

**VIHIGA COUNTY GOVERNMENT
BUDGET IMPLEMENTATION REVIEW REPORT**

**FOR THE FIRST QUARTER
OF
FY 2022/23**

NOVEMBER, 2022

The County's approved original budget for the FY 2022/23 is Kshs.5.79 billion, comprising Kshs.1.74 billion (30.0 per cent) and Kshs.4.06 billion (70.0 per cent) allocation for development and recurrent programmes respectively. The approved budget estimate is a decline of 0.6 per cent compared to the previous financial year when the approved budget was Kshs.5.83 billion and comprised of Kshs.1.83 billion towards development expenditure and Kshs.4.0 billion for recurrent expenditure.

To finance the budget, the County expects to receive Kshs.5.07 billion (87.5 per cent) as the equitable share of revenue raised nationally and generate Kshs.199.07 million (3.4 per cent) from own source of revenue. The County also expects to receive Kshs.527.95 million (9.1 per cent) as conditional grants as shown in Table 3-213.

Revenue Performance

In the First Quarter of FY 2022/23, the County received Kshs.1.24 billion as the equitable share of the revenue raised nationally, raised Kshs.58.14 million as own-source revenue, and had a cash balance of Kshs.1.52 million from FY 2021/22. The total funds available for budget implementation during the period amounted to Kshs.1.30 billion, as shown in Table 3-213.

Vihiga County, Revenue Performance in the First Quarter of FY 2022/23

S/No.	Revenue Category	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs.)	Actual Receipts as Percentage of Annual Budget Allocation (%)
A.	Equitable Share of Revenue Raised Nationally	5,067,356,827	1,241,502,425	24.5
Sub Total		5,067,356,827	1,241,502,425	24.5
B	Other Sources of Revenue			
1.	Own Source Revenue	199,073,208	58,141,849	29.2
2.	Leasing of Medical Equipment	110,635,074	-	-
3.	Loans and Grants (DANIDA)	13,230,000	-	-
4.	Transforming Health Systems for Universal Care Project-THS-UHC	86,031,471	-	-
5.	National Agriculture And Rural Inclusive Growth Project - NARIGP	198,457,709	-	-

S/No.	Revenue Category	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs.)	Actual Receipts as Percentage of Annual Budget Allocation (%)
6.	Agriculture Sector Development Support Programme - ASDSP II	12,316,175	-	-
7.	Kenya Devolution Support Programme - KDSP 1	45,000,000	-	-
8.	Kenya Urban Support Programme - UDG Grant	54,779,573	-	-
9.	Nutrition International	7,500,000	-	-
10.	Unspent balance from FY 2021/22	-	1,521,115	-
Sub Total		727,023,210	59,662,964	8.2
Grand Total		5,794,380,037	1,301,165,389	22.5

