwise, I support the report, thank you.

The Speaker (Hon. Oraro): Yes, Hon. Atieno Atieno.

Hon. Atieno: Thank you Mr. Speaker, I am fully associating myself with this report but there is just one area that caught my attention and would want to add my input to it. This is on the issue of accrued Pending Bills. As was echoed by Hon. Genga, it has become an enterprise because it is only in Kisumu County where we do not have rollover of projects whereas in other counties, the length of projects does not cease at the close of the financial year on the 30th of June.

Mr. Speaker, it was only two years ago when we were told that the money doesn't get remitted back to the National Treasury but when we came here, we were told that at the end of 30th June all the money goes back to the National Treasury. This matter is of great seriousness that this House should look into because as long as we do not have rollover of projects, then the issue of pending bills will keep haunting us.

Mr. Speaker, we have experienced under spending on development of projects despite our revenue being quite dismal and the balance in between can't cause a lot of pending bills, because the money that was supposed to be spent on development is underspent. If development projects were to cost 100% and in this case it's 54%, and the revenue projection is about Kshs. 800 million, there is a leeway hence should not cause a lot of disparity in terms of pending bills. I am not a financial expert but I believe that, there is a miss in this financial report. Something has to be done so that the Executive explains why they do not have a rollover of projects. Consequently, the Opening

Balance should be attached to the developments that were never completed in that particular FY, otherwise thank you.

The Speaker (Hon. Oraro): Yes, Hon. Benny Pete Oiko.

The Leader of Minority (Hon. Oiko): Thank you Mr. Speaker, I want to add my voice to the discussion on the Financial Statements of the County Executive of Kisumu for the FY ended 30th June, 2020.

Mr. Speaker, It is my wish to request your office that if such a document gets to you, members should get the source report before it is brought to the House. Today as we are getting this report, some of us haven't seen the source document. This will help us discuss in depth and confidence of what is being referred. In addition, the report should have reference numbers for easy identification.

Mr. Speaker, among other issues raised by members is the issue on pending bills but I was keen when the Chairperson was reading through it yet I did not hear anything on the Pending Bills. I could have missed it but that is subject of guidance and a major reason why the source document is important. I highly suspect that this report could have been drawn from the County Budget Review Outlook Paper (CBROP). There is a page here in the report talking of Own Source Revenue; that the shortage was Kshs. 634,090,632 million, this was the same deficit in the County Budget Review Outlook Paper (CBROP) report in FY 2019/2020. The deficit was only on own source revenue, but the conditional grants, the exchequer, all came to Kisumu County. However, there is a page here on 'FY 2019/2020, financing as analyzed above are performance in revised revenue target of Kshs. 12,215,958,368 billion against the actual expenditure of Kshs. 9,053,376,663 billion. This means in actual terms that the budget was under financed by Kshs. 3,162,581,705 billion, hence quite worrying as compared to the deficit of Kshs. 634,090,632 million in the County Budget Review Outlook Paper (CBROP) report. If we had read the source document then it could have been easier to challenge or support in confidence, and plead for that consideration next time, thank you.

The Speaker (Hon. Oraro): Yes, Hon. Maurice Otieno Ngeta.

Hon. Ngeta: Thank you Mr. Speaker, I want to dissociate myself with this report. The committee hasn't done a commendable job and if you look at the analysis of the report; Number 2 (ii), scrutiny of the report and financial statements for the period ended 30th June, 2020. This is where the pending bills increased. This report is half baked and copy pasted. If you see the table below, it is not adding up because it is copy pasted. The PFM Act states clearly that any institution or organization must have enough funds to procure before doing so. This is a situation where we have a Finance Committee that cannot go through a report and table a proper report in this House. We

had Kshs 800, 387, 971 allocated for Pending Bills. We need to know the total pending bills paid by this money, the firms paid and the outstanding balances. We cannot allocate almost Kshs 1, 000,000,000 and then they are coming before the House without a proper report. Mr. Speaker, through your chair, I request that the committee to go back and do a proper report and table in this House. Thank you.

