REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

COUNTY GOVERNMENTS

ANNUAL BUDGET IMPLEMENTATION REVIEW REPORT

FY 2013/2014

August, 2014

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PREFACE

The Constitution, and the Public Finance Management Act (PFMA), 2012 outline the principles and framework for public finance management by all government entities. The principles of public finance are outlined in Article 201 of the Constitution and include requirements for: i) openness and accountability, including public participation in financial matters, ii) the public finance system shall promote an equitable society, iii) the burden and benefits of the use of resources and public borrowing to be shared equitably between present and future generations, iii) public money shall be used in a prudent and responsible way, and iv) there shall be clarity in fiscal reporting and responsible financial management. These constitutional principles are further expounded under Section 107 of the PFMA, 2012.

In order to ensure adherence to the principles of public finance by public entities, the Constitution established oversight institutions that include Parliament, the Auditor General, the Controller of Budget, County Assemblies, among others. The oversight role of the Controller of Budget is derived from Article 228 (4) of the Constitution which states ***"the Controller of Budget shall oversee the implementation of the budgets of the national and county governments by authorizing withdrawals from public funds under Articles 204, 206 and 207".*** Further, Article 228 (6) requires the Controller of Budget to submit to each House of Parliament a report on the implementation of budgets of the National and County Governments every four months.

This Budget Implementation Report (BIRR) is prepared to meet requirements of Article 228 (6) of the Constitution. The report covers the Financial Year (FY) 2013/14 and provides status on budget implementation by County Governments during the year. It highlights the status of budget execution by County Governments and compares performance against budgeted revenue and expenditure for the period under review. The report is largely based on analysis of expenditure reports by County Governments which are corroborated by data on expenditure generated from the Integrated Financial Management Information System (IFMIS). It is also informed by continuous monitoring of exchequer issues and reviews by the Office of the Controller of Budget (OCOB).

The report indicates that the last quarter of FY 2013/14 witnessed better performance in budget execution by the Counties. Absorption of funds improved from **Kshs.86.7 billion (32.2 per cent)** during the third quarter to **Kshs.169.4 billion (64.9 per cent)** at year end. **Recurrent expenditure recorded the highest absorption rate at 82.7 per**

cent while development expenditure stood at 36.4 per cent in FY 2013/14. The report also presents the overall progress in budget implementation by County Governments. It identifies the challenges faced by County Governments in budget implementation and also makes recommendations that will enhance budget implementation.

Information provided in this report is useful to many stakeholders including policy makers, legislators, analysts, practitioners, and the general public. While successful budget implementation depends on a number of factors, public participation and budget monitoring remain crucial principles in the budget execution process. It is our hope that this report will generate interest and participation by the public and other stakeholders in monitoring County Government budget implementation. I urge all readers to constructively engage County Governments in discussions and debate which will improve budget execution, monitoring, quality assurance, and in the long run guarantee value for public funds.

Mrs. Agnes Odhiambo

Controller of Budget

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ACRONYMS

A.I.A	Appropriations In Aid
BQ	Bills of Quantities
BROP	Budget Review and Outlook Paper
CA	County Assembly
CBEF	County Budget and Economic Forum
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CEC	County Executive Committee.
CECM-F	County Executive Committee Member for Finance
CILOR	Contribution In Lieu Of Rates
COB	Controller of Budget
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
E-Gov	Electronic Governance
G-PAY	Government Payment System
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
IBEC	Intergovernmental Budget and Economic Council
LAIFORM	Local Authority Integrated Financial Operations Management System
LATF	Local Authority Transfer Fund
MCA	Member of County Assembly
MTEF	Medium Term Expenditure Framework
O&M	Operations and Maintenance
OCOB	Office of the Controller of Budget
P/E	Personnel Emoluments
PFM Act	Public Finance Management Act
SMEs	Small and Medium Enterprises

EXECUTIVE SUMMARY

This is the first annual Budget Implementation Review Report by the Office of the Controller of Budget (OCOB) since the establishment of County Governments in March 2013. The report covers the period, July 2013 to June 2014. It presents key highlights on budget implementation for each of the 47 County Governments. Specifically, the report presents revenue and expenditure performance and identifies the key challenges encountered by County Governments in budget implementation during the period under review. The report also makes appropriate recommendations aimed at addressing the challenges to enhance effectiveness in budget execution.

In FY 2013/14, the aggregate budget for the 47 County governments was Kshs.261.1 billion, comprising of Kshs.160.6 billion or 61.5 per cent in as recurrent expenditure allocation and Kshs.100.4 billion or 38.5 per cent in as development expenditure allocation. The combined budget was to be financed by Kshs.190 billion as the national equitable share of revenue and Kshs.20 billion as conditional grant from the National Government, and Kshs.54.2 billion from local revenue sources.

During the period under review, a total of Kshs.193.4 billion was released to County Governments by the National Government while the aggregate local revenue was Kshs.26.3 billion. An additional Kshs.4.3 billion was available as balance brought forward from FY 2012/13. Cumulatively, a total of Kshs.224.2 billion was available to County Governments in FY 2013/14.

In FY 2013/14, the Office of the Controller of Budget released Kshs.174.4 billion to the 47 County Governments operational accounts. Aggregate expenditure amounted to Kshs.169.4 billion or 97 per cent of the total exchequer releases. Expenditures consisted of Kshs.132.8 billion or 78.4 per cent as recurrent expenditure and Kshs.36.6 billion or 21.6 per cent as development expenditure. A considerable portion of this expenditure was recorded in the fourth quarter of the year. This is because County Governments were establishing structures during the first half of the year.

Expenditure performance shows an overall **absorption rate was 64.9 per cent. Recurrent expenditure recorded an absorption rate of 82.7 per cent while development expenditure was 36.4 per cent.**

Nyeri County attained the highest overall absorption rate at 93.9 per cent of the annual budget followed by Bomet and Nyandarua counties which recorded absorption rates of 93.5 per cent and 85.3 per cent. Those Counties with lowest absorption rates were Tana River (41.3 per cent) Turkana (41.9 per cent), and Lamu (44.2 per cent).

During the FY 2013/14, budget implementation by County Governments was faced with various challenges. These included; failure to fully implement IFMIS by some County Governments, low absorption of development funds, inadequate capacity in most functional areas, and failure to submit financial reports on a timely basis. It was also noted that total expenditure for Nairobi City and Tharaka Nithi Counties exceeded funds released by OCOB, a matter that had been raised in previous reports. The OCOB recommends full adoption of IFMIS by all County Governments, and timely submission of financial returns to enhance budget monitoring and reporting. County Governments should also prioritise and implement development activities to enhance absorption.

KEY HIGHLIGHTS

FY 2013-2014 Overall Expenditure Absorption Rate Per County

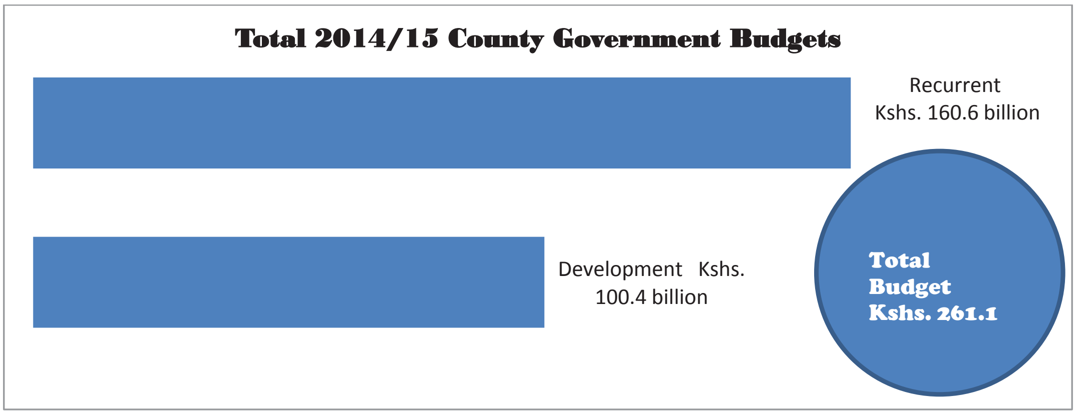
KEY

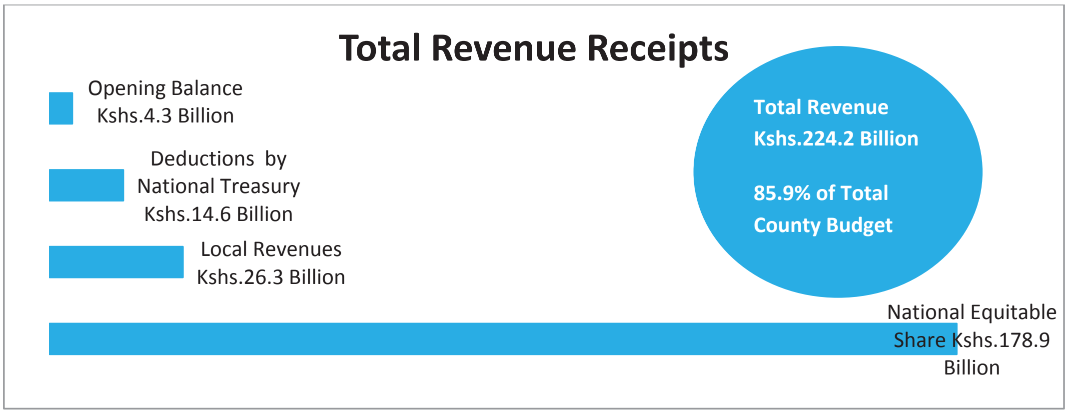
ABSORPTION RATES

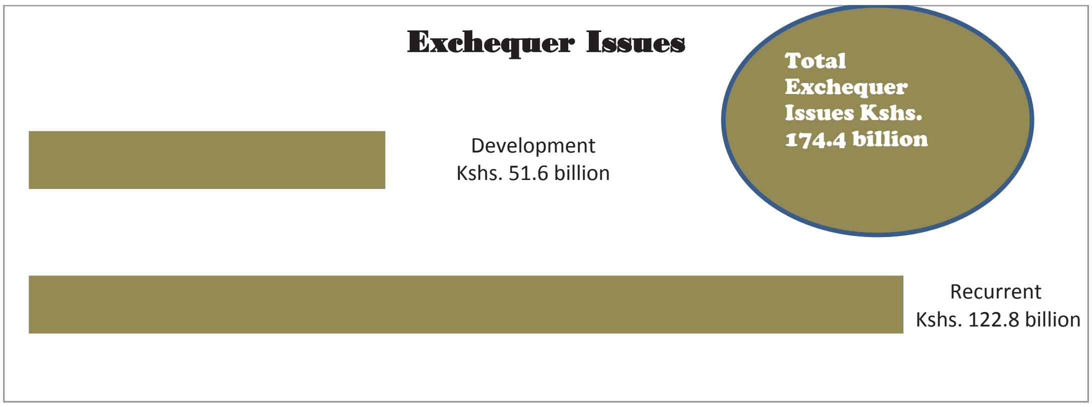
- **≤50**
- **51 - 60**
- **61 - 70**
- **71 - 80**

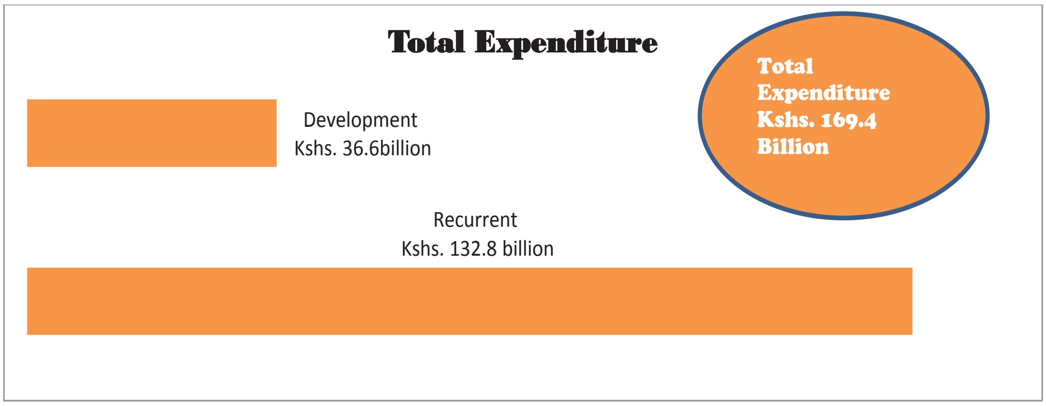
NOTE:
Absorption rate is actual expenditure as a percentage of approved budget.

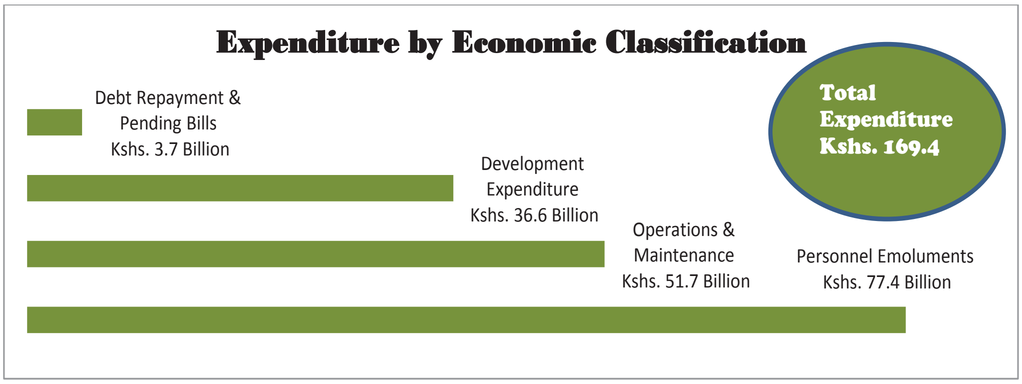
Source: [Office of the Controller of Budget]

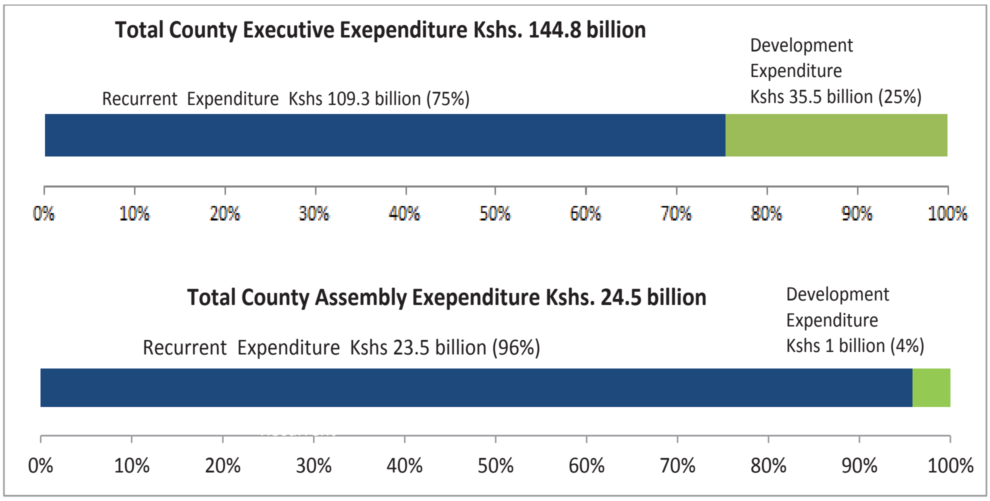

Total 2014/15 County Government Budgets
Recurrent Kshs. 160.6 billion
Development Kshs. 100.4 billion
Total Budget Kshs. 261.1


Total Revenue Receipts
Opening Balance Kshs.4.3 Billion
Deductions by National Treasury Kshs.14.6 Billion
Local Revenues Kshs.26.3 Billion
National Equitable Share Kshs.178.9 Billion
Total Revenue Kshs.224.2 Billion
85.9% of Total County Budget


Exchequer Issues
Development Kshs. 51.6 billion
Recurrent Kshs. 122.8 billion
Total Exchequer Issues Kshs. 174.4 billion


Total Expenditure
Total Expenditure Kshs. 169.4 Billion
Development Kshs. 36.6billion
Recurrent Kshs. 132.8 billion


Expenditure by Economic Classification
Total Expenditure Kshs. 169.4
Debt Repayment & Pending Bills Kshs. 3.7 Billion
Development Expenditure Kshs. 36.6 Billion
Operations & Maintenance Kshs. 51.7 Billion
Personnel Emoluments Kshs. 77.4 Billion


Total County Executive Expenditure Kshs. 144.8 billion
Recurrent Expenditure Kshs 109.3 billion (75%)
Development Expenditure Kshs 35.5 billion (25%)
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
Total County Assembly Exependiture Kshs. 24.5 billion
Recurrent Expenditure Kshs 23.5 billion (96%)
Development Expenditure Kshs 1 billion (4%)
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

1.0 INTRODUCTION

This Budget Implementation Review Report is prepared in conformity with Article 228 (4) and 228 (6) of the Constitution that require the OCOB to oversee and report on the implementation of the budgets of both the National and County Governments. It is the first annual report since the establishment of County Governments in March 2013 and covers the period, July 2013 to June 2014.

The report presents revenue and expenditure performance by the Counties. Revenue is disaggregated by source while expenditure is analyzed by both economic classification and Individual County. It also highlights County Government activities for the period July 2013 to June 2014 and seeks to objectively review budget implementation across Counties by highlighting performance of revenues, transfers received from the National Government and actual expenditure. Key issues that affected budget implementation during the period are identified and appropriate recommendations are made on how the issues can be addressed in order to enhance effectiveness in budget execution.

This report is based on analysis and aggregation of individual financial reports submitted by County Governments containing: (i) revenue, (ii) expenditure analysis by economic classification, and (iii) development activities during the period under review. Financial reports have been analyzed in line with the Public Finance Management (PFM) framework as broadly outlined in Chapter 12 of the Constitution and the Public Finance Management Act, 2012. This framework requires among other principles, the prudent and responsible use of public funds, and public participation.

This report differs from previous reports by providing a summary of development projects. It also highlights challenges faced by individual County Governments in budget implementation and makes recommendations. Some of the challenges identified in previous reports continue to impede budget implementation such as persistent underperformance in local revenue collection.

The report is organized into five chapters, Chapter one offers the introduction. The main body of the report begins in chapter two where aggregate Counties performance in budget implementation is assessed against the actual revenue and expenditure. Revenue is compared to targets while expenditure is analyzed by the following main cost categories: (i) Compensation to employees, (ii) Operations and Maintenance, (iii) Debt repayment, and (iv) Development expenditure. In order to ascertain whether there is prudence in public spending, the report further disaggregates expenditure into key line items such as travel costs, conferences and hospitality costs, training, allowances for County Assembly Members among other expenditure on non-core activities.

Chapter three provides an abridged summary of each county report for the period under review. It provides highlights on revenue and the main expenditure items such as compensation to employees, operations and maintenance, debt repayment and development against approved budgets and exchequer issues. The key issues faced in budget execution by each county are identified and appropriate recommendations are provided.

The major issues and challenges that affected Counties in budget implementation are summarized in chapter four with detailed recommendations aimed at enhancing future budget execution. Key issues identified in this report include: intermittent use of IFMIS and manual systems, underperformance in local revenue collection, delayed and unpredictable disbursement of grants by the National Government, delay in submission of expenditure reports, failure to deposit all local revenue into the County Revenue Fund (CRF), inadequate staffing and staff capacity, and high expenditure on domestic and foreign travel. The conclusion is offered in chapter five.