Source: Vihiga County Treasury

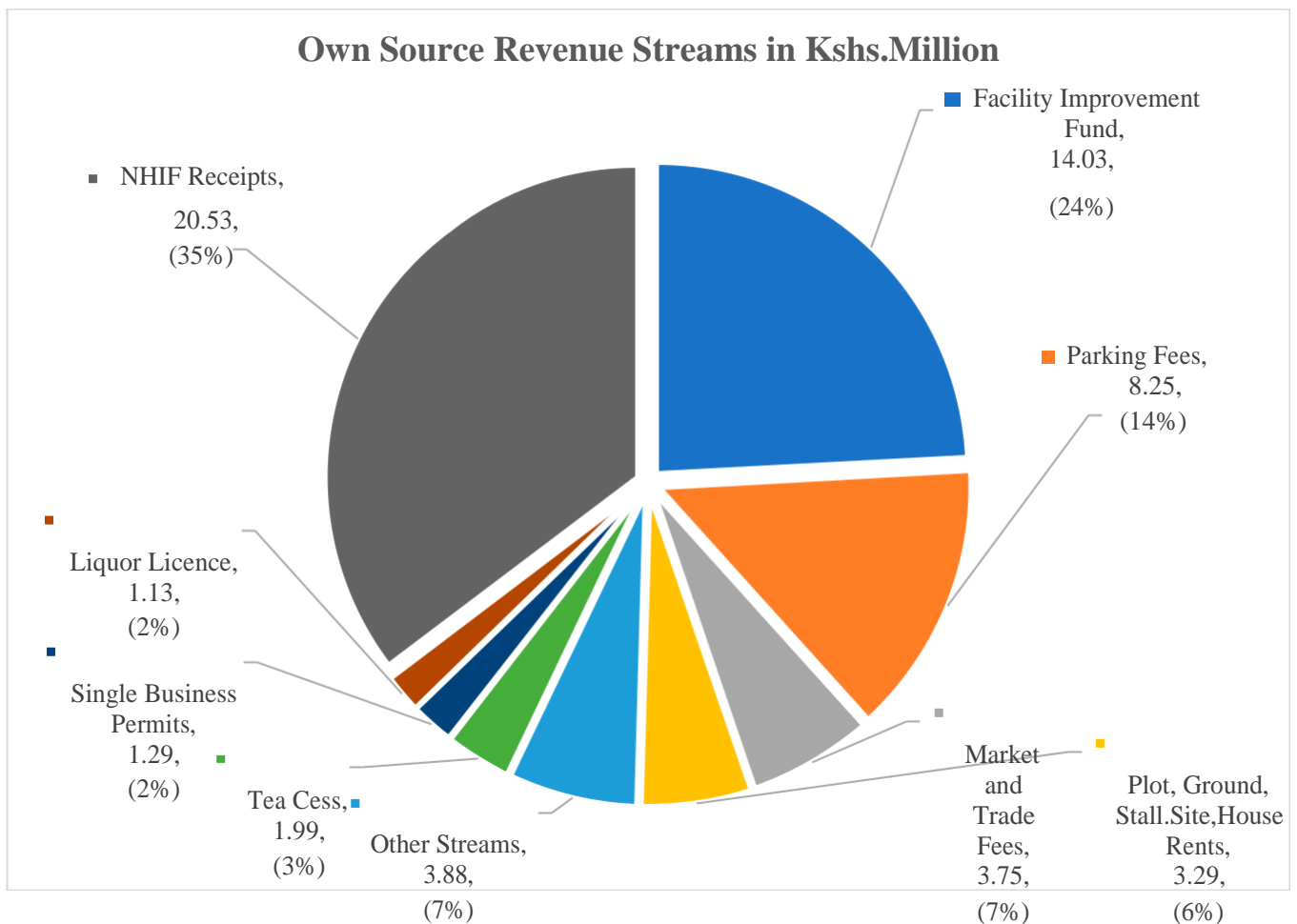
The conditional grants were not released in the First Quarter of FY 2022/23. Figure 3-130 shows the annual trend in own-source revenue collection for the First Quarter from FY 2016/17 to FY 2022/23.

Trend in Own-Source Revenue Collection for the First Quarter of the FY 2016/17 to FY 2022/23

Source: Vihiga County Treasury

In the First Quarter of FY 2022/23, the County generated a total of Kshs.58.14 million (inclusive of Kshs.14.03 million received as AIA) as own-source revenue. This amount represented an increase of 1.1 per cent compared to Kshs.57.44 million realised in a similar period in FY 2021/22 and was 29.2 per cent of the annual target and 4.5 per cent of the received equitable share. The top five revenue streams which contributed the highest OSR are shown in Figure 3-131.

Top Streams of Own Source Revenue in the First Quarter of FY 2022/23



Source: Vihiga County Treasury

The highest revenue stream was from NHIF Receipts of Kshs.20.5 million, which contributed to 35 per cent of the OSR collected in the first quarter of FY 2022/23..

Exchequer Issues

The Controller of Budget approved Kshs.996.082 million in withdrawals from the CRF account during the reporting period. The amount comprised Kshs.106.59 million (11 per cent) for development programmes and Kshs.889.49 million (89 per cent) for recurrent programmes. The exchequer released in the First Quarter of FY 2022/23 comprised Kshs.712.92 million for compensation to employees, Kshs.176.57 million for Operations and Maintenance expenditure and Kshs.106.59 million for development expenditure.

The available cash balance in the County Revenue Fund Account on 30th September 2022 was Kshs.412.87 million.