The Speaker (Hon. Oraro): Hon. Vitalis Otura, whom do you want to inform?

Hon. Otura: On a Point of Information. Mr. Speaker, It is important to inform Hon. Members that the report before us is for FY ended 30th June, 2020. That is the report which is being discussed. As enumerated by Hon. Maurice Ngeta, I wanted that to come out clearly.

The Speaker (Hon. Oraro): Hon. Ngeta did you talk of another report other than the one ended 30th June, 2020?

Hon. Ngeta: Mr. Speaker, I stated 30th June, 2020 clearly and it is on record. Being that my friend Hon. Otura is a perennial absentee, he is not properly informed...

The Speaker (Hon. Oraro): What is your point of order, Hon. Otura?

Hon. Otura: On a Point of Order. Mr. Speaker, it is very important to be conversant with our Standing Orders. Under Standing Order No. 89 – Statement of facts. Whenever one talks about anything, he must have facts. I want Hon. Ngeta to come clear on how I am a perennial absentee in this House. If not, then he should withdraw and apologize. Thank you.

The Speaker (Hon. Oraro): Hon. Ngeta.

Hon. Ngeta: Mr. Speaker, I have never seen Hon. Otura who is my friend and good neighbor for the last two months. I believe that there is something he is doing rather than coming to the Assembly so that we can be reading on the same page. This report - I have indicated ended June, 2020.

The Speaker (Hon. Oraro): Hon. Ngeta, that is very clear. The concern of Hon. Otura is that you have referred to him as a perennial absentee. I don't know if you keep the register or how did you know he is a perennial absentee?

Hon. Ngeta: Mr. Speaker, I don't keep the register for this Assembly but I normally meet those who have been coming every day. I have just Hon Otura today. I have never seen him for the last two months. I don't want to apologize for what I have confirmed and know.

The Speaker (Hon. Oraro): Hon. Otura, are you satisfied?

Hon. Otura: Mr. Speaker, I believe that this is a House of order. Every member must know that we are guided by the law. If Hon. Ngeta cannot withdraw and apologize, it is incumbent upon the Speaker to give him the number of hours or days he wants so that he present a report on how I am a perennial absentee in this House.

The Speaker (Hon. Oraro): Hon. Ngeta, I can come to the defense of Hon. Otura. He is one of the devoted attendees of House proceedings. So I believe that you need to apologize to him and withdraw.

Hon. Ngeta: Mr. Speaker, it is coming out clear that you are defending absentees. There is no problem...

The Speaker (Hon. Oraro): Hon. Ngeta, Hon. Otura is a regular attendee. It is even easier to count the number of days he has missed – they are less than five. I direct that you withdraw and apologize.

Hon. Ngeta: Mr. Speaker, it is not easy for me to apologize but let me just do so for this House to move on. Thank you.

The Speaker (Hon. Oraro): Hon. Leader of Majority, you were on a point of order.

The Leader of Majority (Hon. Onyango): Thank you, Mr. Speaker. I wanted to stress the need for us to be more serious because we are under live coverage. Our constituents are watching us.

(Applause)

The Leader of Majority (Hon. Onyango): If we make statements that defame our character then that is very damaging and we need to desist from that. Thank you.

The Speaker (Hon. Oraro): Hon. Philemon Ojuok.

Hon. Ojuok: Thank you Mr. Speaker. I wish to support the report. For quite some time, this kind of financial reports have not been coming before this House and I want to commend the committee that the financial reports have started coming.

(Applause)

Mr. Speaker, this is a very important report because it shows us how we are performing especially on matters revenue which are important in running of the county. As a number of members have stated, you will observe a number of gaps appearing as deficits, absorption rate, pending bills. One of the gaps is the pending bills which I expected to feature prominently in the report in terms of the total amount of pending bills, what we attribute them to and the action plan to clear the pending bills. It is only at that level of analysis that we will be able to deal with the issue of pending bills.