2.0 FINANCIAL ANALYSIS OF COUNTY BUDGET IMPLEMENTATION

2.1 Revenue Analysis

During the FY 2013/14, County Governments budgeted to spend Kshs.261.1 billion which comprised of Kshs.160.6 billion (61.5 per cent) in recurrent expenditure and Kshs.100.4 billion (38.5 per cent) in development expenditure. This expenditure was to be financed by Kshs.190 billion as the national equitable share of revenue, conditional grants of Kshs.20 billion from the National Government, and local revenues amounting to Kshs.54.2 billion.

During the twelve months under review, the total revenue available by the Counties amounted to Kshs.224 billion comprising of Kshs.193.4 billion or 86.3 per cent from the national shareable revenue, Kshs.26.3 billion or 11.7 per cent from local revenue sources and Kshs.4.3 billion or 1.9per cent as balance brought forward from the FY 2013/14. (See Annex 1)

2.1.1 Transfers from the National Government

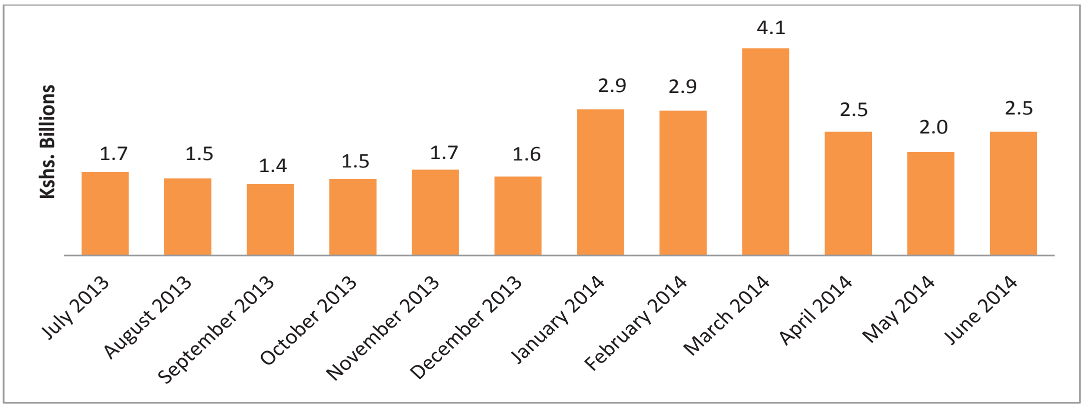
The County Allocation of Revenue Act, 2013 outlined the equitable sharing of revenue raised by the National Government. It provided County Governments with both conditional and unconditional grants in line with Article 201 (2) of the Constitution. A total of Kshs.190 billion was shared as unconditional grant while Kshs.20 billion was shared as conditional grant consisting of kshs.3.4 billion for level 5 hospitals, and Kshs.16.6 for on-going projects.

Actual transfers to County Governments amounted to Kshs.193.4 billion. This consisted of the unconditional grant of Kshs.190 billion and the conditional grant to level 5 hospitals of Kshs.3.4 billion.

2.1.2 Locally Generated Revenue

During the period under review, County Governments generated an aggregate of Kshs.26.3 billion in local revenue, accounting for 48.5 per cent of the annual target. Figure 1 shows the month-by month trend in aggregate local revenue collection. It indicates that local revenue collection peaked in March 2014 due to renewal of single business permits. The least revenue was collected in September, 2013.

Figure 1: Aggregate Monthly Local Revenue – July2013 to June, 2014



Source: *County Treasuries*

Quarterly analysis indicates that revenue collection peaked in the third quarter, but declined during the fourth quarter of the FY 2013/14 where Kshs. 7 billion was raised compared to Kshs.9.9 billion collected during the third quarter. This decline is attributed to reduced collection of revenue from single business permits (SBP) which are mostly renewed in the third quarter of the financial year.

Analysis of local revenue collection by counties as a proportion of the annual target shows that four counties, namely: West Pokot, Kericho, Marsabit and Tharaka Nithi exceeded their annual targets by raising 155 per cent, 109.7 per cent, 104.6 per cent, and 101.6 per cent respectively. Bungoma County raised the lowest revenue as a proportion of the annual local revenue target, which stood at only 6.6 per cent. Kakamega and Mandera counties achieved 11.6 per cent at 20.6 per cent respectively. A total of forty three counties did not meet their local revenue target for the year.

2.2 Funds Released to the Counties

The National Treasury transferred Kshs.193.4 billion from the Consolidated Fund to the Counties. This amount consisted of Kshs.178.9 billion that was transferred from the Consolidated Fund to the various County Government Revenue Funds and Kshs.14.6 billion that was netted off by the National Government. The amount was to offset salaries paid by the National Government on behalf of Counties.

The Controller of Budget approved aggregate transfers from the County Revenue Funds of Kshs.174.4 billion to the County Operational Accounts. A detailed analysis of the funds released to counties is discussed in the following Section 2.2.1.

2.2.1 Funds Released to the Counties from the Consolidated Fund

During FY 2013/14, the counties were expected to receive Kshs.190 billion as the national equitable share of revenue and Kshs.3.4 billion as conditional grant for level 5 hospitals. These funds were to be disbursed on a monthly basis as per the cash disbursement schedule approved by the Senate.

In appreciating that County Governments were in a formative stage and lacked capacity to fully operate, the Intergovernmental Budget and Economic Council (IBEC) recommended that the National Government pays salaries to staff performing devolved functions in the first half of 2013/14. This amount was to be fully refunded by County Governments during the year. By December 2013, the National Government had paid out a total of Kshs.24.2 billion in salaries to staff performing devolved functions.

While IBEC had recommended that County Governments reimburse salary costs upon receipt of invoice from the National Treasury, a number of Counties did not comply with this recommendation. By April 2014, Counties had repaid only Kshs.9.6 billion to the National Government. This prompted the National Treasury to deduct the balance of Kshs. 14.6 billion from the funds that were to be disbursed to Counties in May 2014.

During FY 2013/14, there was significant delay in the disbursement of funds by the National Treasury to County Revenue Funds. The County Allocation of Revenue Act (CARA), 2013 required that disbursement of funds be made by fifteenth of each month. Delay in release of funds partly contributed to the low absorption of funds by the counties.

Analysis of the funds released from the Consolidated Fund to the County Revenue Funds shows that Nairobi City County received the highest amount at Kshs. 9.5 billion followed by Turkana at Kshs.7.7 billion and Kakamega at Kshs.6.8 billion. The Counties that received the lowest amount were Lamu at Kshs. 1.5 billion, Isiolo at Kshs.2.2 billion and Tharaka Nithi at Kshs. 2.3 billion.

2.2.2 Funds Released to the County Operations Accounts

In the period under review, the COB approved release of Kshs.174.4 billion from various County Revenue Funds to the respective county operational accounts. The funds released included Kshs.122.1 billion for recurrent expenditure, Kshs. 51.6 billion for development expenditure and Kshs.624.8 million as conditional grant to support level 5 hospitals.

The Counties that received the highest amounts from their County Revenue Funds to their operational accounts were Nairobi City at Kshs.9.6 billion, Kakamega at Kshs.6.7 billion and Kiambu at Kshs.6.6 billion. Those that received the least funds from their operational accounts were Lamu, Tharaka Nithi, and Taita Taveta at Kshs.998.6 million, Kshs.1.8 billion and Kshs.2.1billion respectively.

2.3 Expenditure Analysis

Aggregate expenditure for the twelve months by the County Governments amounted to Kshs.169.4 billion which comprised of Kshs.132.8 billion **(78.4 per cent) for recurrent expenditure** and **Kshs.36.6 billion (21.6 per cent) for development expenditure**. The total expenditure by counties was **89.5 per cent of the funds released** and represents an **absorption rate of 64.9 per cent of the total annual county budgets**. Recurrent expenditure during the period under review represented 96.5 per cent of the funds released for recurrent activities while development expenditure represented 70.8 per cent of funds released for development projects. The expenditure **absorption rate weas 82.7 percent for recurrent expenditure and 36.4 for development expenditure.**

Analysis of expenditures by quarters indicates that there was a considerable increase in expenditure during the fourth quarter of the financial year where Kshs.82.6 billion was spent compared to Kshs.12.8 billion, Kshs.28.9 billion and 45.1 billion spent during the first, second and third quarters respectively.

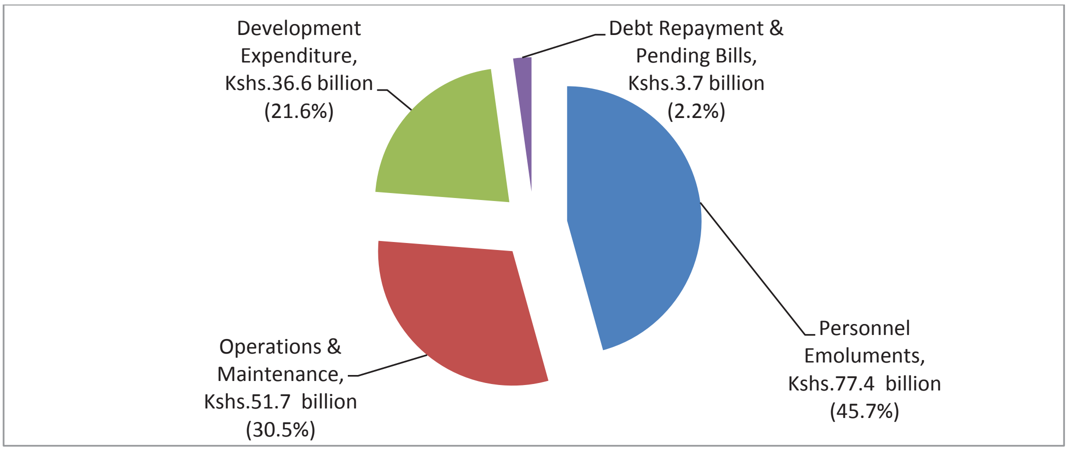
The counties that achieved the highest total expenditures were Nairobi City, Kiambu, and Machakos at Kshs.17.8 billion, Kshs.6.7 billion, and Kshs.6.1 billion respectively. Lamu, Tana River and Elgeyo Marakwet counties had the lowest expenditure at Kshs.729 million, Kshs.1.3 billion and Kshs.1.7 billion respectively.

During the period under review, the counties that recorded the highest expenditure as a proportion of funds released were Nairobi City at 168.7 per cent, Tharaka Nithi at 102 per cent and Nyeri at 98.5 per cent. Expenditure by the Nairobi City and Tharaka Nithi Counties exceeded the total funds released during the period under review. On the other hand, Tana River, Uasin Gishu and Lamu counties recorded the lowest expenditure as a proportion of funds released at 48 per cent, 61.6 per cent and 66.4 per cent respectively. (See Annex 3)

Analysis of the expenditure by the counties shows that Nyeri County had the highest absorption rate at 93.9 per cent of the annual budget followed by Bomet and Nyandarua counties at 93.5 per cent and 85.3 per cent. Tana River (41.3 per cent), Turkana (41.9 per cent), and Lamu (44.2 per cent) recorded the least absorption rates. (See Annex 3)

Analysis of the expenditure by economic classification indicates that counties spent Kshs.77.4 billion (45.7 per cent) on personnel emoluments, Kshs.51.7 billion (30.5 per cent) on operations and maintenance, Kshs.36.6 billion (21.6 per cent) on development and Kshs.3.7 billion (2.2 per cent) on debt repayment and pending bills. A detailed analysis of expenditure by economic classification is shown in Table 2. The total expenditure for the period under review includes Kshs.24.2 billion that the National Government spent on salaries to staff performing devolved functions which Counties were expected to reimburse.

Figure 2: Expenditure by Economic Classification



Source: *OCOB and County Treasuries*

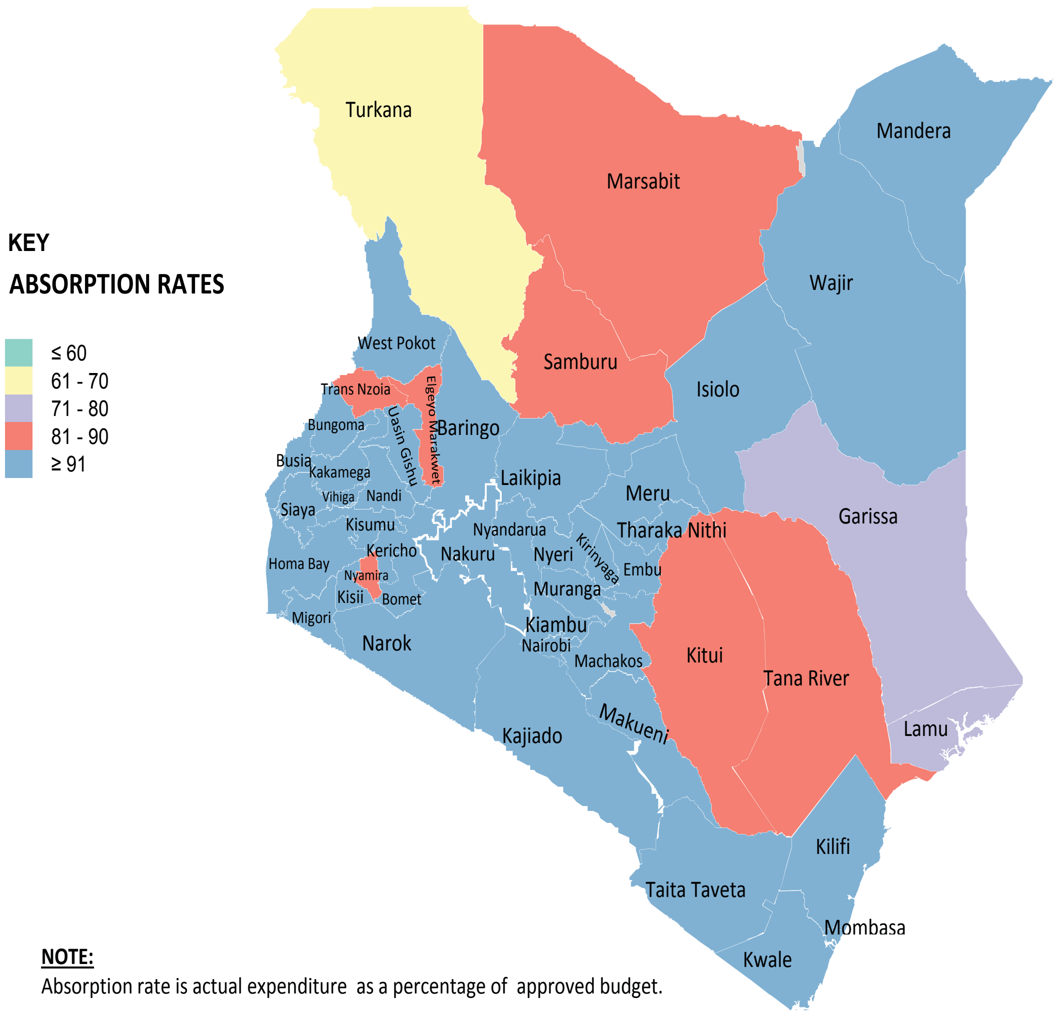
2.3.1 Recurrent Expenditure

Counties spent Kshs.132.8 billion on recurrent expenditure which represented 78.4 per cent of total expenditure during the period under review. This represents 96.5 per cent of the funds released for recurrent expenditure and **82.7 per cent** of the total annual recurrent budgets for the counties. The expenditure consisted of Kshs.77.4 billion (58.3 per cent) on personnel emoluments, Kshs.51.7 billion (38.9 per cent) on operations and maintenance and Kshs.3.7 billion (2.8 per cent) on debt repayment and pending bills.

Nairobi City County incurred the highest recurrent expenditure of Kshs. 15.9 billion. Other counties that recorded high expenditure on recurrent activities were Kiambu and Nakuru at Kshs.5.5 billion and Kshs.5.4 billion respectively. Those with the lowest recurrent expenditure were; Lamu, Tana River, and Elgeyo/Marakwet at Kshs.609.2 million, Kshs.1.29 billion and Kshs.1.32 billion respectively.

Mombasa, Kisumu, and Tana River counties attained the highest expenditure on recurrent activities as a proportion of their total expenditure at 97.9 per cent, 97.8 per cent and 97.6 per cent respectively. Meru County recorded the highest absorption of recurrent expenditure at 115.9 per cent of the annual recurrent budget followed by Nyeri and Tharaka Nithi and Murang'a counties at 107.8 per cent, 104.8 per cent and 101.9 per cent respectively. Recurrent expenditure by the four counties exceeded their recurrent budgetary allocation an indication that funds meant for development projects were used for recurrent activities. Conversely, Wajir, Turkana and Bomet counties had the lowest proportion of their expenditure on recurrent activities as a percentage of their total expenditure at 42.2 per cent, 43.5 per cent and 51.6 per cent respectively. Turkana, Garissa and Lamu Counties recorded the lowest absorption rate of recurrent budget allocation during the period under review at 35.7 per cent, 51.4 per cent and 53.1 per cent respectively.

FY 2013-2014 Recurrent Expenditure Absorption Rate Per County



Source: [Office of the Controller of Budget]

2.3.2 Personnel Emoluments

During the twelve months period, the counties spent an aggregate of Kshs.77.4 billion on personnel emoluments representing 45.7 per cent of total expenditure.

The Nairobi City County had the highest expenditure on personnel emoluments which stood at Kshs.10.3 billion followed by Kiambu County at Kshs.3.7 billion and Mombasa County at Kshs.3.2 billion. Nyamira, Lamu and Tana River counties registered the lowest expenditure on personnel emoluments at Kshs.305.5 million, Kshs.384.1 million and Kshs.391.8 million respectively.

Embu County had the highest proportion of its expenditure on personnel emoluments as a percentage of total expenditure during the period under review at 69.9 per cent followed by Kisumu, and Meru counties at 67.9 per cent and 63.5 per cent respectively. Nyamira County had the least proportion of personnel emoluments to the total expenditure at 12.7 percent, while Turkana and Marsabit had 15.9 per cent and 23.7 per cent respectively.

2.3.3 Operations and Maintenance

The County Governments spent a total of Kshs.51.7 billion on operations and maintenance, or 30.5 per cent of the total expenditure by the counties. Nairobi City County recorded the highest expenditure on operations and maintenance at Kshs.2.9 billion followed by Nakuru County at Kshs.2.4 billion and Narok County at Kshs.2 billion. Lamu, Elgeyo/ Marakwet and Tharaka Nithi counties spent the least in this category at Kshs.225.1 million, Kshs.259.7 million and Kshs.506 million respectively.

Analysis of operations and maintenance expenditure as a proportion of the total expenditure by the counties reveals that Tana River County had the highest percentage of its expenditure on operations and maintenance at 68 per cent while Nyamira and Marsabit counties followed at 57.1 per cent and 52.3 per cent respectively. Counties that had the lowest proportion of their expenditure on operations and maintenance were Elgeyo Marakwet at 15.2 per cent, Murang'a at 15.5 per cent and Wajir at 16.3 per cent.

In FY 2013/14, expenditure on domestic and foreign travel, and purchase of vehicles recorded the highest spending under the operations and maintenance category. Cumulatively, Counties spent Kshs.7.9 billion on domestic and foreign travels and Kshs.6.3 billion on purchase of vehicles as presented in Table 3.

Table 1: Analysis of Expenditure by Economic Classification (Kshs.)