County Expenditure Review

The County spent Kshs.896.71 million on development and recurrent programmes during the reporting period. This expenditure represented 89.6 per cent of the total funds released by the CoB and comprised Kshs.160.15 million and Kshs.736.56 million on development and recurrent programmes, respectively. Expenditure on development programmes represented an absorption rate of 9.2 per cent while recurrent expenditure represented 18.2 per cent of the annual recurrent expenditure budget.

Settlement of Pending Bills

At the beginning of FY 2022/23, the County reported the stock of pending bills of Kshs.1.25 billion which comprised Kshs.38.16 million for recurrent expenditure and Kshs.868.82 million for development activities. During the period under review, pending bills amounting to Kshs.100.87 million were settled, consisting of Kshs.10.20 million for recurrent expenditure and Kshs.90.67 million for development programmes. The outstanding pending bills as of 30th September 2022 were therefore Kshs.1.15 billion.

Expenditure by Economic Classification

Analysis of expenditure by economic classification indicates that the County Executive spent Kshs.576.35 million on employee compensation, Kshs.115.58 million on operations and maintenance, and Kshs.160.15 million on development activities. Similarly, the County Assembly spent Kshs.39.14 million on employee compensation and Kshs.5.49 million on operations and maintenance, as shown in Table 3-214.

Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Budget (Kshs.)		Expenditure (Kshs)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	3,436,128,783	621,855,167	691,927,654	44,632,162	20.1	7.2
Compensation to Employees	2,200,452,800	350,203,384	576,347,164	39,143,897	26.2	11.2
Operations and Maintenance	1,235,675,980	271,651,783	115,580,490	5,488,265	9.4	2.0
Development Expenditure	1,731,396,090	5,000,000	160,151,515	0	9.2	0.0
Total	5,167,524,873	626,855,167	852,079,169	44,632,162	16.5	7.1

Source: Vihiga County Treasury

3.46.7 Expenditure on Compensation to Employees

Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 sets a limit of the County Government's expenditure on wages and benefits at 35 per cent of the County's total revenue. Expenditure on compensation to employees of Kshs.615.49 million was 47.3 per cent of the period-realised revenue of Kshs.1.30 billion and included Kshs.235.96 million attributable to the health sector, which translated to 38.3 per cent of the total wage bill in the reporting period.

Personnel emoluments amounting to Kshs.454.07 million were processed through the (Integrated Personnel and Payroll Database (IPPD) system, while those paid through manual payroll were Kshs.161.42 million. The manual payroll amounted to 26.2 per cent of the total P.E costs and is caused by delays in the allocation of Unified Payroll Numbers (UPN) to staff, recruitment on designations that do not conform to the scheme of service and the IPPD system, and employment of staff on short term contracts of less than 6 months. The Government policy is that salaries should be processed through the IPPD system and the County is advised to fast-track the acquisition of UPN for their staff.

The County Assembly spent Kshs.480,000 on committee sitting allowances for the 37 MCAs and the Speaker against the annual budget allocation of Kshs.43.8 million which was 1.1 per cent of the total wage bill for the Assembly. The average monthly sitting allowance was Kshs.4,324 per MCA.

3.46.8 County Emergency Fund and County-Established Funds

Section 110 of the PFM Act, 2012 establishes the Emergency Fund while Section 116 of the PFM Act, 2012 allows county governments to establish other public funds with approval from the County Executive Committee and the County Assembly.

The County allocated Kshs.239.19 million to county-established funds in FY 2022/23, which constituted 4.1 per cent of the County's overall budget for the year. Table 3-215 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3-215: Performance of County Established Funds as of 30th September 2022