Mr. Speaker, I believe that this regime cannot just walk in, pay pending bills and walk out. The people who voted for us cannot accept that. We must strike a balance so that we are able to do certain things and at the same time pay some pending bills. My suggestion is that in the worst case scenario, we don't increase on to our pending bills that were already existing. But I am completely opposed to the idea that we can stop development and deal only with the pending bills. A number of members have observed that the issue of pending bills is giving several committees a lot of work especially Implementation Committee. I want to request this House that the two committees –the Implementation Committee and the PIC/PAC Committee cannot succeed without this House because they step on the toes of several people. Specifically, if it is seen that anytime that you highlight on those things or you want to compel people to deliver, then you are seen as if you are not in support, then that becomes very difficult.

Sometimes I do understand why those committees at times fail to deliver. I therefore just want to request this House that those particular two committees are very important in the running of this County; however they cannot succeed without your support. I would really want to request that this House give support those committees.

Mr. Speaker, I request the Cooperatives, Finance, Trade and Enterprise Development Committee that in their future deliberations, they should find out the reason why the Absorption Rate of Recurrent Budget is so high while the one for Development Budget is so low. One of the things I tend to believe that one of the contributors of that is Contract Management. We are having contract which we do not compel any contractor to finish the job as they are supposed to. In that manner, somebody can walk in, abandon a project and later on still be given more projects. The resultant is that we end up not completing the projects that we were supposed to do.

Mr. Speaker, another thing is the performance in relations to Human Resource issues. Actually it is understandable that our performance in terms of human resource could be wanting. For example, if a government cannot know the number of people they have employed, that implies that it will be very difficult to know their level of performance. I believe that, those are the areas we need to improve on since one of the reasons why our recurrent expenditure is higher is because we are paying people who are just idle and we are just okay with it.

In addition, there are areas that we need to know like the issue of pending bills and workforce in this county, what they are doing and their level of performance. If we improve on these and also tighten the contract management issues, we will no longer have contractors who go to the site and do nothing.

Another contributor to the low absorption on the Development Expenditure is also affecting even the Revenue Collections. Which in turn result to accumulation of more Pending Bills. Go to the

markets and check the level of performance that exists, you will understand. The Kombewa Market in Seme took so long and that brings difficulty when you go there to collect revenue yet you are not providing for the services. That is one of the things that could have led to that. When you go to Pap Onditi Market, the same things applies. It has also taken so many years and sometimes the markets are not well equipped. So, even the revenue collectors find it so difficult to collect revenues in those places.

One of the times I did sought for a Statement and it was committed to the Finance Committee, I also want to say that even during that time, they did not do a good job. I believe that it took the Office of the Auditor General to come here to at least try to push things a bit.

If you go to Korowe Market, it also has issues. In the County Budget Review and Outlook Paper (CBROP) report that we were given here, one of the reasons explaining why they cannot get revenues, is the disruption of business in this particular place. So, the element of coordination of the Government departments is very key. Because one department is disrupting business and another one is collecting the revenues.

Mr. Speaker, I urge all of us to come together without witch-hunting anybody. Even if we are delivering to our people to some extent because, sometimes when you talk to people, they are very desperate and they want people who can deliver. As a House, we are so good and I believe that this House I would rate it so high in terms of the debate and getting to know. In fact, even if the good Professor would let us run those departments as he watches, I know that this county can be able to deliver so that we can hire whom we want and fire whoever is not performing. Those things would go on well.

Once again, let us come together and try to deliver to this particular county. The problems that we have and the only thing that we need is the conviction and insisting that people must deliver. That is all which is required of us, I support.

The Speaker (Hon. Oraro): Hon. Linnet.

Hon. Muga: Thank you very much Mr. Speaker sir. I want to support this report with few observations. This report is an eye opener because it will make us know where we are heading to and where we have come from.

However, the committee understands that Kisumu County faces a number of fiscal challenges. One of the challenges is Budget deficit, Accrued Pending Bills and Underspensing on Development projects. Finally, is the Late Disbursement of Funds by the National Treasury?

Mr. Speaker, on fighting these four issues, we as a House and as a government must know that there is a problem coming...

The Speaker (Hon. Oraro): Hon. Gard Olima, we agreed that we try to put our face mask all the time, covering both the mouth and nose. So, kindly do that.