County Name	Personnel Emoluments	Operation & Maintenance	Development Expenditure	Debt Repayment & Pending Bills	Total Expenditure
Baringo	1,419,592,987	1,024,653,957	366,484,041		2,810,730,985
Bomet	970,528,038	863,890,672	1,718,490,824		3,552,909,534
Bungoma	1,751,377,167	1,771,080,297	562,121,484	76,300,376	4,160,879,324
Busia	1,244,198,039	916,869,670	311,797,277		2,472,864,986
Elgeyo/Marakwet	1,062,178,707	259,701,709	391,768,954.00		1,713,649,370
Embu	1,917,778,503	679,655,007	148,017,477		2,745,450,987
Garissa	1,045,790,303	636,766,101	486,754,736		2,169,311,140
Homa Bay	1,257,800,744	1,403,196,945	1,371,523,738		4,032,521,427
Isiolo	778,606,885	757,177,254	532,265,308		2,068,049,447
Kajiado	1,009,293,044	1,240,177,578	576,546,083		2,826,016,705
Kakamega	2,611,749,297	1,074,528,995	1,518,854,584	13,500,000	5,218,632,876
Kericho	1,412,961,759	739,281,232	642,354,640	16,554,133	2,811,151,764
Kiambu	3,657,124,834	1,451,493,256	1,155,146,706	419,025,203	6,682,789,998
Kilifi	1,704,790,219	1,882,132,694	426,249,380		4,013,172,293
Kirinyaga	935,175,825	557,871,371	308,825,637		1,801,872,833
Kisii	2,180,529,367	996,891,594	1,575,673,962	15,742,970	4,768,837,893
Kisumu	3,072,293,896	1,300,505,318	98,935,900	54,726,348	4,526,461,462
Kitui	1,836,140,279	1,099,475,994	506,281,456		3,441,897,729
Kwale	824,890,239	1,239,068,352	865,328,422		2,929,287,013
Laikipia	1,606,327,134	685,584,935	316,799,539	20,000,000	2,628,711,608
Lamu	384,118,570.5	225,061,859	119,865,970.0		729,046,399
Machakos	1,912,971,008	1,456,311,070	2,681,241,462	18,538,883	6,069,062,423
Makueni	1,433,012,200	1,103,463,526	603,410,986		3,139,886,712
Mandera	1,223,986,235	1,279,590,636	941,493,302	18,997,068	3,464,067,241

County Name	Personnel Emoluments	Operation & Maintenance	Development Expenditure	Debt Repayment & Pending Bills	Total Expenditure
Marsabit	594,821,535	1,312,972,645	584,340,689	15,958,520	2,508,093,389
Meru	2,429,135,399	827,467,128	566,059,229		3,822,661,756
Migori	1,327,452,430.36	1,911,221,271	1,008,659,206		4,247,332,907
Mombasa	3,153,763,290	1,948,179,300	107,880,306		5,209,822,896
Murang'a	1,877,122,206	597,114,071	1,381,094,713		3,855,330,990
Nairobi City	10,310,421,020	2,917,913,042	1,873,432,017	2,673,162,375	17,774,928,454
Nakuru	2,956,420,377	2,384,919,359	477,640,712	45,015,407	5,863,995,855
Nandi	882,818,223	989,173,341	551,763,788		2,423,755,352
Narok	1,752,161,428	1,975,764,009	457,592,397	47,219,593	4,232,737,427
Nyamira	305,546,675	1,375,288,490	726,081,528		2,406,916,693
Nyandarua	1,290,632,088	1,029,272,345	569,860,854		2,889,765,287
Nyeri	2,567,611,430	735,991,488	934,085,484	36,876,342	4,274,564,744
Samburu	614,094,242	902,014,848	574,446,854		2,090,555,944
Siaya	1,137,240,156	945,242,137	380,425,747		2,462,908,040
Taita/Taveta	963,114,162	529,312,374	518,462,646		2,010,889,182
Tana River	391,788,208	901,000,000	32,240,971		1,325,029,179
Tharaka -Nithi	1,159,434,876	505,996,371	532,702,194		2,198,133,441
Trans Nzoia	1,125,788,406	698,947,888	1,007,479,718	189,427,454	3,021,643,466
Turkana	542,500,690	941,699,963	1,925,118,346		3,409,318,999
Uasin Gishu	1,681,530,021	797,264,864	203,769,554	50,000,000	2,732,564,439
Vihiga	997,273,237	1,122,781,550	366,885,671		2,486,940,458
Wajir	1,143,275,567	723,671,296	2,562,098,358		4,429,045,221
West Pokot	918,614,293	994,785,551	984,763,810		2,898,163,654
Total	**77,375,775,238**	**51,712,423,352**	**36,553,116,660**	**3,711,044,672**	**169,352,359,923**

Source: *County Analysis by OCOB*

2.3.3.1 Analysis of MCAs Sitting Allowance

In FY 2013/14, Counties allocated an aggregate of Kshs.3.2 billion for the payment of sitting allowances to the Members of the County Assembly. Actual expenditure was Kshs.2.4 billion, which represents 74.6 per cent of the budgetary allocation.

Table 3 shows that the average sitting allowance per month per MCA was Kshs.88, 044. However, there is a huge variance in the average monthly sitting allowance across the counties. Uasin Gishu County had the highest average monthly sitting allowance per MCA of Kshs.235, 743 while Taita Taveta County had the lowest amount at Kshs.15, 827.

Expenditures on MCA sitting allowances for Nyeri, Kiambu, Busia, Kwale, Migori and Machakos counties exceeded their budgetary allocation. Nyeri County spent Kshs.69 million on MCA sitting allowances against an allocation of Kshs.34.5 million, which represents over 200 per cent absorption rate while Kiambu, Busia, Kwale, Migori and Machakos recorded 116.2 per cent, 112.3 per cent, 110.1 per cent, 109.2 per cent and 104.5 per cent respectively.

Nairobi City County registered the highest absolute expenditure on MCA sitting allowances at Kshs.148.5 million followed by Uasin Gishu and Migori counties at Kshs.127.3 million and Kshs.125.6 million respectively. On the other hand, Lamu County spent the least on MCAs sitting allowance at only Kshs.6.7 million. Taita Taveta and Elgeyo/Marakwet counties followed at Kshs.6.8 million and Kshs.12.4 million respectively.

2.3.3.2 Analysis of Expenditure on Domestic and Foreign Travel

During the period under review, Counties allocated Kshs.9.8 billion to domestic and foreign travel. Actual expenditure was Kshs.7.7 billion, which is 76 per cent of the budgetary allocation. Migori, Murang'a, Kwale, Vihiga and Kirinyaga counties spent more on domestic and foreign travel than their budgetary allocations. Migori County spent Kshs.369.4 million against a budget of Kshs.237.1 million while Murang'a County spent Kshs.206.7 million against a budgetary allocation of Kshs.134.5 million. Kwale, Vihiga and Kirinyaga counties recorded absorption rates of 146.9 per cent, 120.1 per cent and 104 per cent respectively of their budgets for domestic and foreign travel.

The Counties with the highest expenditure on domestic and foreign travels were Migori, Nakuru and, Kajiado at Kshs.369.4 million, Kshs.357.7 million, and Kshs.331 million respectively. Conversely, Lamu spent the least amount at Kshs.41.4 million, while Elgeyo Marakwet and Mombasa spent Kshs.53.4 million and Kshs.66.1 million respectively.

Analysis by spending unit shows that the County Executive (entire arm) spent Kshs.4.04 billion or 52 per cent of total domestic and foreign travel expenditure while the County Assembly spent Kshs.3.71 billion or 48 per cent of the expenditure. A total of 21 County Assemblies spent more money on travel that the County Executive as shown in Table 3.

Table 2 : Analysis of Domestic and Foreign Travel by the two Arms of County Government

COUNTY	COUNTY EXECUTIVE									COUNTY ASSEMBLY									TOTAL DOMESTIC AND FOREIGN TRAVEL		
	Domestic Travel			Foreign Travel			Sub Total			Domestic Travel			Foreign Travel			Sub Total					
	Budget	Exp.	Absorption	Budget	Exp.	Absorption	Budget	Exp.	Absorption	Budget	Exp.	Absorption	Budget	Exp.	Absorption	Budget	Exp.	Absorption	Budget	Exp.	Absorption
Baringo	45.1	35.6	79%	5.2	5.2	101%	50.3	40.8	81%	42.6	31.3	74%	26.0	23.6	91%	68.6	54.9	80%	118.8	95.7	81%
Bomet	77.6	77.6	100%	18.8	15.3	81%	96.4	92.9	96%	24.1	23.9	99%	14.3	14.3	100%	38.4	38.2	99%	134.8	131.1	97%
Bungoma	207.2	0.0		0.0	0.0		207.2	58.3	28%	34.0	26.4	78%	0.0	18.4		34.0	44.9	132%	241.2	103.2	43%
Busia	145.2	102.5	71%	0.0	0.0		145.2	102.5	71%	36.3	15.3	42%	0.0	8.3		36.3	23.6	65%	181.6	126.0	69%
Elgeyo/ Marakwet	23.2	29.6	127%	11.5	7.3	63%	34.7	36.8	106%	16.0	12.5	78%	7.5	4.0	54%	23.5	16.5	70%	58.2	53.4	92%
Embu	43.2	39.7	92%	0.0	0.0		43.2	39.7	92%	32.7	34.0	104%	5.7	7.7	136%	38.4	41.7	109%	81.6	81.5	100%
Garissa	200.4	78.7	39%	50.0	7.9	16%	250.4	86.6	35%	34.6	33.9	98%	13.7	8.3	60%	48.3	42.1	87%	298.7	128.8	43%
Homabay	34.8	28.6	82%	17.5	15.4	88%	52.3	44.0	84%	77.5	64.5	83%	45.4	58.8	129%	122.9	123.3	100%	175.2	167.2	95%
Isiolo	73.7	61.5	75%	11.8	8.5	72%	85.5	70.0	74%	42.6	34.6	81%	15.5	14.8	95%	58.1	49.4	85%	136.0	119.4	88%
Kajiado	133.0	122.4	92%	36.4	33.3	91%	169.4	155.7	92%	173.2	158.1	91%	22.6	17.3	77%	195.7	175.4	90%	365.2	331.0	91%
Kakamega	152.9	149.2	98%	13.4	11.6	86%	166.3	160.8	97%	86.6	74.9	86%	20.0	16.8	84%	106.6	91.7	86%	272.9	252.5	92%
Kericho	76.2	69.1	91%	5.9	2.5	42%	82.1	71.6	87%	35.3	34.8	99%	32.7	27.5	84%	68.0	62.4	92%	150.1	134.0	89%
Kiambu	145.4	125.5	86%	44.8	21.5	48%	190.2	147.0	77%	110.0	109.8	100%	73.7	72.7	99%	183.7	182.5	99%	371.1	329.4	89%
Kilifi	125.0	115.3	92%	67.1	37.3	56%	192.1	152.7	79%	64.0	15.0	23%	115.0	36.0	31%	179.0	51.0	28%	371.1	203.7	55%
Kirinyaga	37.0	36.9	100%	5.3	5.0	94%	42.3	41.9	99%	40.0	36.1	90%	40.0	26.3	66%	80.0	62.4	78%	100.5	104.3	104%
Kisii	107.6	96.6	90%	144.1	41.9	29%	224.1	138.5	62%	80.0	80.0	100%	27.5	27.5	100%	107.5	107.5	100%	359.1	246.0	69%

COUNTY	COUNTY EXECUTIVE									COUNTY ASSEMBLY									TOTAL DOMESTIC AND FOREIGN TRAVEL		
	Domestic Travel			Foreign Travel			Sub Total			Domestic Travel			Foreign Travel			Sub Total					
	Budget	Exp.	Absor-ption	Budget	Exp.	Absor-ption	Budget	Exp.	Absor-ption	Budget	Exp.	Absor-ption	Budget	Exp.	Absor-ption	Budget	Exp.	Absor-ption	Budget	Exp.	Absor-ption
Kisumu County	72.4	72.7	100%	5.0	4.8	95%	77.4	77.4	100%	75.0	8.2	11%	0.0	57.7		75.0	65.9	88%	152.4	143.3	94%
Kitui	94.3	85.7	91%	36.2	25.4	70%	130.5	111.1	85%	37.2	38.6	104%	49.1	49.1	100%	86.3	87.7	102%	216.8	198.8	92%
Kwale	49.1	113.1	230%	8.2	6.2	75%	57.3	119.3	208%	45.0	45.0	100%	29.7	29.6	100%	74.7	74.6	100%	132.0	193.9	147%
Laikipia	52.4	45.5	87%	0.0	4.7		52.4	50.2	96%	49.8	49.7	100%	15.9	16.0	100%	65.7	65.7	100%	118.5	115.9	98%
Lamu	33.3	17.7	53%	4.0	2.9	71%	37.3	20.5	55%	12.7	10.0	79%	12.0	10.9	91%	24.7	20.9	84%	58.2	41.4	71%
Machakos	142.1	97.1	68%	92.3	67.5	73%	234.3	164.6	70%	56.0	34.9	62%	100.5	104.7	104%	156.5	139.5	89%	524.3	304.1	58%
Makueni	130.2	121.4	93%	0.0	0.0		130.2	121.4	93%	57.7	57.6	100%	55.1	55.0	100%	112.9	112.6	100%	304.7	234.0	77%
Mandera	91.5	41.2	45%	0.0	0.0		91.5	41.2	45%	95.0	55.1	58%	0.0	31.9		95.0	86.9	92%	386.5	128.1	33%
Marsabit	91.3	90.4	99%	0.0	0.0		91.3	90.4		88.2	88.2	100%	0.0	0.0		88.2	88.2		179.5	178.6	99%
Meru	70.0	41.0	59%	25.0	5.6	22%	95.0	46.6	49%	66.0	51.3	78%	20.0	35.4	177%	86.0	86.7	101%	181.0	133.3	74%
Migori	0.0	0.0	-	0.0	0.0		175.0	153.9	88%	76.5	161.7	211%	22.3	53.8	242%	126.5	215.5	170%	237.1	369.4	156%
Mombasa	95.5	16.9	18%	57.0	18.2	32%	152.5	35.1	23%	69.4	23.9	34%	11.5	7.0	61%	80.9	30.9	38%	233.4	66.1	28%
Muranga	35.0	89.3	255%	11.0	7.7	70%	46.0	97.0	211%	65.0	64.9	100%	45.0	44.9	100%	110.0	109.7	100%	134.5	206.7	154%
Nairobi	29.1	22.7	75%	7.5	1.3	18%	36.6	24.0	63%	110.7	41.4	37%	82.5	68.5	83%	193.2	110.0	57%	229.8	134.0	58%
Nakuru	81.6	116.1	142%	20.0	30.3	96%	101.6	146.3	144%	85.0	120.9	91%	71.0	90.5	60%	156.0	211.4	77%	381.4	357.7	94%
Nandi	69.5	67.4	97%	0.0	0.0		69.5	67.4	97%	23.0	23.0	100%	11.0	10.7	97%	34.0	33.7	99%	103.4	101.1	98%
Narok	183.4	123.5	67%	42.0	35.0	83%	225.4	158.5	70%	95.9	80.2	84%	70.6	46.2	66%	166.5	126.4	76%	391.9	284.9	73%

COUNTY	COUNTY EXECUTIVE									COUNTY ASSEMBLY									TOTAL DOMESTIC AND FOREIGN TRAVEL		
	Domestic Travel			Foreign Travel			Sub Total			Domestic Travel			Foreign Travel			Sub Total					
	Budget	Exp.	Absor-ption	Budget	Exp.	Absor-ption	Budget	Exp.	Absor-ption	Budget	Exp.	Absor-ption	Budget	Exp.	Absor-ption	Budget	Exp.	Absor-ption	Budget	Exp.	Absor-ption
Nyamira	60.0	50.0	83%	0.0	33.2		60.0	83.2	139%	109.8	45.4	41%	52.6	51.5	98%	162.3	96.9	60%	251.5	180.0	72%
Nyandarua	70.0	63.1	90%	10.0	6.2	62%	80.0	69.3	87%	55.0	56.4	103%	27.2	27.3	101%	82.2	83.7	102%	162.2	153.0	94%
Nyeri	59.7	52.7	88%	25.0	16.4	66%	84.7	69.1	82%	0.3	0.0	0%	90.0	83.9	93%	90.3	83.9	93%	175.1	153.0	87%
Samburu	103.7	55.8	54%	0.0	0.0		103.7	55.8	54%	21.9	14.0	64%	20.5	7.8	38%	42.5	21.8	51%	146.2	77.6	53%
Siaya	146.0	113.6	78%	9.0	3.7	41%	155.0	117.3	76%	88.0	57.7	66%	6.0	8.8	147%	94.0	66.5	71%	249.0	183.8	74%
Taita Taveta	97.8	96.9	99%	30.7	28.5	93%	128.4	125.4	98%	21.0	16.3	77%	86.0	91.0	106%	107.0	107.2	100%	235.4	232.6	99%
Tana River	0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		199.0	0.0	0%
Tharaka Nithi	68.8	68.7	100%	9.6	7.0	73%	78.4	75.7	97%	39.0	37.5	96%	34.9	33.5	96%	73.9	71.0	96%	152.3	146.7	96%
Transzoia	70.8	66.0	93%	0.0	4.0		70.8	70.0	99%	68.4	63.8	93%	10.1	14.3	142%	78.5	78.1	100%	149.3	148.1	99%
Turkana	79.4	128.1	161%	4.7	0.0	0%	84.1	128.1	152%	134.3	0.0		22.9	0.0		157.1	0.0	94%	178.4	128.1	72%
Uasin Gishu	35.8	31.3	87%	4.3	2.2	52%	40.1	33.5	84%	42.1	42.0	100%	16.6	16.6	100%	58.7	58.6	100%	122.3	92.1	93%
Vihiga	87.8	73.8	84%	0.0	6.4		87.8	80.3	91%	80.6	53.5	66%	0.0	68.4		80.6	121.9	151%	168.4	202.2	120%
Wajir	0.0	97.6		0.0	0.0		0.0	97.6		0.0	40.3		0.0	5.0		0.0	45.3		147.7	143.0	97%
West Pokot	61.9	63.4	102%	4.0	4.0	99%	65.9	67.4	102%	40.0	39.0	98%	2.0	2.0	100%	42.0	41.0	98%	109.8	108.5	101%
Total	3,889.9	3,291.5	85%	837.0	533.5	64%	4,789.6	4,037.2	84%	2,738.0	2,205.4	81%	1,424.6	1,504.4	106%	4,100.0	3,709.8	90%	9,827.9	7,747.0	79%

2.3.3.3 Analysis of Expenditure on Purchase of Motor Vehicles

In FY 2013/14, a total of Kshs.8.4 billion was set aside for the purchase of motor vehicles. Actual expenditure on motor vehicles amounted to Kshs.6.3 billion or 74.8 per cent of the budgetary allocation. Expenditure by eight counties exceeded their budgetary allocations. These counties were Tana River at 158.4 per cent, Kericho at 128 per cent, Kajiado at 123.6 per cent, Machakos, Trans Nzoia, Homa Bay, West Pokot and Samburu at 120.9 per cent, 105.1 per cent, 104.2 per cent, 104.1 per cent and 100.6 respectively.

Machakos County had the highest expenditure on the purchase of motor vehicles at Kshs.863 million followed by Nairobi County at Kshs.367 million and Migori County at 334.6 million. Counties that recorded the lowest expenditure on purchase of motor vehicles during the period under review were Elgeyo Marakwet at Kshs. 6.4 million, Murang'a County at Kshs.21.2 million and Busia County at Kshs.22.8 million.