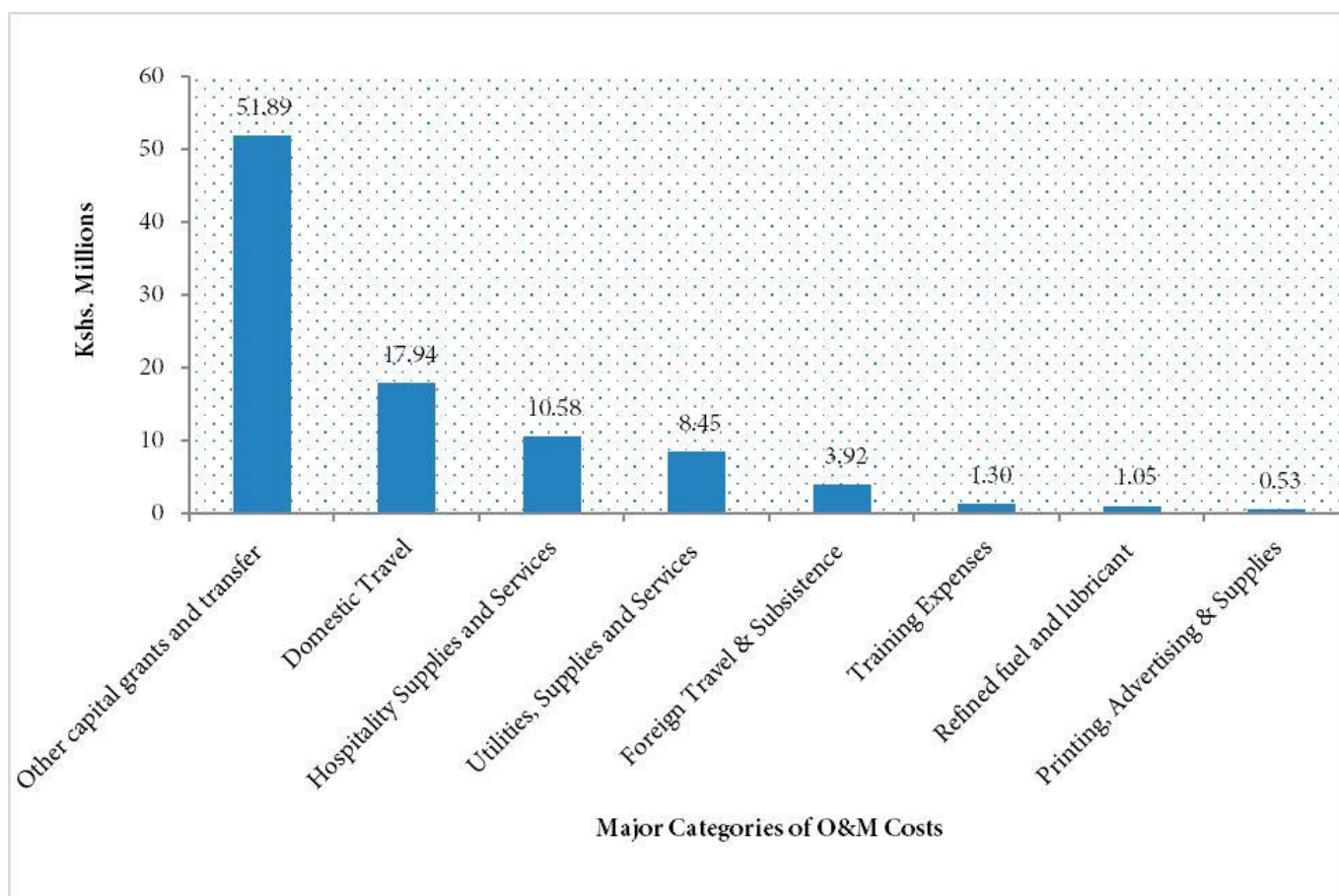
S/No.	Name of the Fund	Approved Budget Allocation in FY 2022/23 (Kshs.)	Exchequer Issues as of 30 th September 2022 (Kshs.)	Actual Expenditure as of 30 th September 2022 (Kshs.)	Submission of Financial Statements as of 30 th September 2022 (Yes/No.)
		A	B	C	D
	Bursary Fund	96,590,746	50,000,000	12,188,053	Yes
	Sports Fund	20,000,000	0	0	No
	Trade and Enterprise Fund	2,000,000	0	0	Yes
	Climate Change Fund	80,000,000	0	18,146,349	Yes
	Facility Improvement Fund (FIF)	40,602,720	14,028,103	18,304,229	Yes
	Total	239,193,466	64,028,103	48,638,631	

Source: Vihiga County Treasury

Expenditure on Operations and Maintenance

Figure 3-132 shows a summary of operations and maintenance expenditure by major categories.