The Speaker (Hon. Oraro): Hon. Linnet, proceed.

Hon. Muga: In case we do not make fastest move and tighten the gaps, I therefore would request this House to fully support this report and must make sure that the Implementation Committee works as fast as possible so that we get how this gap can be filled with immediate effect.

Time may not allow me sir, but, this is the best report because it shows how our lives is depended in revenue collection in this County. That is because, if do not get a way of filling the gaps, we will be in problems. Thank you very much Mr. Speaker sir and once again I fully support this one.

The Speaker (Hon. Oraro): Hon. Erick Agola. Hon. Judith Ogaga, I have noticed you.

Hon. Agolla: Thank you Mr. Speaker. Allow me also to add my voice on the Financial Statement Report from the Cooperatives, Finance, Trade and Enterprise Development Committee.

Being the first report, I will humble myself to support this. Finance issue touches everyone in this county. When I was going through this report, actually it is a six paged one. Nevertheless, I would expect a much elaborated report because there are many areas which we feel let down in this county when it comes to financial issue. Since we have been yearning to get this kind of report it being the first one, I want to commend the Chairperson and the entire committee for taking their time in doing this report.

Mr. Speaker, as the Chairperson of Implementation Committee, at times my committee has been blamed; at times this County can blame this Assembly and there are four challenging areas that the committee has identified. Those are; the budget deficit and the late disbursement of funds from the National Government etc. but, these two areas cut across and we cannot blame anyone in this County.

As a county, what can we do to enable us move on, is to ensure that the projects and the running of day to day activities of this County do not stop? I want to propose a recommendation to the committee that as an Assembly, the reason why the report is before us is to help advise the Government on how best we can tackle these issues.

Mr. Speaker, I want to commend the office of the CERC Finance through the Public Service Board and the Governor. They recruited new energetic revenue collectors. We expected that this trend would change by a shoot of the local revenue collections.

Mr. Speaker, I am also concerned about the way the projects are being executed and one area of concern is the procurement stage. Mr. Speaker as we speak we are in the month of April and we did the appropriation of the Budget last year in the month of June. To date, some of the projects have not been procured and we are talking of pure execution. So the only office that we must push to the wall is the office of CEC Finance because that is where the procurement officers are reporting so that the procurement process would start in time for the execution of development projects to be done on time because we cannot keep on complaining of late disbursement and yet things are not done. We must do research on and bring to this House is the issue of Opening Balance at the beginning of each closing financial year.

Mr. Speaker, we have been passing budgets with opening balances every financial year. There is no single day that some of the projects that were rolled-over in the financial year are not being implemented with the narrative that the funds that were meant for those projects have been taken back to the National Treasury which is not been the case. Mr. Speaker a good number of projects are stalled in the wards that we represent are incomplete. Some contractors did not even report on site; I have two ECD that is Bara ECD, Mbotto ECD. All these projects and another water project were not implemented and even the contractor did not go on site and there was an appropriation done of a tune of Kshs 10 million. I may ask as a representative of West Kisumu Ward where this money is. Those areas that the Finance committee must fact find and dig dip to bring to us so that we know where these funds are going to.

Without much adore, I want to commend the committee and to stress that the Procurement Department is the only enabling department that can take this County to greater heights. Otherwise I urge the Hon. Members that we adopt the report. Thank you.

The Speaker (Hon. Oraro): Yes Hon. Ogaga.

Hon. Ogaga: Thank you Mr. Speaker. I belong to this committee and I want to appreciate the good job that the committee did. It is a good report that is short, simple and straight forward and when one alleges that it is a report that is not worth being brought before the House then I believe that the person must be having a personal vendetta with Members of this Sectoral Committee.

Mr. Speaker, I want to go straight to our recommendations. I want to say that most of the Members have talked of the Absorption Rate which is very low and I would want to urge the department concerned to dig dip into this and get to know the challenges encountered so that this is handled and would help us improve on this absorption rate. On the other hand, I would also want to urge

our Hon. Members to continue carrying on very strongly in undertaking their oversight role. It is not just about the absorption rate; are we getting value for the tax payers' money and are we getting quality for the job being done by the contractors or those who are in business with the County Government? We should not just be chasing high absorption rates, but, we need to check on the work done. Are they being completed or done half way?