Table 3: Analysis of Operations and Maintenance Expenditure

County	Domestic and Foreign Travels			Purchase of Vehicles			MCA Sitting Allowances				
	Budgetary Allocation (Kshs. Millions)	Exp. (Kshs. Millions)	Absorption %	Budgetary Allocation (Kshs. Millions)	Exp. (Kshs. Millions)	Absorption %	Budgetary Allocation (Kshs. Millions)	Exp. (Kshs. Millions)	Absorption %	No. of MCAs	Average monthly sitting allowance Per MCA (Kshs)
Baringo	118.8	95.7	80.6	173.1	149.8	86.5	57.0	50.9	89.3	49	86,538
Bomet	134.8	131.1	97.3	196.3	191.4	97.5	28.7	28.6	99.7	36	66,284
Bungoma	241.2	103.2	42.8	80.0	66.7	83.4	71.7	26.0	36.2	64	33,861
Busia	181.6	126.0	69.4	49.4	22.8	46.2	83.0	93.2	112.3	54	143,810
Elgeyo/ Marakwet	58.2	53.4	91.8	34.0	6.4	18.9	37.4	12.4	33.2	31	33,318
Embu	81.6	81.5	99.9	81.8	73.6	90.0	52.6	46.6	88.6	34	114,250
Garissa	298.7	128.8	43.1	271.3	108.6	40.0	71.0	66.6	93.8	49	113,265
Homa Bay	175.2	167.2	95.4	149.0	155.3	104.2	129.3	95.6	73.9	64	124,484
Isiolo	136.0	119.4	87.7	129.6	108.4	83.6	15.6	13.8	88.5	21	54,869
Kajiado	363.6	331.0	90.7	83.0	102.6	123.6	49.6	15.6	31.4	42	30,892
Kakamega	272.9	252.5	92.5	269.0	182.9	68.0	130.0	119.1	91.6	87	114,077
Kericho	150.1	134.0	89.3	66.0	84.5	128.0	58.5	32.7	55.9	48	56,738

County	Domestic and Foreign Travels			Purchase of Vehicles			MCA Sitting Allowances				
	Budgetary Allocation (Kshs. Millions)	Exp. (Kshs. Millions)	Absorption %	Budgetary Allocation (Kshs. Millions)	Exp. (Kshs. Millions)	Absorption %	Budgetary Allocation (Kshs. Millions)	Exp. (Kshs. Millions)	Absorption %	No. of MCAs	Average monthly sitting allowance Per MCA (Kshs)
Kiambu	371.1	329.4	88.8	178.7	161.2	90.2	81.0	94.1	116.2	88	89,110
Kilifi	371.1	203.7	54.9	244.7	228.2	93.3	-	39.2	-	54	60,547
Kirinyaga	100.5	104.3	103.8	120.2	87.5	72.8	30.0	25.1	83.6	30	69,708
Kisii	359.1	246.0	68.5	137.0	115.8	84.5	120.0	111.1	92.6	72	128,619
Kisumu	152.4	143.3	94.0	118.0	26.1	22.1	118.2	46.5	39.3	50	77,427
Kitui	216.8	198.8	91.7	188.8	136.2	72.2	64.7	60.9	94.1	58	87,449
Kwale	132.0	193.9	146.9	126.8	89.8	70.8	45.0	49.5	110.1	34	121,423
Laikipia	118.5	115.9	97.8	91.4	89.3	97.7	25.7	25.5	99.3	24	88,688
Lamu	58.2	41.4	71.1	57.0	52.5	92.2	41.6	6.7	16.1	21	26,560
Machakos	524.3	304.1	58.0	713.6	863.0	120.9	46.1	48.1	104.5	60	66,864
Makueni	304.7	234.0	76.8	93.0	70.0	75.2	32.0	32.0	100.0	48	55,544
Mandera	386.5	128.1	33.1	142.5	130.7	91.7	90.8	48.1	53.0	49	81,810
Marsabit	179.5	178.6	99.5	145.0	83.0	57.2	48.6	30.0	61.7	34	73,529

County	Domestic and Foreign Travels			Purchase of Vehicles			MCA Sitting Allowances				
	Budgetary Allocation (Kshs. Millions)	Exp. (Kshs. Millions)	Absorption %	Budgetary Allocation (Kshs. Millions)	Exp. (Kshs. Millions)	Absorption %	Budgetary Allocation (Kshs. Millions)	Exp. (Kshs. Millions)	Absorption %	No. of MCAs	Average monthly sitting allowance Per MCA (Kshs)
Meru	181.0	133.3	73.6	208.5	148.4	71.2	120.0	86.8	72.3	70	103,361
Migori	237.1	369.4	155.8	685.2	334.6	48.8	115.0	125.6	109.2	65	161,029
Mombasa	233.4	66.1	28.3	109.5	58.2	53.2	58.8	14.5	24.7	46	26,296
Murang'a	134.5	206.7	153.7	22.0	21.2	96.1	46.8	46.0	98.3	52	73,698
Nairobi City	229.8	134.0	58.3	470.0	367.0	78.1	160.0	148.5	92.8	128	96,671
Nakuru	381.4	357.7	93.8	203.4	171.9	84.5	130.0	76.6	58.9	75	85,063
Nandi	103.4	101.1	97.7	205.0	93.3	45.5	94.8	46.1	48.6	49	78,429
Narok	391.9	284.9	72.7	406.0	269.2	66.3	50.3	28.8	57.2	48	49,940
Nyamira	251.5	180.0	71.6	161.1	126.2	78.3	58.0	38.8	66.9	34	95,067
Nyandarua	162.2	153.0	94.3	88.5	72.6	82.0	62.0	47.0	75.9	42	93,346
Nyeri	175.1	153.0	87.4	205.0	194.4	94.8	34.5	69.0	200.1	48	119,833
Samburu	146.2	77.6	53.1	121.8	122.5	100.6	24.8	15.4	61.8	27	47,392
Siaya	249.0	183.8	73.8	165.2	133.2	80.7	65.4	42.6	65.1	49	72,416

County	Domestic and Foreign Travels			Purchase of Vehicles			MCA Sitting Allowances				
	Budgetary Allocation (Kshs. Millions)	Exp. (Kshs. Millions)	Absorption %	Budgetary Allocation (Kshs. Millions)	Exp. (Kshs. Millions)	Absorption %	Budgetary Allocation (Kshs. Millions)	Exp. (Kshs. Millions)	Absorption %	No. of MCAs	Average monthly sitting allowance Per MCA (Kshs)
Taita/ Taveta	235.4	232.6	98.8	79.3	76.1	95.9	-	6.8	-	36	15,827
Tana River	199.0	-	-	102.3	162.0	158.4	33.7	16.1	47.9	27	49,794
Tharaka –Nithi	152.3	146.7	96.4	118.0	95.4	80.9	29.6	29.6	100.0	25	98,761
Trans Nzoia	149.3	148.1	99.2	65.0	68.3	105.1	161.2	82.8	51.3	40	172,445
Turkana	178.4	128.1	71.8	400.0	-	-	20.0	-	-	48	-
Uasin Gishu	122.3	92.1	75.3	378.4	101.9	26.9	127.3	127.3	100.0	45	235,743
Vihiga	168.4	202.2	120.1	35.0	33.6	96.2	83.2	36.0	43.2	40	74,940
Wajir	147.7	143.0	96.8	71.0	68.5	96.5	76.1	76.1	100.0	46	137,779
West Pokot	109.8	108.5	98.8	196.4	204.6	104.1	120.9	24.2	20.0	33	61,106
Total	**9,826.3**	**7,747.0**	**78.8**	**8,435.9**	**6,309.7**	**74.8**	**3,200.6**	**2,402.5**	**75.1**	**2526**	**88,044**

Source: *County Analysis by OCOB*

2.4 Development Expenditure

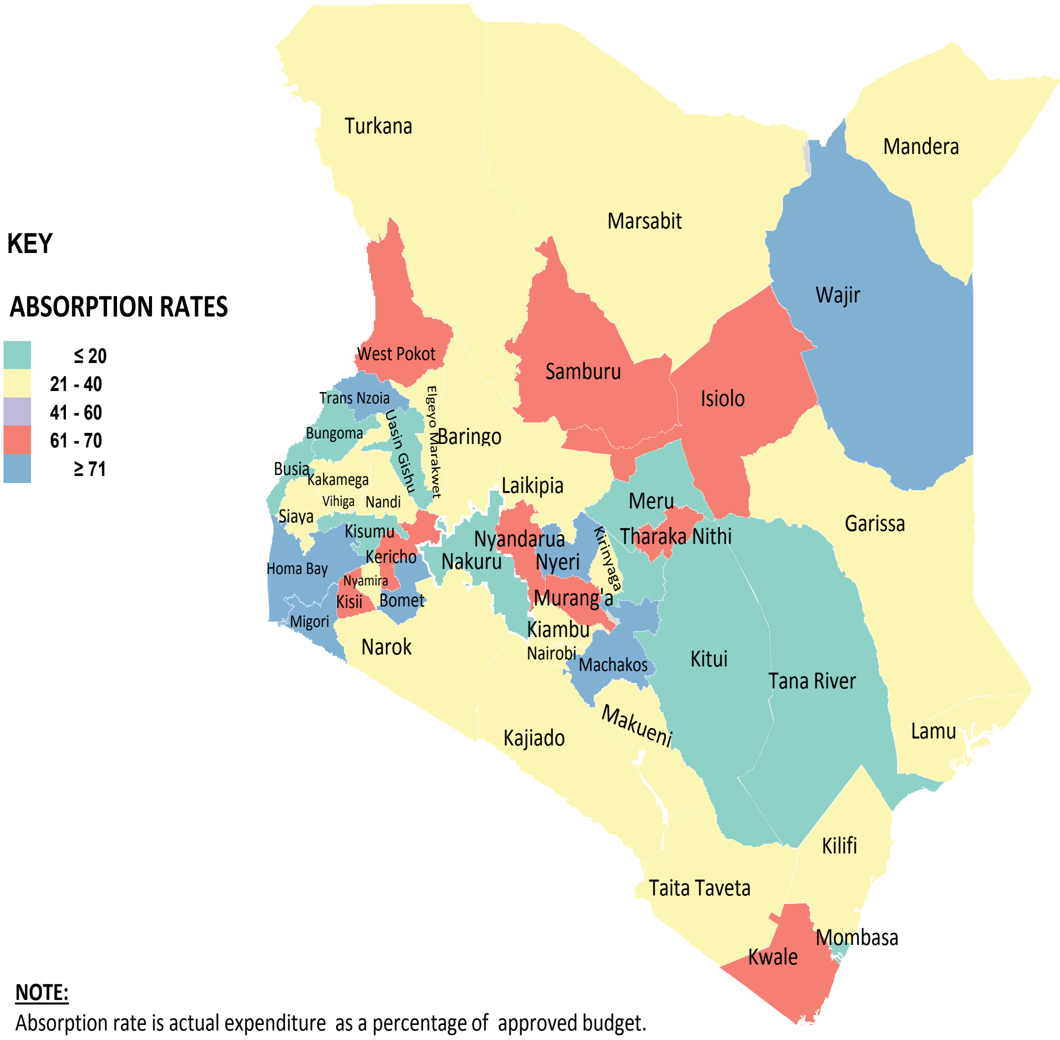
Total development expenditure by County Governments was Kshs.36.6 billion, or 21.6 per cent of the total expenditure by the counties. This represents 70.8 per cent of the funds released for development expenditure and **36.4 per cent** of the total annual development budgets for the counties.

The counties that achieved the highest expenditure on development expenditure were: Machakos at Kshs.2.7 billion, Wajir at Kshs.2.6 billion and Turkana at Kshs.1.9 billion. On the other hand, Tana River County had the least development expenditure at Kshs.32.2 million, following Kisumu at Kshs.98.9 million and Mombasa at Kshs.107.9 million.

Analysis of development expenditure shows that Wajir, Turkana and Bomet Counties had the highest proportion of total expenditure on development activities at 57.8 per cent, 56.5 per cent and 48.4 per cent respectively. Counties that registered the lowest proportion of expenditure on development activities were: Mombasa, Kisumu and Tana River at 2.1 per cent, 2.2 per cent and 2.4 per cent respectively.

Bomet, Wajir and Trans Nzoia counties recorded the highest absorption rates of their development budget at 92.4 per cent, 78.2 per cent and 74 per cent respectively. Mombasa County recorded the lowest absorption rate of development budget at 2.4 per cent of the annual development budget while Tana River and Kisumu absorbed 2.7 per cent and 4 per cent respectively.

FY 2013-2014 Development Expenditure Absorption Rate Per County



NOTE:
Absorption rate is actual expenditure as a percentage of approved budget.

Source: [Office of the Controller of Budget]

2.5 Expenditure on Debt Repayment and Pending Bills

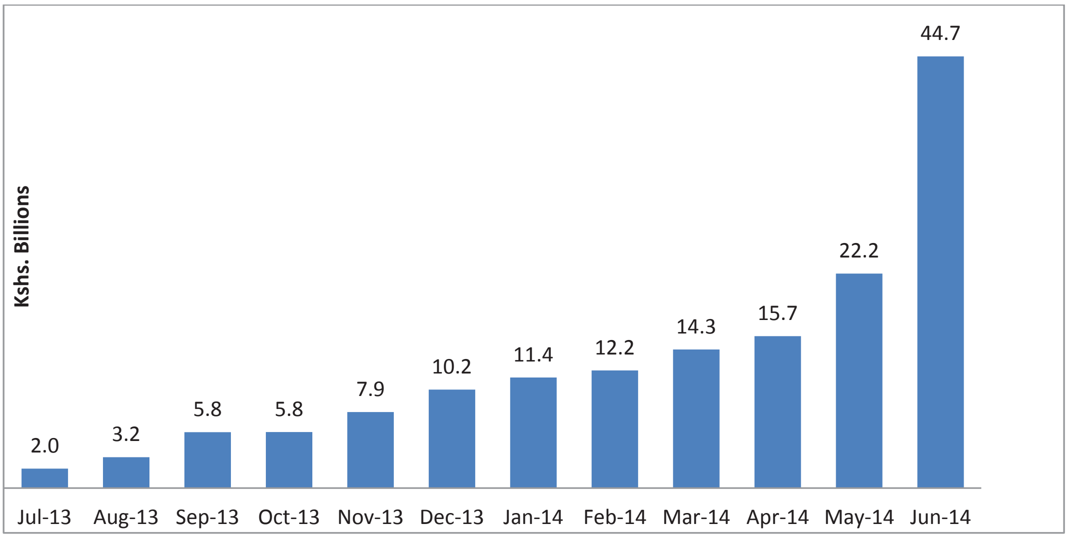
During the period under review counties spent Kshs.3.7 billion on repayment of debts inherited from the defunct local authorities. This expenditure was 2.2 per cent of the total expenditure by the county governments and was spent on statutory liabilities such as pensions and taxes, payments to suppliers, electricity and servicing of bank loans among others.

Nairobi City County had the highest expenditure on debt repayment and pending bills during the period under review at Kshs.2.7 billion followed by Kiambu and Trans Nzoia Counties at Kshs.419.1 million and Kshs.189.4 million respectively.

2.6 Monthly Expenditure

Analysis of monthly expenditure by the counties shows that aggregate monthly spending has increased from a low of Kshs.2.3 billion in July 2013 to a high of Kshs.44.7 billion in June 2014 as illustrated Figure 3.

Figure 3: Monthly Expenditure by the counties– July 2013 to June, 2014



***Source**: OCOB and County Treasuries*

3.0 COUNTY PERFORMANCE REPORTS

This chapter presents budget performance by individual County Governments. An attempt has been made to analyze expenditure by each arm of Government, namely; the County Assembly and the County Executive. The expenditure by each arm of County Government must be reviewed in line with the functions and powers of county governments as spelt out in section 5 and 6 of the County Governments Act, 2012 (CGA).

3.1 County Assembly

Section 7 of the County Government Act, 2012 provides for the membership of the County Assembly whose role is; (i) legislation, (ii) representation, and, (iii) approval. In public finance management (PFM), the County Assembly has been vested with the role of oversight which includes approving the budget and expenditure of the County Government.

In order to perform their mandate, County Assemblies were allocated Kshs.31.2 billion in the FY 2013/14. This allocation was 12 per cent of the overall County Governments budget of Kshs.261.1 billion.

In the FY 2013/14, the County Assemblies spent an aggregate of Kshs. 24.5 billion which translates to an absorption rate of 78.6 per cent of gross estimates. Out of the total expenditure, Kshs. 19.5 billion funded recurrent expenditure, Kshs. 1.0 billion was spent on development activities mainly in construction of county chambers, offices, and the Speaker's House. A further, Kshs. 4.0 billion was issued to the MCAs for the car loans & mortgages which attract an interest of 3 per cent as per the SRC circular.

County Assemblies with the highest expenditure were Nairobi, Homa Bay and Bungoma at Kshs. 1.4 billion, Kshs. 1.2 billion and Kshs. 1.1 billion respectively. Lamu, Isiolo and Tana River County Assemblies recorded the lowest expenditures at Kshs. 113.6 million, Kshs. 191.3 million and Kshs. 210.9 million respectively.

3.2 County Executive

The mandate of the County Executive is to implement the functions of County Governments as provided under Schedule 2 of the Constitution. In addition, the Executive is expected to implement National and County Government Legislation as well as the provision of regular reports to the County Assembly on matters such as budget implementation.

In the FY 2013/14, the cumulative budget allocation for the County Executives of Kshs.229.8 billion which translates to 88 per cent of the aggregate Counties' budget. Actual expenditure for the period stood at Kshs.144.8 billion out of which Kshs.109.2 billion was spent on recurrent expenditure while Kshs. 35.5 billion was spent on development expenditure. The actual expenditure represented an absorption rate of 63.0 per cent of gross estimates.

Nairobi, Kiambu, Machakos, and Nakuru County Executives spent the highest amount during the FY 2013/14 at Kshs.16.4 billion, Kshs.6.1 billion, Kshs.5.4 billion and Kshs.5.0 billion respectively. The County Executives with the lowest absolute expenditure were Lamu, Tana River and Elgeyo Marakwet at Kshs.615.4 million, Kshs.1.1 billion and Kshs.1.3 billion respectively.

Table 4 shows the expenditure of the two arms of county government against their budgets.

Table 4: FY 2013/14 Analysis of County Budgets and Expenditure (Amounts in Kshs Millions.)