Vihiga County, Operations and Maintenance Expenditure by Major Categories



Source: Vihiga County Treasury

During the period, expenditure on domestic travel amounted to Kshs.17.94 million by the County Executive. Expenditure on foreign travel amounted to Kshs.3.92 million by the County Executive.

Development Expenditure

In the First Quarter of FY 2022/23, the County incurred Kshs.160.15 million on development programmes which was mainly spent on settlement of pending bills.

Budget Performance by Department

Table summarises the approved budget allocation, expenditure and absorption rate by departments in the First Quarter of FY 2022/23.

Vihiga County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries and Co-operatives	207.30	329.07	34.94	80.02	22.52	8.30	64.4	10.4	10.9	2.5
Land, Housing Physical Planning	109.36	165.78	17.60	12.85	5.73	12.85	32.6	100.0	5.2	7.8
Transport and Infrastructure	124.25	160.00	22.49	-	8.99	103.51	40.0	-	7.2	64.7
Industrialization, Trade and Tourism	87.61	59.74	10.86	13.71	10.20	13.71	93.9	100.0	11.6	23.0
County Health Service	1,388.05	228.45	336.40	-	376.27	6.95	111.9	-	27.1	3.0
Education, Science and Technology	449.94	117.60	133.90	-	53.62	-	40.0	0.0	11.9	0.0
Vihiga - County	242.80	17.00	46.03	-	36.08	-	78.4	0.0	14.9	0.0

Executive										
County Assembly	621.96	5.00	1,434.20	-	44.63	-	3.1	0.0	7.2	0.0
County Treasury	247.70	432.87	42.81	-	58.87	14.83	137.5	-	23.8	3.4
County Public Service Board	48.03	-	8.36	-	7.09	-	84.8	0.0	14.8	0.0
Public Service and Administration	268.18	38.30	57.47	-	89.32	-	155.4	0.0	33.3	0.0
Gender, Culture, Youth and Sport	101.01	47.50	13.37	-	3.06	-	22.9	0.0	3.0	0.0
Environment, Natural Resources, Water and Forestry	159.88	137.00	21.84	-	20.17	-	92.4	0.0	12.6	0.0
TOTAL	4,056.07	1,738.31	2,180.27	106.59	736.56	160.15	33.8	150.2	18.2	9.2

Source: Vihiga County Treasury

Analysis of expenditure by department shows that the Department of Transport and Infrastructure recorded the highest absorption rate of development budget at 64.7 per cent, followed by the Department of Industrialization, Trade and Tourism at 23 per cent. The Department of Public Service and Administration had the highest percentage of recurrent expenditure to budget at 33.3 per cent while the Department of Gender, Culture, Youth and Sports had the lowest at 3.0 per cent.

Budget Execution by Programmes and Sub-Programmes

Table 3-217 summarises the budget execution by programmes and sub-programmes in the First Quarter of FY 2022/23.

Vihiga County, Budget Execution by Programmes and Sub-Programmes

Programme	Sub-Programme	Approved Estimates FY 2022/23 (Kshs.)	Actual Expenditure Q1 FY 2022/23 (Kshs.)	Variance (Kshs.)	Absorption Rate (%)
		A	B	C=A-B	D=B/A*100
Administration, Planning and Support of Service		306,242,495	91,596,607	214,645,888	29.9
	Administrative Service	288,492,495	91,596,607	196,895,888	31.8
	Research and Development	9,750,000	0	9,750,000	0.0
	Formulation of Policies, Regulations and Legal Framework	8,000,000	0	8,000,000	0.0
Livestock Development and Management		18,300,000	516,958	17,783,042	2.8
	Veterinary Services and Extension	11,425,000	516,958	10,908,042	4.5
	Livestock Extension	6,875,000	0	6,875,000	0.0
Fisheries Development and Management	Promotion of Fish Farming	9,275,000	100,000	9,175,000	1.1
		9,275,000	100,000	9,175,000	1.1
Crop Development and Management	Crop Extension	12,925,000	0	12,925,000	0.0
		3,175,000	0	3,175,000	0.0
	Farm Input Subsidy	9,750,000	0	9,750,000	0.0
Cooperatives Development	Cooperative Development Services	16,825,000	19,867	16,805,133	0.1
		16,825,000	19,867	16,805,133	0.1
Land Survey and Mapping Services	Land Survey and Mapping	2,500,000	0	2,500,000	0.0
		2,500,000	0	2,500,000	0.0
Urban and Physical Planning and Housing Services	Urban and Physical Planning	43,440,030	1,262,400	42,177,630	2.9
		2,000,000	750,000	1,250,000	37.5
	Vihiga Municipality	41,440,030	512,400	40,927,630	1.2