Secondly, is about the Own Source Revenue which is in a very bad state at the moment. It is not a one man's concern but a concern to all of us as Members of this great County of Kisumu. I would like to say that all of us know our culture that has led to this and we also understand the challenges that we have had in the past as a County which have led into this and I want to request the Executive and the Departments concerned that this should be looked into so that we improve on our Own Source Revenue for the survival of our great County of Kisumu. Otherwise, I am so grateful to this committee that we should keep working like this.

The Speaker (Hon. Oraro): Yes Hon. Manuche.

Hon. Manuche: Thank you Mr. Speaker I wish to call the mover to reply.

The Speaker (Hon. Oraro): Hon. Okiri.

Hon. Okiri: Thank you Mr. Speaker and the Hon. Members. I would like to salute all the Members for their robust debate that have been witnessed this afternoon. It has engaged all of us by unequivocally stating that the County Government of Kisumu must move to the right direction.

Mr. Speaker, the aim of this report was to identify gaps and provide solutions and by so doing, it will help the Executive and the Legislative arm of Government on how to improve on our finances. I have heard Members giving their views over this report in a very positive way and this is quite good in a way that we are giving positive report regarding this Financial Statement. Mr. Speaker I have seen and witnessed today that this House can deliver good debates if we leave personal vendetta outside the thought because a Member has just said that Hon. Okiri keeps on giving contradicting reports and he never thought that his day will reach. Most Members were not of that idea and they were doing what is necessary for them in this House.

Mr. Speaker, if I talk about our own source revenue, this is something that we have at least witnessed and seen the disadvantage of not having it in our own way and we promise that the Executive must have a look at it.

On the issue of the pending bills; it is true and actually it should not keep on accruing each and every financial year. We want to find a way to which these pending bills could be settled forthwith. We should actually give a correct projection of our budget because we should consider our own

source revenue. If we give a budget that is not realistic and we know that our collection can not meet our obligations then this will bring about these pending bills.

Lastly, is about Recurrent vis-a-vie Development Expenditure; I believe that we should work according to the law so that we don't let other departments to suffer. I would like to beg this House as it has been said that this is the first report that has ever been witnessed in this House that we support and adopt it so that the implementation takes place. Thank you.

The Speaker (Hon. Oraro): Hon. Members now that the Sectoral Committee on Cooperatives, Finance, Trade and Enterprise Development report on consideration of the Financial Statement on the County Executive of Kisumu for the financial year ending 30th June 2020 has been presented by the Chairperson Hon. Okiri, seconded and debated by Hon. Members. I therefore want to put a question on the adoption of the same?

(Question put and agreed to)

The Speaker (Hon. Oraro): The committee on Cooperatives, Finance, Trade and Enterprise Development report on consideration of the financial statement on the County Executive of Kisumu for the financial year ending 30th June 2020 is hereby adopted with the recommendations therein today 7th April 2021 at 1557 hours.

Further, I direct that the recommendations be conveyed to the relevant department as appropriate for further action.

The Speaker (Hon. Oraro): Next Order!

ADJOURNMENT

The Speaker (Hon. Oraro): There being no any other business to transact, the House stands adjourned to Thursday 08th April 2021 at 2.30 p.m.

(House rose at 3.59 p.m.)

Addendum

Hansard Team

<i>Zablon Otiende</i>	-	<i>Senior Hansard Reporter (In-charge)</i>
<i>Patrick Okoyo</i>	-	<i>Reporter</i>
<i>Edward Odanga</i>	-	<i>Reporter</i>
<i>Jacklyne Otieno</i>	-	<i>Reporter</i>
<i>Fanuel Okode</i>	-	<i>Reporter</i>
<i>Jesca Otieno</i>	-	<i>Reporter</i>
<i>Dennis Ogolla</i>	-	<i>Reporter</i>