County	Total Budget	Budget		County Assembly Expenditure				County Executive Expenditure			Absorption Rate	
		County Assembly Budget	County Executive Budget	Recurrent Expenditure	Development Expenditure	MCAs Car Loans & Mortgage	Total County Assembly Expenditure	Recurrent Expenditure	Development Expenditure	Total County Executive Expenditure	County Assembly	County Executive
Baringo	3,644.9	552.5	3,092.5	326.4	18.6	96.0	441.0	2,021.9	347.9	2,369.8	79.8	76.6
Bomet	3,800.0	372.1	3,427.9	277.1	-	-	277.1	1,557.3	1,718.5	3,275.8	74.5	95.6
Bungoma	8,853.9	985.5	7,868.4	693.8	42.8	315.0	1,051.5	2,590.0	519.4	3,109.4	106.7	39.5
Busia	4,305.4	712.8	3,592.6	527.6	44.0	104.0	675.6	1,529.5	267.8	1,797.3	94.8	50.0
Elgeyo/ Marakwet	2,603.7	328.7	2,274.9	286.8	-	90.0	376.8	945.1	391.8	1,336.9	114.6	58.8
Embu	4,023.5	486.4	3,537.1	273.8	-	106.0	379.8	2,217.6	148.0	2,365.6	78.1	66.9
Garissa	4,847.0	505.1	4,341.9	471.4	23.0	-	494.4	1,211.1	463.8	1,674.9	97.9	38.6
Homa Bay	5,314.7	1,028.3	4,286.3	941.4	37.6	204.0	1,183.0	1,515.7	1,333.9	2,849.6	115.0	66.5
Isiolo	2,784.6	303.4	2,481.2	191.3	-	-	191.3	1,344.5	532.3	1,876.8	63.0	75.6
Kajiado	3,758.2	569.6	3,188.5	473.0	32.6	-	505.6	1,776.4	544.0	2,320.4	88.8	72.8
Kakamega	9,640.3	893.2	8,747.0	505.2	26.0	-	531.2	3,194.5	1,492.9	4,687.4	59.5	53.6
Kericho	3,632.6	538.1	3,094.5	390.2	-	90.0	480.2	1,688.6	642.4	2,330.9	89.2	75.3
Kiambu	9,323.0	733.6	8,589.4	473.6	-	130.5	604.1	4,923.6	1,155.2	6,078.7	82.3	70.8
Kilifi	6,701.2	817.7	5,883.5	388.7	7.0	108.0	503.7	3,090.2	419.2	3,509.5	61.6	59.6
Kirinyaga	3,026.0	415.3	2,610.6	287.9	-	53.0	340.9	1,152.1	308.8	1,461.0	82.1	56.0
Kisii	6,553.2	824.2	5,729.0	635.4	100.8	140.0	876.2	2,417.7	1,474.9	3,892.6	106.3	67.9
Kisumu	7,320.6	1,148.8	6,171.9	485.3	-	250.0	735.3	3,692.3	98.9	3,791.2	64.0	61.4
Kitui	6,489.0	714.9	5,774.1	415.4	21.5	116.0	553.0	2,404.2	484.8	2,889.0	77.3	50.0

County	Total Budget	Budget		County Assembly Expenditure				County Executive Expenditure			Absorption Rate	
		County Assembly Budget	County Executive Budget	Recurrent Expenditure	Development Expenditure	MCAs Car Loans & Mortgage	Total County Assembly Expenditure	Recurrent Expenditure	Development Expenditure	Total County Executive Expenditure	County Assembly	County Executive
Kwale	4,391.4	590.1	3,801.3	385.2	109.5	107.4	602.1	1,571.4	755.8	2,327.2	102.0	61.2
Laikipia	3,317.8	530.8	2,787.0	305.3	38.1	100.0	443.4	1,906.6	278.7	2,185.3	83.5	78.4
Lamu	1,648.5	268.5	1,380.1	110.8	2.9	-	113.6	498.4	117.0	615.4	42.3	44.6
Machakos	8,015.7	761.0	7,254.7	522.1	18.0	134.7	674.7	2,731.0	2,663.3	5,394.3	88.7	74.4
Makueni	5,071.2	577.5	4,493.7	529.2	27.5	10.0	566.7	1,997.3	575.9	2,573.2	98.1	57.3
Mandera	6,987.6	880.7	6,106.9	623.2	3.5	-	626.7	1,899.4	938.1	2,837.4	71.2	46.5
Marsabit	3,840.0	514.5	3,325.5	386.0	-	-	386.0	1,537.8	584.3	2,122.1	75.0	63.8
Meru	5,681.7	810.5	4,871.2	497.5	-	-	497.5	2,759.1	566.1	3,325.1	61.4	68.3
Migori	5,530.7	848.9	4,681.7	214.2	86.9	100.0	401.1	2,924.4	921.8	3,846.2	47.3	82.2
Mombasa	11,686.0	855.8	10,830.2	422.5	-	20.0	442.5	4,659.4	107.9	4,767.3	51.7	44.0
Murang'a	5,121.9	490.6	4,631.3	295.9	47.1	35.0	378.0	2,143.3	1,334.0	3,477.3	77.1	75.1
Nairobi City	25,225.2	1,620.2	23,605.0	1,053.5	76.5	254.0	1,384.0	14,594.0	1,796.9	16,390.9	85.4	69.4
Nakuru	10,038.0	979.6	9,058.5	695.8	0.1	150.0	845.9	4,540.5	477.6	5,018.1	86.4	55.4
Nandi	3,899.8	704.0	3,195.8	302.9	-	237.8	540.6	1,331.4	551.8	1,883.1	76.8	58.9
Narok	7,325.2	801.9	6,523.3	443.1	-	-	443.1	3,332.1	457.6	3,789.7	55.3	58.1
Nyamira	3,415.7	658.7	2,757.0	117.4	-	165.0	282.4	1,398.4	726.1	2,124.5	42.9	77.1
Nyandarua	3,387.0	591.9	2,795.1	346.7	20.9	131.0	498.6	1,842.3	548.9	2,391.2	84.2	85.5
Nyeri	4,550.4	598.7	3,951.8	340.1	38.1	100.0	478.2	2,900.4	896.0	3,796.4	79.9	96.1
Samburu	2,906.5	447.8	2,458.7	401.8	-	-	401.8	1,114.3	574.5	1,688.8	89.7	68.7

County	Total Budget	Budget		County Assembly Expenditure				County Executive Expenditure			Absorption Rate	
		County Assembly Budget	County Executive Budget	Recurrent Expenditure	Development Expenditure	MCAs Car Loans & Mortgage	Total County Assembly Expenditure	Recurrent Expenditure	Development Expenditure	Total County Executive Expenditure	County Assembly	County Executive
Siaya	4,264.1	664.6	3,599.5	405.4	40.9	100.0	546.4	1,577.1	339.5	1,916.6	82.2	53.2
Taita/Taveta	2,920.4	443.9	2,476.5	169.6	130.8	60.0	360.4	1,262.9	387.7	1,650.5	81.2	66.6
Tana River	3,206.1	511.2	2,694.9	210.9	-	-	210.9	1,081.9	32.2	1,114.2	41.3	41.3
Tharaka – Nithi	2,580.2	260.3	2,319.9	237.3	-	-	237.3	1,428.2	532.7	1,960.9	91.2	84.5
Trans Nzoia	4,424.5	641.7	3,782.8	251.9	-	-	251.9	1,762.3	1,007.5	2,769.7	39.3	73.2
Turkana	8,145.1	1,196.8	6,948.3	612.7	-	-	612.7	871.6	1,925.1	2,796.7	51.2	40.2
Uasin Gishu	4,618.0	563.4	4,054.7	517.2	-	225.0	742.2	1,786.6	203.8	1,990.4	131.7	49.1
Vihiga	3,263.9	696.7	2,567.2	412.8	6.6	200.0	619.4	1,507.3	360.3	1,867.6	88.9	72.7
Wajir	5,365.5	400.4	4,965.1	369.9	-	-	369.9	1,497.1	2,562.1	4,059.2	92.4	81.8
West Pokot	3,631.3	404.9	3,226.4	292.4	16.4	80.4	389.1	1,540.7	968.4	2,509.1	96.1	77.8
Total	261,080.9	31,245.7	229,835.2	19,517.2	1,017.4	4,012.8	24,547.5	109,269.2	35,535.7	144,804.9	78.6	63.0

3.3 INDIVIDUAL COUNTY SUMMARIES

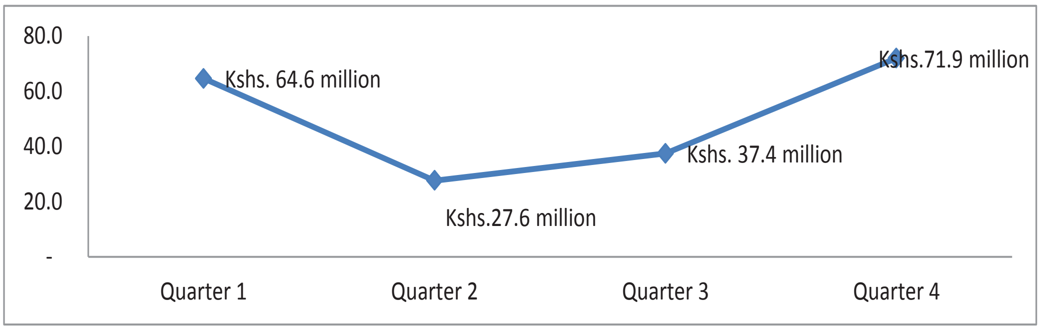
This chapter provides individual County budget performance for the FY 2013/14. We outline actual revenue and expenditure for the period July 2013 to June, 2014 and compare this against annual targets. Further, challenges encountered in budget implementation are identified and recommendations are made aimed at overcoming the challenges and enhancing budget implementation. The 47 counties are discussed in an alphabetical order.

Baringo County Summary Report

In the FY 2013/14, the County had an approved budget of Kshs. 3.64 billion comprising of Kshs.2.45 billion (67 per cent) for recurrent expenditure and Kshs.1.19 billion (33 per cent) for development expenditure. This budget was to be financed by Kshs 3.2 billion (89 per cent) from the national equitable share, Kshs. 260 million (7 per cent) from local revenue sources and Kshs. 137 million (4 per cent) being balance brought forward from FY 2012/13.

During the period under review, the County received Kshs. 3.2 billion as the national equitable share of revenue, raised Kshs.201.5 million from local sources, and had Kshs.137.4 million as balance brought forward from FY 2012/13. The local revenue raised during the period was **77.5 per cent** of the annual local revenue target. Figure 4 shows a summary of local revenue by quarter.

Figure 4: Summary of quarterly local revenue (Kshs. Millions)



Source: Baringo County Treasury

Funds released directly to the County during the period under review amounted to Kshs.2.7 billion, of which, Kshs. 2.2 billion (81.8 per cent) was for recurrent expenditure while Kshs.483.6 million (18.2 per cent) was for development activities. An additional

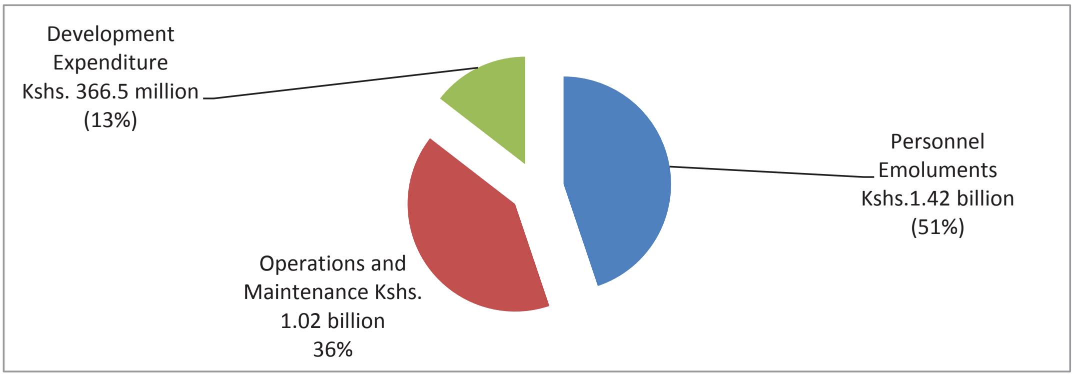
Kshs.288.9 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs.2.8 billion which was 95.2 per cent of the funds released. The County spent Kshs.2.44 billion (87 per cent) on recurrent activities and Kshs.366 million (13 per cent) on development activities. Recurrent expenditure was 99 per cent of the funds released for recurrent activities while development expenditure accounted for 75.8 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **99.7 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **30.7 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.42 billion on personnel emoluments which translates to 51 per cent of the total recurrent expenditure and Kshs.1.02 billion on operations and maintenance expenditure which is 48 per cent of the total recurrent expenditure for the year. A total of Kshs.50.9 million was spent on payment of sitting allowances to the 48 members of the County Assembly against an annual budget of Kshs.57 million representing an absorption rate of **89.3 per cent**.

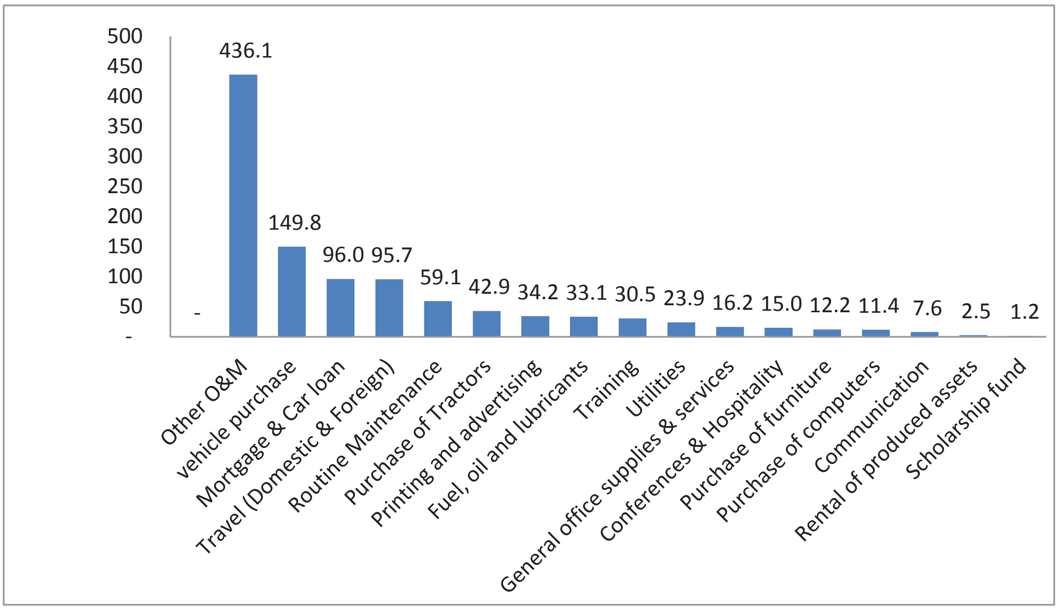
Figure 5 : Analysis of Total Expenditure, Baringo County



***Source:** Baringo County Treasury*

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 6.

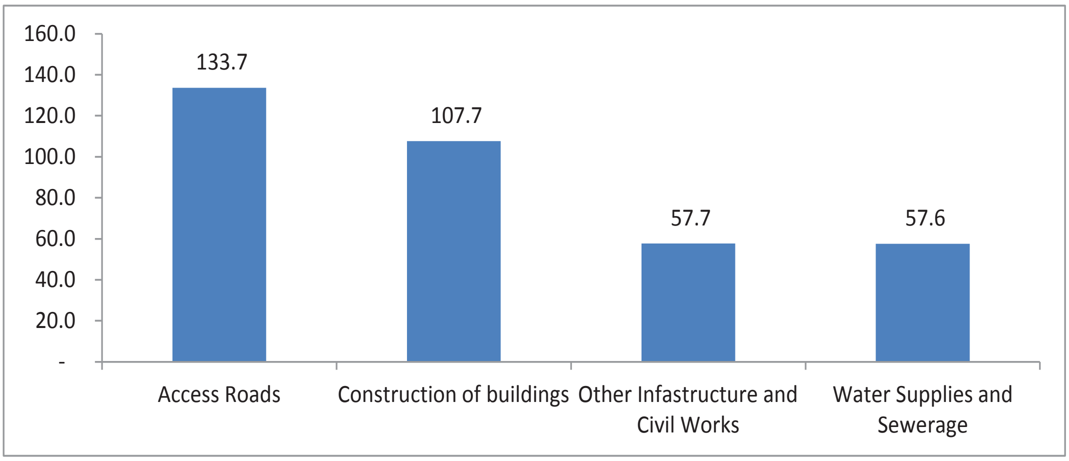
Figure 6: Operations and Maintenance expenditure, Baringo County (Kshs. Millions)



***Source:** Baringo County Treasury*

Analysis of the development expenditure for the FY 2013/14 shows that the County spent Kshs.133.6 million on development and maintenance of access roads, Kshs.107 million on constructions and refurbishment of buildings, Kshs.57.6 million on Maintenance and construction of water supplies and irrigation and Kshs. 57.6 Million on development of other infrastructures and civil works (see Figure 7).

Figure 7: Analysis of Development Expenditure, Baringo County



There were a number of challenges that affected budget implementation in the County during the period under review. These included:

1. Low absorption of development funds at 30.7 per cent of the annual development budget, which was due to capacity challenges in procurement planning.

2. Lack of a monitoring and evaluation framework that resulted in poor reporting on the status of both on-going projects as well as projects undertaken by the defunct local authorities.

3. Low local revenue collection. The county collected Kshs.193.6 million compared to the annual target of Kshs.260 million. This underperformance of revenue collection affected the implementation of planned activities.

4. Failure to link budget to the planning framework.

In order to improve budget execution in the FY 2014/15, the County should consider the following recommendations:

1. *Improve staff capacity of the procuring unit in order to fast-track procurement especially for development projects.*

2. *Develop a monitoring and evaluation framework as required by the PFM Act, 2012.*

3. *Develop an efficient local revenue collection and enforcement mechanism to enhance revenue collection in line with the County's Finance Act.*

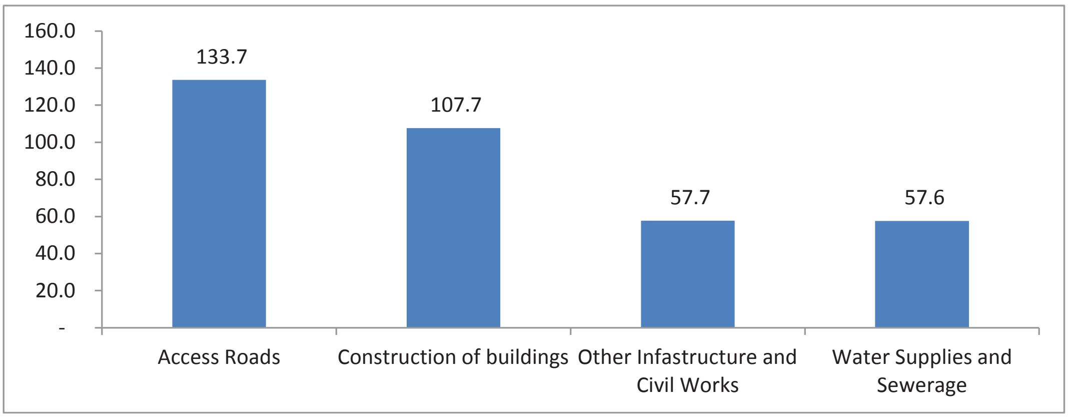
4. *Appropriately link budget to the planning framework to minimize the chances of frequent budget revisions..*

Bomet County Summary Report

In the FY 2013/14, the County had an approved budget of Kshs.3.8 billion comprising of recurrent allocation of Kshs.1.94 billion (51.1 per cent) and a development allocation of Kshs.1.86 billion (48.9 per cent). This budget was to be financed by Kshs.3.4 billion (90.3 per cent) from the national equitable share, Kshs.235.9 million (6.2 per cent) from local revenue sources and Kshs.133.5 million (3.5 per cent) being balances brought forward from FY 2012/13.

During the period under review, the County received Kshs.3.4 billion as the national equitable share, raised Kshs.200.9 million from local sources, and had Kshs.133.5 million as balance brought forward from FY 2012/13. The local revenue raised during the period under review was 85.2 per cent of the annual local revenue target. Figure 8 below shows a summary of the quarterly local revenue raised during financial year.