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Administration, Planning and Support Service	Administrative Service	233,724,814	79,485,212	154,239,601	34.0
		233,724,814	79,485,212	154,239,601	34.0
Transport Management	Transport System Management	12,055,200	0	12,055,200	0.0
		12,055,200	0	12,055,200	0.0
Infrastructure Development	Roads Maintenance	400,000	0	400,000	0.0
		400,000	0	400,000	0.0
Administration, Planning and Support Service	Administrative Service	60,423,542	17,688,532	42,735,010	29.3
		60,423,542	17,688,532	42,735,010	29.3
Public Finance Management	ICT Printing press	6,621,506	0	6,621,506	0.0
		6,621,506	0	6,621,506	0.0
Trade Development and Investment	Market Development and Management	13,850,000	2,250,000	11,600,000	16.2
		12,350,000	2,250,000	10,100,000	18.2
	Business Support and Consumer Protection	1,500,000	0	1,500,000	0.0
Tourism Development	Tourism Promotion and Branding	1,000,000	0	1,000,000	0.0
		1,000,000	0	1,000,000	0.0

Programme	Sub-Programme	Approved Estimates FY 2022/23 (Kshs.)	Actual Expenditure Q1 FY 2022/23 (Kshs.)	Variance (Kshs.)	Absorption Rate (%s)
		A	B	C=A-B	D=B/A*100
Administration, Planning and Support Services	Administrative Service	765,869,127	404,251,716	361,617,411	52.8
		187,826,911	7,926,956	179,899,955	4.2
	Human Resource Management and Development	571,177,216	396,146,760	175,030,456	69.4
	Healthcare Financing	6,865,000	178,000	6,687,000	2.6
Promotive and Preventive Healthcare Services		4,670,000	0	4,670,000	0.0
	Public Health Services	2,060,000	0	2,060,000	0.0
	Community Health Strategy	1,000,000	0	1,000,000	0.0
	Health Promotion	250,000	0	250,000	0.0
	Reproductive Healthcare	1,350,000	0	1,350,000	0.0
	Disease Surveillance and Emergency	10,000	0	10,000	0.0
Curative and Rehabilitative Health Services		29,650,000	0	29,650,000	0.0
	Medical services	29,400,000	0	29,400,000	0.0
	County referral services	250,000	0	250,000	0.0
Child and Maternal Health Care		8,060,000	995,000	7,065,000	12.3
	Antenatal and Post Natal healthcare	1,300,000	0	1,300,000	0.0
	Antenatal and Post Natal Healthcare	5,260,000	995,000	4,265,000	18.9
	Newborn, Child and Adolescent Health	250,000	0	250,000	0.0
	Nutrition Services	1,250,000	0	1,250,000	0.0
Administration, Planning and Support Service		85,065,873	3,830,210	81,235,663	4.5
	Administrative Service	85,065,873	3,830,210	81,235,663	4.5
Vocational Education and Training		72,797,046	593,100	72,203,946	0.8
	Youth Polytechnic Development	72,797,046	593,100	72,203,946	0.8
Early Childhood Development		125,907,607	31,441,289	94,466,318	25.0
	ECD Development	125,907,607	31,441,289	94,466,318	25.0
Administration, Planning and Support of Service		583,472,878	240,749,141	342,723,737	41.3
	Administrative Service	564,930,541	239,907,986	325,022,555	42.5
	County Administration	7,273,767	841,155	6,432,612	11.6
	County Radio Information Services	11,268,570	0	11,268,570	0.0
Coordination of Policy Formulation Implementation of Vision 2030		2,500,000	0	2,500,000	0.0
	Emergency & Disaster Fund	2,500,000	0	2,500,000	0.0

Programme	Sub-Programme	Approved Estimates FY 2022/23 (Kshs.)	Actual Expen- diture Q1 FY 2022/23 (Kshs.)	Variance (Kshs.)	Absorption Rate (%)
		A	B	C=A-B	D=B/A*100
Public Finance Management		61,658,750	3,488,620	58,170,130	5.7
	Public Finance Manage- ment	45,376,250	135,200	45,241,050	0.3
	Accounting Services	1,400,000	0	1,400,000	0.0
	Audit Services	4,022,500	1,222,000	2,800,500	30.4
	Budget Formulation Coordination	3,650,000	833,000	2,817,000	22.8
	Resource Mobilization	2,105,000	459,500	1,645,500	21.8
	Budget Expenditure Management	5,105,000	838,920	4,266,080	16.4
County Planning Services		5,825,000	0	5,825,000	0.0
	Monitoring and Evalu- ation	2,275,000	0	2,275,000	0.0
	Coordination of Policy Formulation and Plans	3,550,000	0	3,550,000	0.0
Management and Administration of County Services		36,738,052	2,438,730	34,299,322	6.6
	County Executive	17,053,052	2,288,730	14,764,322	13.4
	County Secretary	11,335,000	150,000	11,185,000	1.3
	Legal Services	8,350,000	0	8,350,000	0.0
Administration, Planning and Support Service		28,056,852	2,131,241	25,925,611	7.6
	Administrative Service	28,056,852	2,131,241	25,925,611	7.6
Promotion of Sports		40,800,000	0	40,800,000	0.0
	Promotion of Sports	28,075,000	0	28,075,000	0.0
	Promotion of Culture and Heritage	12,725,000	0	12,725,000	0.0
Social Protection		5,400,000	239,000	5,161,000	4.4
	Social Protection	2,750,000	0	2,750,000	0.0
	Gender, Children, Youth and People with Disability	2,650,000	239,000	2,411,000	9.0
Administration, Planning and Support Service		77,941,969	16,373,708	61,568,261	21.0
	Administrative Service	77,941,969	16,373,708	61,568,261	21.0
		50,832,500	260,000	50,572,500	0.5
Water Supply Management	Water Supply Manage- ment	30,520,000	120,000	30,400,000	0.4
	Waste Water Manage- ment	20,312,500	140,000	20,172,500	0.7
Environmental Protection and Conservation		7,397,500	0	7,397,500	0.0
	Environmental Protec- tion and Conservation	7,397,500	0	7,397,500	0.0
1005004860		14,370,000	0	14,370,000	0.0
	Farm Forest Manage- ment	5,072,500	0	5,072,500	0.0
	Natural Resources man- agement	9,297,500	0	9,297,500	0.0
	Grand Total	2,744,595,739	899,711,331	1,844,884,408	32.8

Source: Vihiga County Treasury

Sub-programmes with the highest levels of implementation based on absorption rates other than administrative services were: Human Resource Management and Development at 69.4 per cent, Audit Services at 30.4 per cent,

and ECD Development at 25 per cent of budget allocation. The report on budget execution by programmes and sub-programmes is based on the half budget which was opened in IFMIS for utilization and excluded the County Assembly.

Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the OCOB identified the following challenges which hampered effective budget implementation;

1. Weak budgeting practice as shown in Table 3-216, where the County incurred expenditure over approved exchequer issues in a number of departments.
2. High level of pending bills which amounted to Kshs.1.15 billion as of 30th September 2022. This is despite the availability of cash in the CRF which stood at Kshs.412.87 million at the end of the First Quarter of FY 2022/23.
3. Use of manual payroll. Personnel emoluments amounting to Kshs.161.42 million were processed through the manual payroll and accounted for 26.2 per cent of the total payroll cost. The manual payroll is prone to abuse and may lead to the loss of public funds where there is a lack of proper controls.

The County should implement the following recommendations to improve budget execution;

1. *The County Treasury should improve the Vote book and budgetary control to ensure that expenditure is within the approved budget. Further, all revenues should be banked in the CRF according to Section 109 (2) of the PFM Act, 2012.*
2. *The County leadership should take charge of the worsening pending bills situation to ensure genuine bills are paid without delay in the remaining period of the financial year.*
3. *The Government policy is that salaries should be processed through the IPPD system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate the engagement of staff on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Further, there should be strict compliance with the approved staff establishment.*