Figure 8 : **Analysis of Local Revenue, Bomet County**



Source: *Bomet County Treasury*

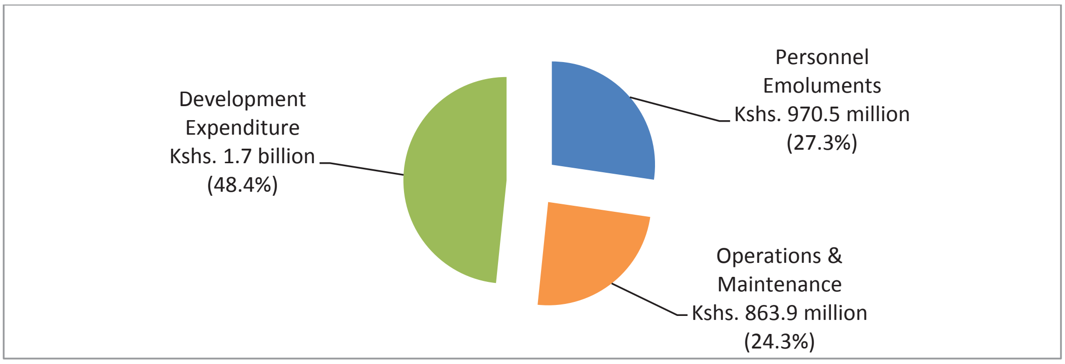
Funds released directly to the County during the period under review amounted to Kshs.3.6 billion of which Kshs.1.9 billion (53 per cent) was for recurrent expenditure and Kshs.1.7 billion (47 per cent) for development expenditure. An additional Kshs.41.9 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs.3.6 billion which was 98.4 per cent of the funds released. The County spent Kshs.1.83 billion (51.6 per cent) on recurrent activities and Kshs.1.76 billion (48.4 per cent) on development activities. Recurrent expenditure was 95.9 per cent of the funds released for recurrent activities while development expenditure accounted for 101.1 per cent of the funds released for development projects.

Total recurrent expenditure for the period under review represented an absorption rate of **94.5 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **92.4 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.970.5 million on personnel emoluments which translates to 52.9 per cent of the total recurrent expenditure and Kshs.863.9 million on operations and maintenance expenditure which is 47.1 per cent of the total recurrent expenditure for the FY 2013/14. The County spent Kshs.28.6 million for payment of sitting allowances to the 35 members of the County Assembly against an annual budget of Kshs.28.7 million representing an absorption rate of 99.7 per cent.

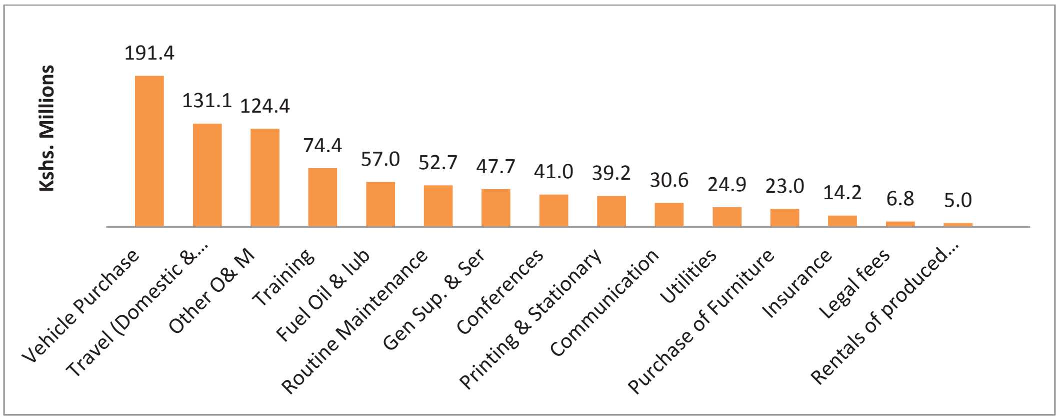
Figure 9: Analysis of Total Expenditure, Bomet County



Source: *Bomet County Treasury*

A breakdown of operations and maintenance expenditure for the period under review is shown in Figure 10.

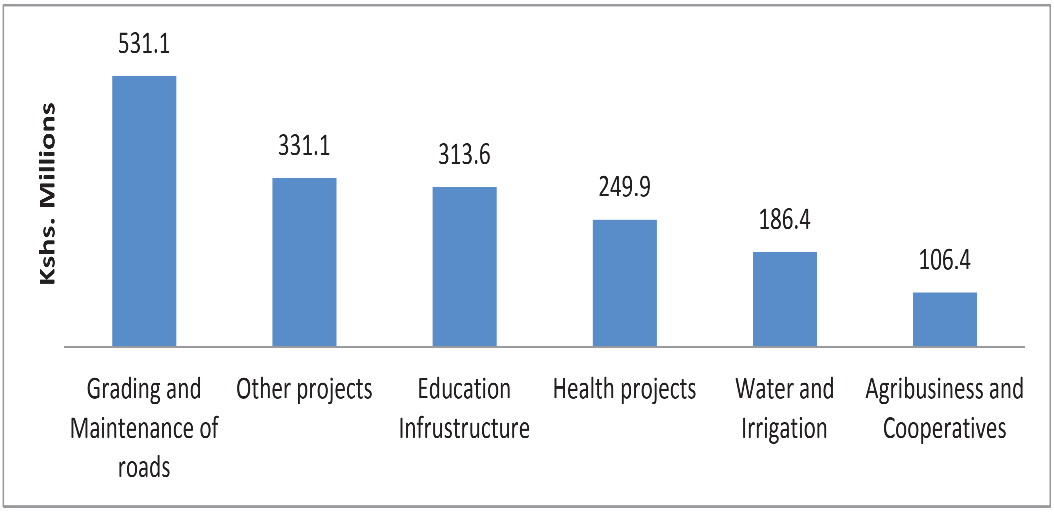
Figure 10 : Analysis of Operations and Maintenance expenditure, Bomet County



Source: *Bomet County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent Kshs.531.1 million on grading of roads, Kshs.249.9 million on health related projects, Kshs.186.4 million on water and irrigation projects, Kshs.313.6 million on education infrastructure and refurbishment of ECDE centers, Kshs.106.4 million on agri-business and cooperatives and Kshs.331.1 million on other projects (see Figure 11).

Figure 11 : Analysis of Development Expenditure, Bomet County



Source: *Bomet County Treasury.*

The County experienced a number of challenges/issues that affected budget implementation during the FY2013/14, which included:

1. Intermittent use of IFMIS and manual systems to record accounting transactions. This resulted in overdrawing of some votes, that was noted when manual transactions were uploaded into IFMIS.

2. Failure to charge recurrent expenditures to respective cost centers or departments, which made it difficult to ascertain how much individual department incurred during the period under review.

3. The County spent Kshs.59.1 million as cash transfers for the elderly, an item against which no funding had been requested for or approved by the COB. This implies that funds approved for other activities per submitted work plans were channeled to this activity.

4. Lack of a monitoring and evaluation framework for development projects which contributed to delay in reporting of some development activities.

In order to enhance budget implementation in the FY 2014/15, the County should consider the following recommendations:

1. *Fully adopt IFMIS in the County's financial management.*

2. *Assign Accounting Officers to each department who should account for the department's budget and report on spending.*

3. *Funds released should be utilized in line with the planning framework and for the purpose to which funds are approved by the Controller of Budget.*

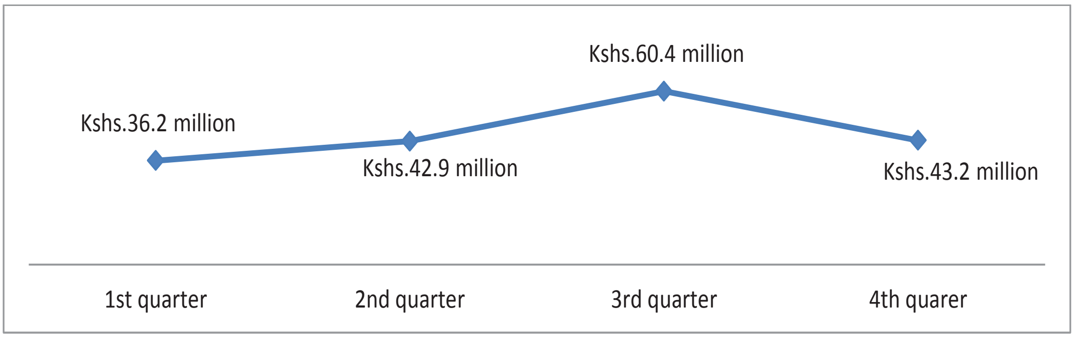
4. *Develop a monitoring and evaluation reporting framework to facilitate monitoring of development projects.*

Bungoma County Summary Report

In the FY 2013/14, the County had an approved budget of Kshs.8.85 billion comprising of Kshs.5.17 billion (58.5 per cent) as recurrent allocation and Kshs.3.68 billion (41.5 per cent) as development allocation. This budget was to be financed by Kshs.6.2 billion (69.8 per cent) from national equitable share, Kshs.2.7 billion (31.1 per cent) from local revenue sources and Ksh.20 million (2.3 per cent) being balance brought forward from FY 2012/13.

During the period under review, the County received Kshs.6.2 billion as the national equitable share, raised Kshs.182.7 million from local sources, and had Kshs.20 million as balance brought forward from FY 2012/13. The local revenue collected during the financial year 2013/14 translated 6.6 per cent of the annual local revenue target.

Figure 12 : Local Revenue Collection by Quarters (Kshs. Millions)



Source: *Bungoma County Treasury*

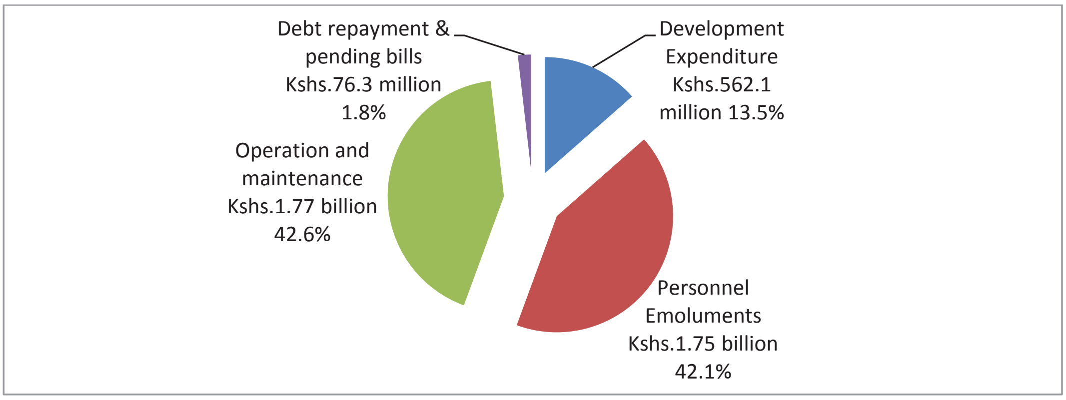
Funds released directly to the County during the period under review amounted to Kshs.4.89 billion of which Kshs. 3.4 billion (69.5 per cent) was for recurrent expenditure and Kshs.1.49 billion (30.5 per cent) for development expenditure. An additional Kshs.451 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs.4.2 billion which was 77.9 per cent of the funds released. The County spent Kshs.3.6 billion, or 86.5 per cent on recurrent activities and Kshs.562.1 million (13.5 per cent) on development activities. Recurrent expenditure was 105.8 per cent of the funds released for recurrent activities while development expenditure accounted for 37.6 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **69.5 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **15.3 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.75 billion on personnel emoluments which translates to 49.7 per cent of the total recurrent expenditure and Kshs.1.77 billion on operations and maintenance expenditure which is 50.2 per cent of the total recurrent expenditure for the FY 2013/14. A total of Kshs.26 million was spent on payment of sitting allowances to members of the County Assembly against an annual budget of Kshs.71.7 million representing absorption rate of 36.2 per cent.

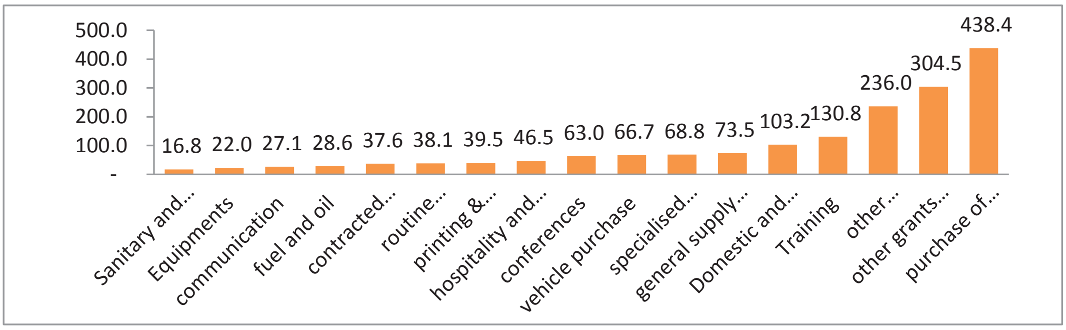
Figure 13 : Analysis of Total Expenditure, Bungoma County



Source: *Bungoma County Treasury*

The breakdown of operations and maintenance expenditure for the period under review is shown in figure 14.

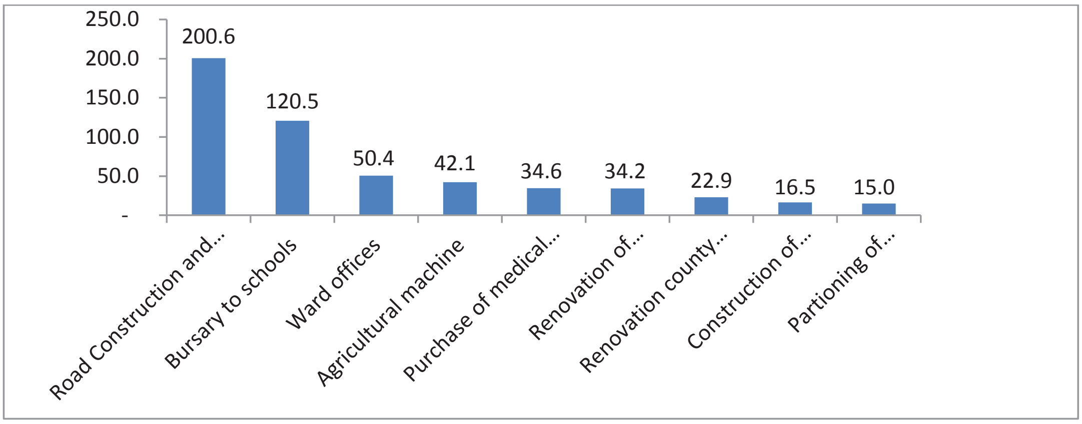
Figure 14 : Operations and Maintenance expenditure, Bungoma County (Kshs. Millions)



Source: *Bungoma County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent Kshs.200.6 on road construction and maintenance, Kshs.120.5 million on school bursaries, Kshs.34.6 million on purchase of medical equipment, Ksh.34.2 million on renovation of governor's office, Ksh.22.9 million on renovation of County Assembly, Ksh.16.5 million on construction of perimeter wall, Ksh.15 million on partitioning of executive office and Ksh.10 million on water sewerage dump. Figure 15 shows a breakdown of development expenditure.

Figure 15 : Analysis of Development Expenditure, Bungoma County (Kshs. Millions)



Source: *Bungoma County Treasury*

The County experienced a number of challenges/issues that affected budget implementation during the FY2013/14. These included:

1. Spending of local revenue at source without seeking approval of the Controller of Budget. This is contrary to Article 207 of the Constitution which stipulates that all money raised or received on behalf of the county government shall be deposited into the County Revenue Fund.

2. Low local revenue collection whereby, the County collected 6.6 per cent of the annual local revenue target. This affected funding of some planned activities.

3. Low absorption of development funds at 15.3 per cent.

The County should consider the following recommendation to address these challenges/issues and improve budget execution in the FY2014/15:

1. *All locally collected revenue should be swept into the CRF and approval to withdraw the money sought from the Controller of Budget in line with Section 109(6) of the PFM Act, 2012.*

2. *Develop an efficient local revenue collection and enforcement mechanism to enhance local revenue collection in line with the County's Finance Act.*

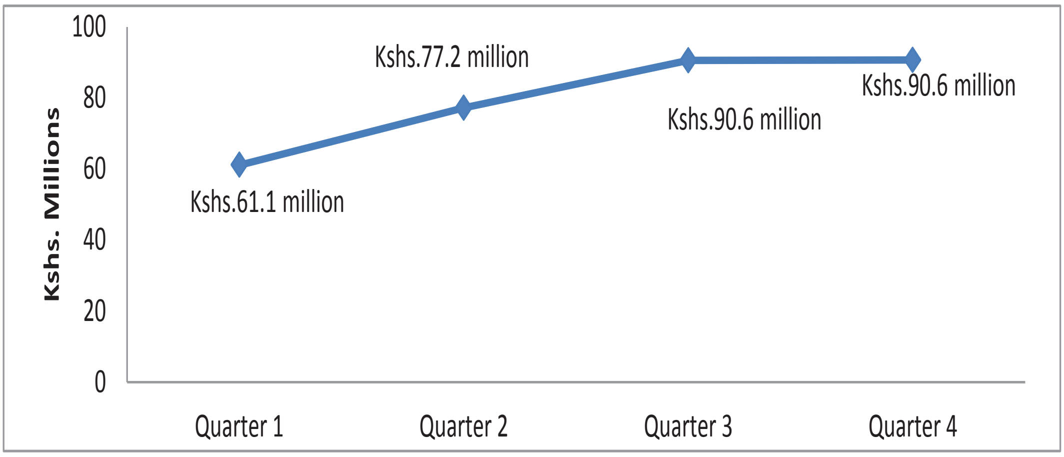
3. *Institute appropriate structures to improve the utilization of development expenditure.*

Busia County

In the FY 2013/14, the County had an approved budget of Kshs.4.3 billion consisting of Kshs. 2.5 billion (58.9 per cent) for recurrent expenditure and Kshs.1.7 billion (41.1 per cent) for development expenditure. The budget was to be financed through Kshs.3.8 billion (85.4 per cent) from the national equitable share, Kshs.366 million (8.5 per cent) from local revenue sources and Kshs. 51 million (1.2 per cent) as balance brought forward from the financial year FY 2012/13.

In the period under review, the County received Kshs.3.4 billion as the national equitable share, collected Kshs.329 million from local sources, and had Kshs.51.1 million as balance brought forward from FY 2012/13. The local revenue raised during the period under review represents 89.8 per cent of the annual local revenue target. A summary of quarterly revenue collection is illustrated in Figure 16.

Figure 16: **Local Revenue Collection by Quarter**



Source: *Busia County Treasury*

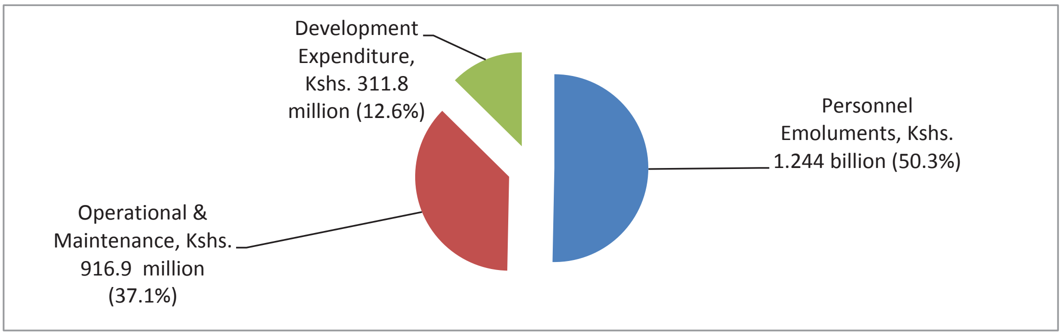
The funds released to the County during the period under review amounted to Kshs.2.9 billion of which Kshs.2.2 billion (74.8 per cent) was meant for recurrent expenditure while Kshs.735 million (25.2 per cent) was for development expenditure. An additional Kshs.338.3 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013.

In the period under review, the county spent a total of Kshs.2.5 billion which represents 84.9 per cent of the funds released to the County. A total of Kshs.2.2 billion was spent on recurrent expenditure, or 87.4 per cent of the total expenditure and Kshs.311.8 million on development activities, representing 12.6 per cent of the total expenditure. Recurrent expenditure was 99.5 per cent of the funds released for recurrent activities while development expenditure was for 42.4 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **85.3 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **17.6 per cent** of the annual development budget.

A review of the recurrent expenditure reveals that the county spent Kshs.1.24 billion on personnel emoluments, which translates to 57.6 per cent of the recurrent expenditure and Kshs.916.9 million for operations and maintenance expenditure which represents 42.4 per cent of the recurrent expenditure.

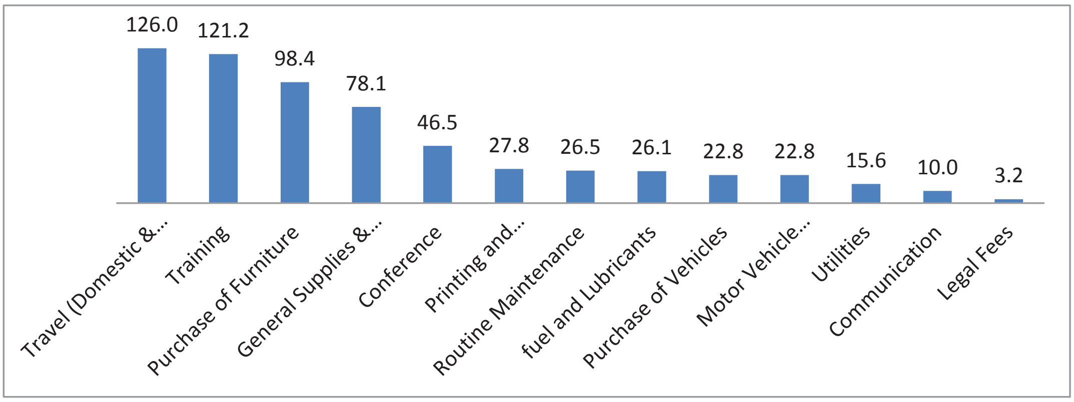
Figure 17 : Analysis of Total Expenditure, Busia County



Source: *Busia County Treasury*

Analysis of operations and maintenance expenditure is illustrated in Figure 18 .The highest expenditure under the operations and maintenance was on domestic and foreign travel followed by training and purchase of furniture. The expenditure on training includes Kshs.90 million spent by the County Assembly. Further, the County Assembly spent Ksh.93 million on sitting allowances to members of the County Assembly against a budget of Kshs.83 million, representing an absorption rate of 112.3 per cent.

Figure 18: Operations and Maintenance Expenditure, Busia County (Kshs. Millions)



Source: *Busia County Treasury*

The county implemented a number of development projects during the period under review. They included: maintenance of county roads (Kshs.6.87 million), I.C.U machine for the County hospital (Kshs.50 million) and construction of a maternity ward (Kshs.7.39 million), Construction of ECD Classes (Kshs.12.58 million), and purchase of tractors for each sub county (Kshs.48.7 million). Other development activities were implementation of the Cooperative fund (Kshs.50 million) and the bursaries programme (Kshs.49.9 million).

During the period under review, the County experienced some challenges/issues that affected budget implementation. They included:

1. The inadequate staffing in some departments such as the roads department that requires additional engineers, architects and quantity surveyors to accelerate the implementation of infrastructure development programs.
2. Lack of an internal audit committee to guide the internal audit function.
3. Low absorption of development funds.

In order to improve budget implementation in the FY 2014/15, the County should consider implementation of the following recommendation:

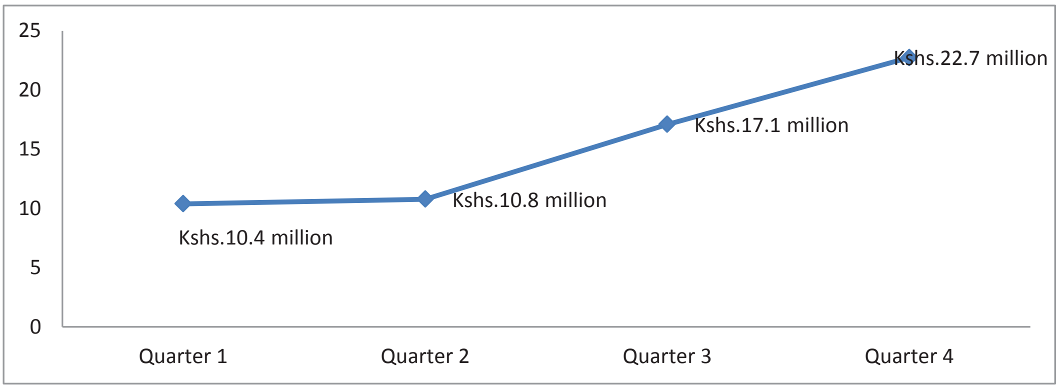
1. *Strengthen the human capacity by filling critical positions in all technical departments such as the roads department to improve budget execution.*
2. *Fast-track the establishment of an internal audit committee to enhance oversight over financial operations.*
3. *Institute appropriate structure to improve implementation of development programmes.*

Elgeyo Marakwet County

In the FY 2013/14, the County had an approved budget of Kshs.2.6 billion comprising of Kshs.1.8 billion (70 per cent) for recurrent expenditure and Kshs.785.2 million (30 per cent) for development expenditure. This budget was to be financed by Kshs.2.39 billion (91.9 per cent) from national equitable share, Kshs.85 million (3.3 per cent) from local revenue sources and Kshs.126.6 million (4.9 per cent) being balance brought forward from FY 2012/13.

During the period under review, the County received Kshs.2.4 billion as the national equitable share, raised Kshs.61 million from local sources, and had Kshs.126.6 million as balance brought forward from FY 2012/13. The local revenue raised during the period under review was **71.8 per cent** of the annual local revenue target. Figure 19 shows a summary of local revenue by quarter

Figure 19: Quarterly Local revenue collection (Kshs. Millions)



Source: *Elgeyo Marakwet County Treasury*

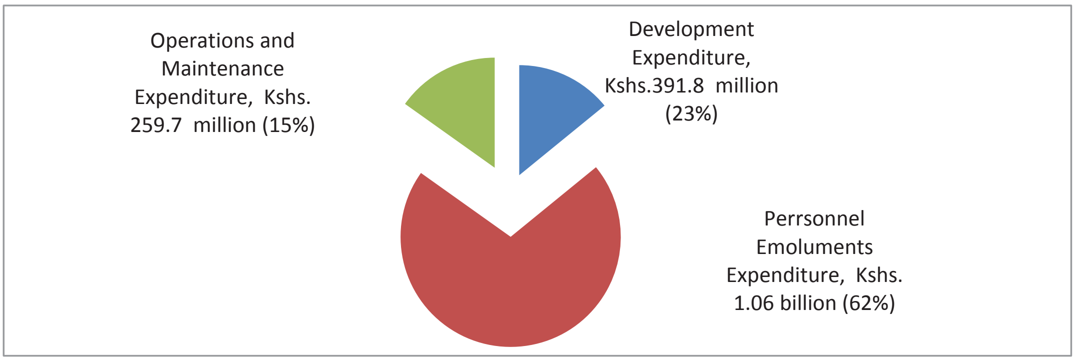
Funds released directly to the County during the period under review amounted to Kshs. 2.13 billion of which Kshs. 1.5 billion (71.4 per cent) was for recurrent expenditure and Kshs.609 million (28.6 per cent) for development expenditure. An additional Kshs.66.7 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs.1.71 billion which was 78 per cent of the funds released. The County spent Kshs.1.32 billion (77.1 per cent) on recurrent activities and Kshs.391.8 million (22.9 per cent) on development activities. Recurrent expenditure was 83.2 per cent of the funds released for recurrent activities while development expenditure accounted for 64.3 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **72.7 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **49.9 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.06 billion on personnel emoluments which translates to 80 per cent of the total recurrent expenditure and Kshs.259.7 million on operations and maintenance expenditure which is 20 per cent of the total recurrent expenditure for the FY 2013/14. The County spent Kshs.15.4 million for payment of sitting allowances to the 30 members of the County Assembly against an annual budget of 23.5 million representing an absorption rate of 65.8 per cent.

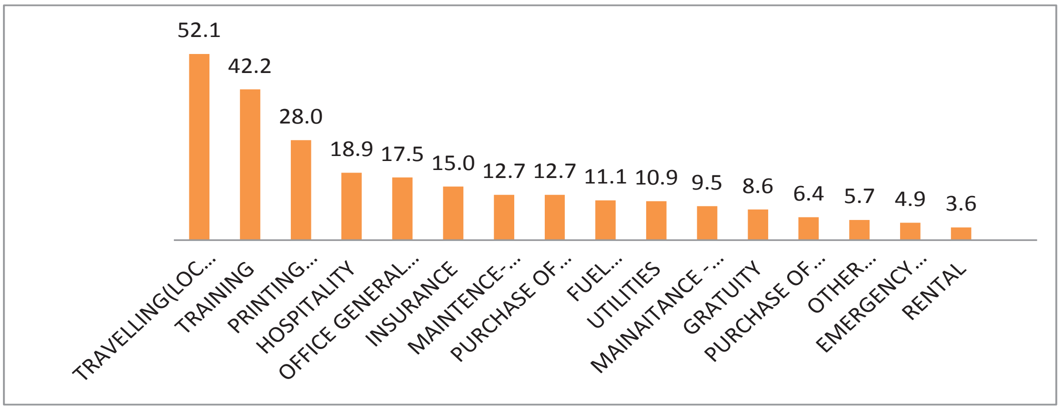
Figure 20: Analysis of Total Expenditure, Elgeyo Marakwet County



Source: *Elgeyo Marakwet County Treasury*

A breakdown of operations and maintenance expenditure for the period under review is shown in figure 21.

Figure 21: Analysis of Operations and Maintenance expenditure (Kshs. Millions)



Source: *Elgeyo Marakwet County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent Kshs.105.3 million on Health Services Projects, Kshs.47.8 million on county Headquarters' project, Kshs. 26.2 million on Agriculture and Livestock projects, and Kshs.13.5 million on Roads and Infrastructure project.

The County experienced a number of challenges/issues that affected budget implementation during the FY2013/14. These included:

1. Low absorption of development expenditure at 49.9 per cent of the annual development budget attributed to delays in the procurement process
2. Frequent budget revisions that caused uncertainty in departmental budgets. Changes in the allocations also affected initial work plans.

The County should consider the following recommendation to address these challenges/ issues and improve budget execution in the FY2014/15:

1. *Embrace appropriate planning to enhance implementation of development projects. There is also need to enhance the capacity in procurement and other technical departments to avoid delays in the implementation of development activities.*

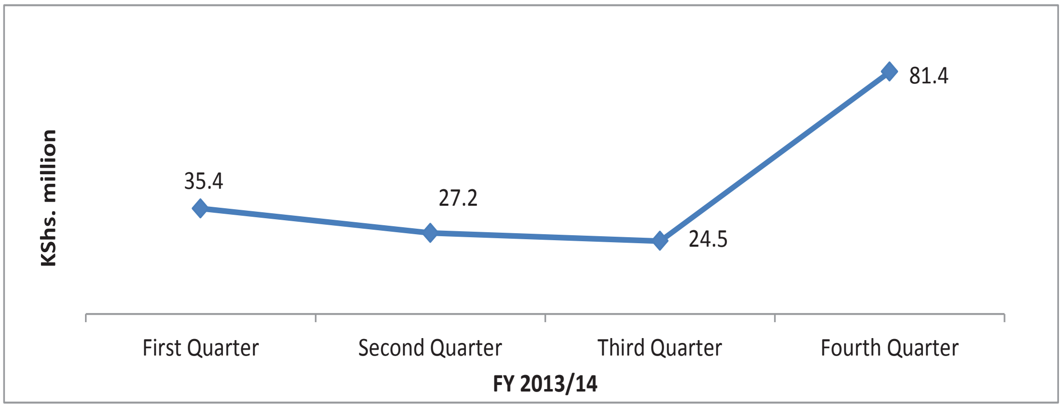
2. *The County budget should be based on the planning framework developed by all departments to avoid frequent budget revisions.*

Embu County Summary Report

In the FY 2013/14, the County budget was Kshs.4.02 billion comprising of Kshs.2.81 billion (70 per cent) for recurrent expenditure and1.21 billion (30 per cent) for development expenditure. This budget was to be financed by Kshs.2.81 billion (69.8 per cent) from the national equitable share, conditional grant of Kshs.557.2 million (13.8 per cent), local revenue totaling to Kshs.659.1 million (16.4 per cent) and Kshs.68.3 million as balance brought forward from FY 2012/13. The conditional grant comprises of Kshs.259.9 million for level 5 Hospital and Kshs.297.3 million for donor funded projects.

During the period under review, the County received Kshs.3.1 billion as the national equitable share, raised local revenues amounting to Kshs.168.5 million and had a balance brought forward from FY 2012/13 of Kshs.68.3 million. The local revenue raised during FY 2013/14 represented **25.5 per cent** of the annual local revenue target. Figure 22 below shows the summary of quarterly local revenue collection.

Figure 22: Local Revenue by Quarter, Embu County



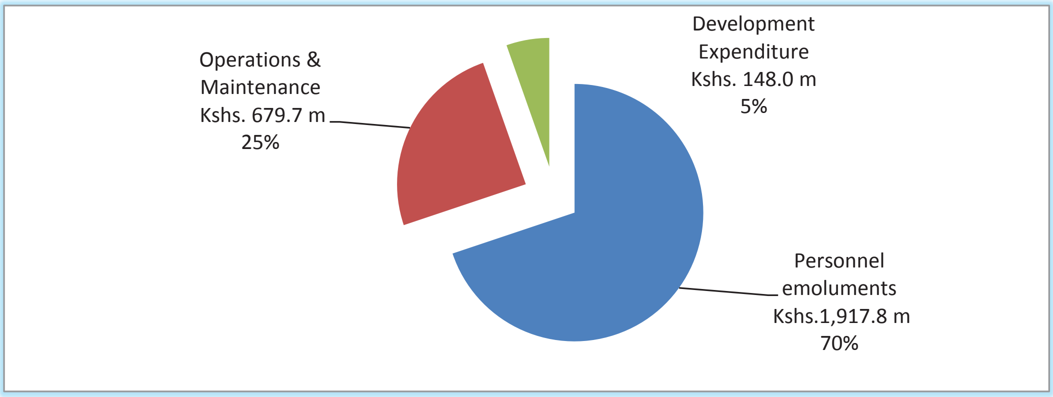
Source: *Embu County Treasury*

Funds released directly to the County during period under review amounted to Kshs.2.35 billion of which Kshs.1.87 billion (79.8 per cent) was for recurrent expenditure, Kshs.475.4 million (20.2 per cent) for development expenditure. Recurrent exchequer issues included Kshs.171.5 million as conditional grant to the Embu Level five Hospital. An additional Kshs.697.9 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013.

The total expenditure for FY 2013/14 amounted to Kshs.2.75 billion which translates to 90.1 per cent of the funds released. The County spent Kshs.2.6 billion (94.6 per cent) on recurrent expenditure and Kshs.148.0 million (5.4 per cent) on development activities. Recurrent expenditure was 105 per cent of the funds released for recurrent activities while development expenditure accounted for 31.1 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **92.3 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **12.2 per cent** of the annual development budget.

Figure 23: Analysis of Total Expenditure, Embu County

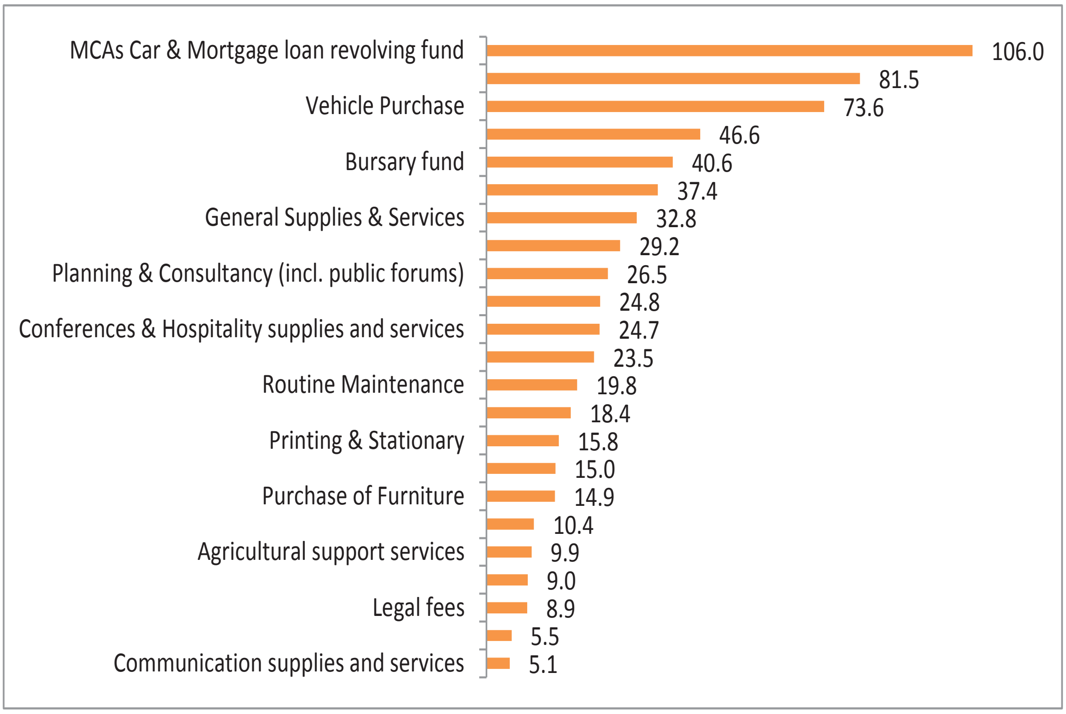


Source: *Embu County Treasury*

Analysis of the recurrent expenditure shows that the County spent Kshs.1.92 billion on personnel emoluments which translates to 73.9 per cent of the total recurrent expenditure and Kshs.679.7 million on operations and maintenance expenditure which is 26.1 per cent of the total recurrent expenditure for the FY 2013/14. The County spent Kshs.46.6 million for payment of sitting allowances to the 34 members of the County Assembly against an annual budget of Kshs.52.6 million representing an absorption rate of 88.6 per cent.

Figure 24 shows the breakdown of operations and maintenance expenditure during the period under review. The MCAs car and mortgage fund was the single highest item taking up Kshs.106.0 million (15.6 per cent) followed by domestic and foreign travel with Kshs. 81.5 million (12.0 per cent).

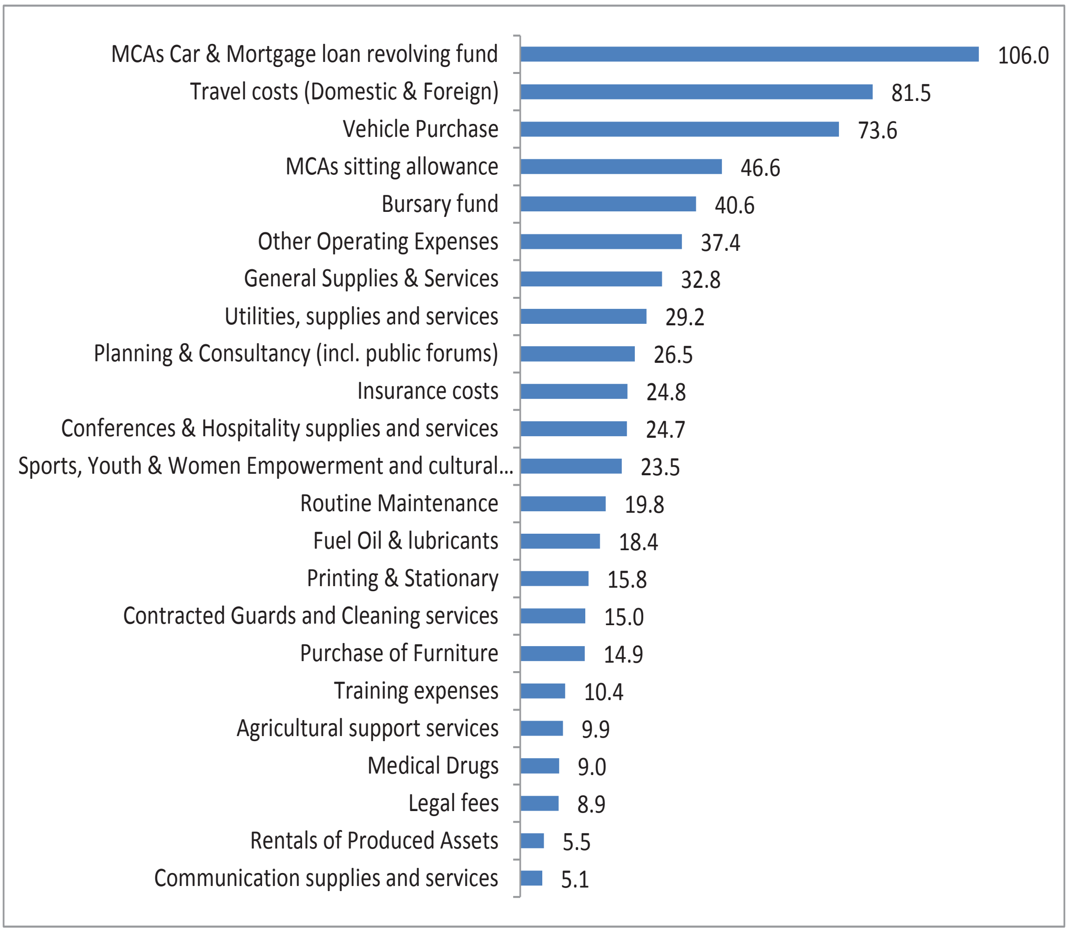
Figure 24: Operations and Maintenance Expenditure, Embu County (Kshs. Millions)



Source: *Embu County Treasury*

Figure 25 gives the analysis of the development expenditure during FY2013/14. The County spent Kshs.92.1 million to acquire four Road Graders, Kshs.18.4 million to purchase four Ambulances, and Kshs.17.2 million on rehabilitation of office premises.

Figure 25: Analysis of Development Expenditure, Embu County (Kshs. Millions)



Source: *Embu County Treasury*

The County experienced some challenges that affected the county budget implementation during FY 2013/14. They included:

1. Expenditure under some budget lines was higher than the budgeted amount such as personnel emoluments which exceeded budget by Kshs.132.9 million. This means budget allocation for other activities was diverted.

2. Low local revenue collection at 25.6 per cent of the annual local revenue target.

3. Delay in preparation of annual work-plans and failure to link procurement plans to cash flow projections. This affected implementation of planned activities by departments hence resulting in absorption of development funds.

4. Lack of an effective internal audit function to ensure adherence to internal controls in financial management and provide assurance in financial operations.

In order to enhance budget implementation in 2014/15, the County should consider implementation of the following recommendations:

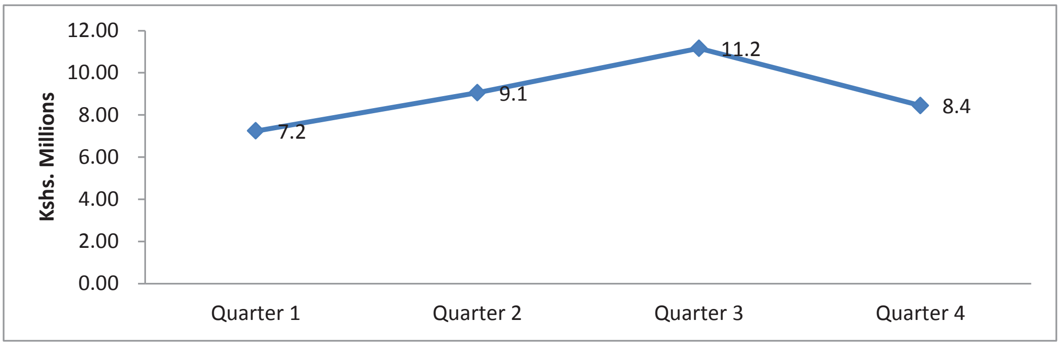
1. *Ensure that budget estimates and allocations for all items are adequate to avoid over expenditure.*
2. *Address the low local revenue collection through automation of revenue collection to minimize leakage that is rampant in manual systems.*
3. *All departments should develop work-plans to enable the procurement department prepare a harmonized annual procurement plan and cash flow projections to enhance implementation of development projects.*
4. *Establish an effective Internal Audit function to provide quality assurance on financial management.*

Garissa County

In the 2013/14 financial year, the County had an approved budget of Kshs.4.85 billion consisting of Kshs.3.28 billion (67.6 per cent) for recurrent expenditure, and Kshs.1.57 billion (32.4 per cent) for development expenditure. This budget was to be financed by Kshs.4.41 billion (90.9 per cent) from the national equitable share, Kshs.150.5 million (3.1 per cent) from local revenue, conditional grant of Kshs.290.8 million (6 per cent) and Kshs.108 million as balance brought forward from FY 2012/13.

During the period under review, the County received Kshs.4.4 billion as the national equitable share raised Kshs.35.9 million from local sources and had a balance brought forward of Kshs.108 million from FY 2012/13. The local revenue collected during the period under review of F/Y 2013/14 accounted for **23.8 per cent** of the annual local revenue target. A summary of the quarterly local revenue collection is illustrated in Figure 26

Figure 26: Local Revenue Collection by Quarters



Source: *Garissa County Treasury*

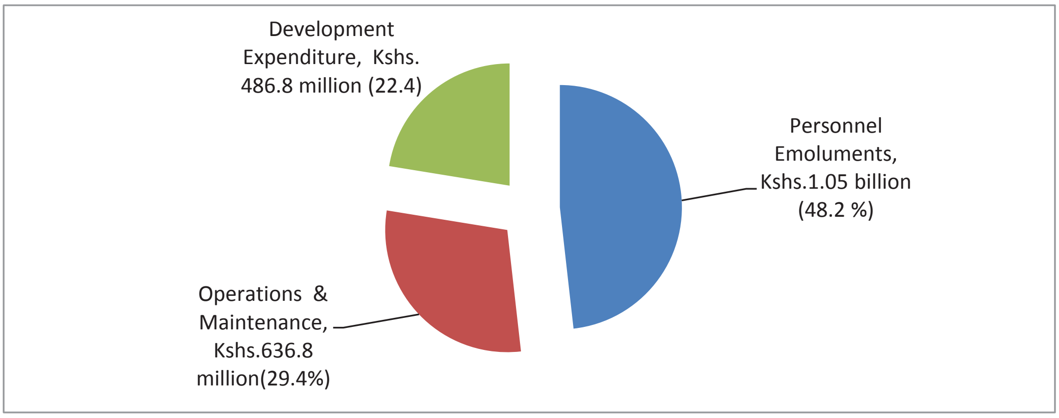
Funds released directly to the County during the period amounted to Kshs.2.7 billion of which Kshs.2.3 billion (84.4 per cent) was for recurrent expenditure and Kshs.422.7 million (15.6 per cent) for development expenditure. An additional Kshs.273.9 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013.

During the period, the County spent a total of Kshs.2.17 billion which was 72.7 per cent of the funds released. The County spent Kshs.1.68 billion (77.6 per cent) on recurrent activities and Kshs. 486.8 million (22.4 per cent) on development activities. The recurrent expenditure was 65.7 per cent of the funds released for recurrent activities while development expenditure accounted for 115.2 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **51.4 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **31 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.05 billion on personnel emoluments which translates to 62.2 per cent of the total recurrent expenditure and Kshs.636.8 million on operations and maintenance expenditure which is 37.8 per cent of the total recurrent expenditure for the year. The County spent Kshs.66.6 million for payment of sitting allowances for the 47 members of the County Assembly during the period under review against a budget of Kshs.71 million. This represents an absorption rate of 93.8 per cent.

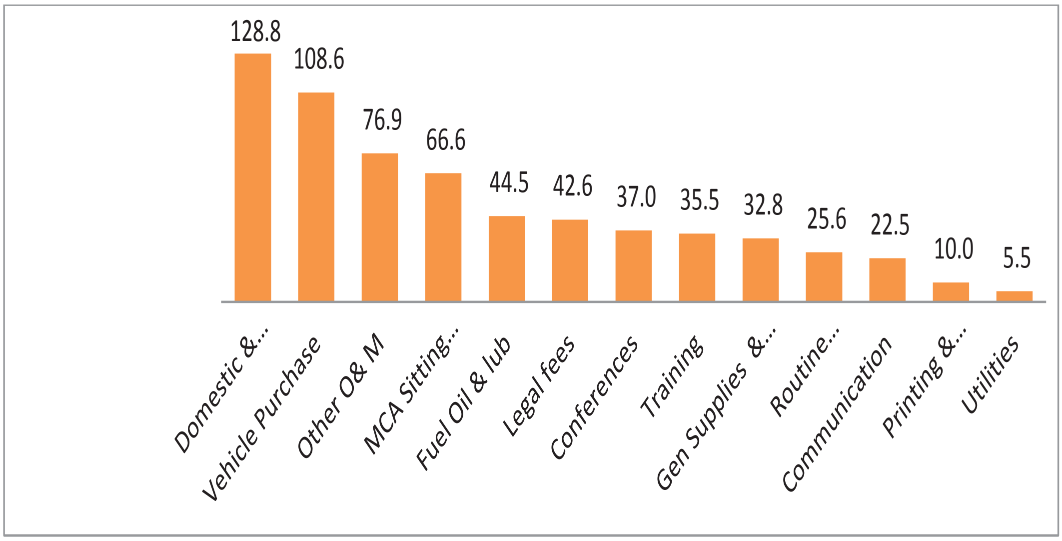
Figure 27: Analysis of Total Expenditure, Garissa County



Source: *Garissa County Treasury*

A review of operations and maintenance expenses for the period under review shows that the highest expenditure under this category was on domestic and foreign travels. A breakdown of operations and maintenance is illustrated in Figure 28.

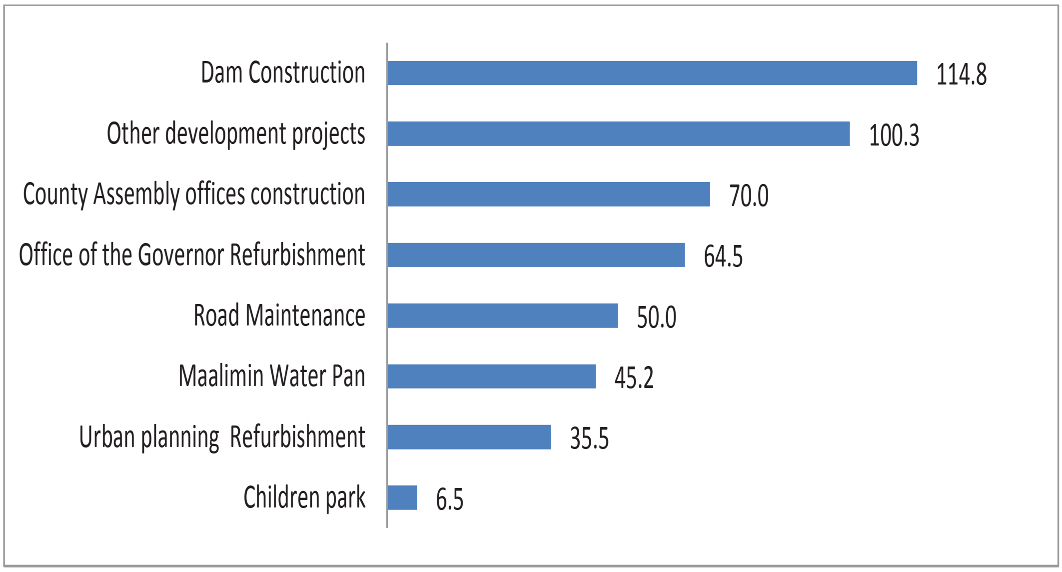
Figure 28: Operations and Maintenance Expenditure, Garissa County (Kshs. Millions)



Source: Garissa County Treasury

A breakdown of development projects implemented during the period under review is illustrated in figure 29.

Figure 29: Analysis of Development Expenditure, Garissa County (Kshs. Millions)



Source: *Garissa County Treasury*

During the period under review, the County faced a number of challenges that affected the county budget implementation. They included:

1. The county experienced IFMIS and G-Pay connectivity problems which affected the use of the system in financial transactions. This was coupled with inadequate capacity of the user of IFMIS which also affected budget execution.

2. Inadequate physical infrastructure/office space to accommodate staff. This adversely affected delivery of services to the public.

3. Low absorption of development funds at 31 per cent, which affected service delivery to the public.

4. Delay in the establishment of an internal audit committee to oversee operations of the internal audit department. Section 155 (5) of the PFM Act, 2012, requires the County to establish an internal audit committee to monitor compliance with international best practices in internal auditing.

5. Low local revenue collection (23.8 per cent of the annual local revenue target) affected funding of some planned activities.

The County should consider implementing the following recommendation to address the challenges identified and improve budget execution.

1. *Liaise with National Treasury to address the IFMIS and G-Pay connectivity problem, and to offer training to its users at the County Treasury.*

2. *Fast-track the refurbishment and/or construction of buildings to provide adequate working space for county staff.*

3. *Ensure that all departmental cash flow projection, annual cash plans and procurement plans are prepared on time to improve implementation of development projects*

4. *Establish an internal audit committee to monitor compliance of financial operations to law and best practices.*

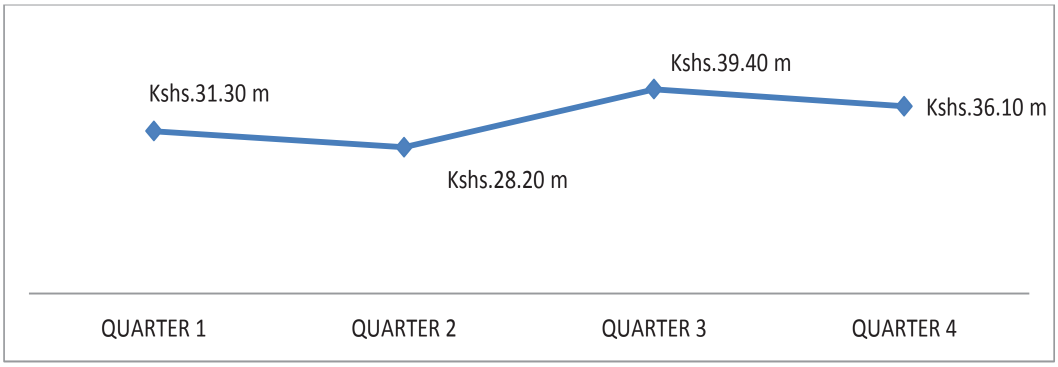
5. *The County should re-evaluate the local revenue collection systems in order to seal revenue leakages and provide realistic revenue forecasts.*

Homa Bay County

In FY 2013/14 the County had an approved budget of Kshs.5.3 billion comprising of Kshs.3.2 billion (59.9 per cent) for recurrent expenditure and Kshs.2.1 billion (40.1 per cent) for development expenditure. The budget was to be financed by Kshs.4.1 billion (77.5 per cent) from national equitable share, Kshs.140 million (2.6 per cent) from local revenue sources, and Kshs.2.5 million (0.1 per cent) being balance brought forward from FY 2012/13.

During the period under review, the County received Kshs.4.1 billion as the national equitable share, generated Kshs.135 million from local sources, and had Kshs.2.5 million as balance brought forward from FY 2012/13. Figure 30 shows a summary of local revenue by quarter and indicates that local revenue collection peaked in the third quarter of the year, a period that coincides with renewal of single business permits. The total local revenue generated during the period under review was **96.4 per cent** of the annual local revenue target.

Figure 30 : Analysis of Local Revenue, Homa Bay County



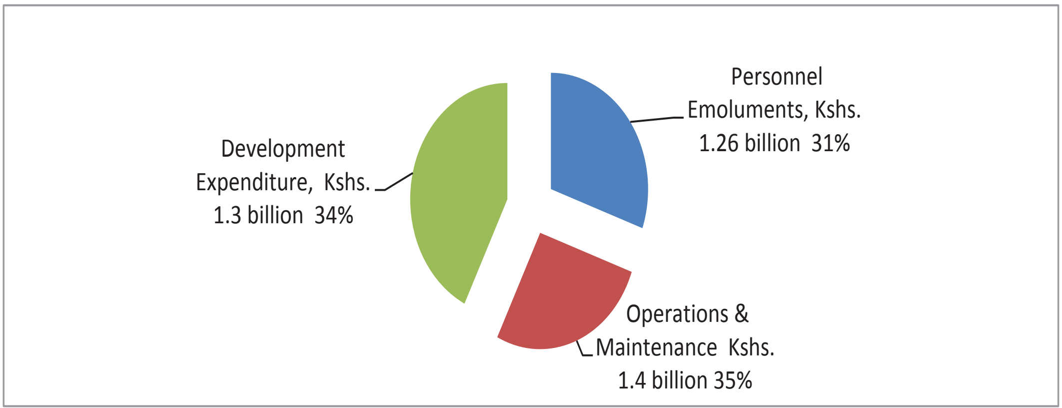
Source: *Homa Bay County Treasury*

Funds released directly to the County during the period under review amounted to Kshs.4.1 billion of which Kshs. 2.7 billion (66.2 per cent) was meant for recurrent expenditure and Kshs.1.38 billion (33.8 per cent) for development expenditure. An additional Kshs.334.3 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs. 4.0 billion which was 98.8 per cent of the funds released. The County spent Kshs.2.7 billion (66 per cent) on recurrent activities and Kshs.1.3 billion (34 per cent) on development activities. Recurrent expenditure for the period under review represented an absorption rate of **83.6 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **64.4 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.26 billion on personnel emoluments which translates to 37.86 per cent of the total recurrent expenditure and Kshs.1.4 billion on operations and maintenance expenditure which is 46.9 per cent of the total recurrent expenditure for the year. The County spent Kshs.95.6 million for payment of sitting allowances to the 63 members of the County Assembly against an annual budget of Kshs.129 million representing an absorption rate of 73.9 per cent.

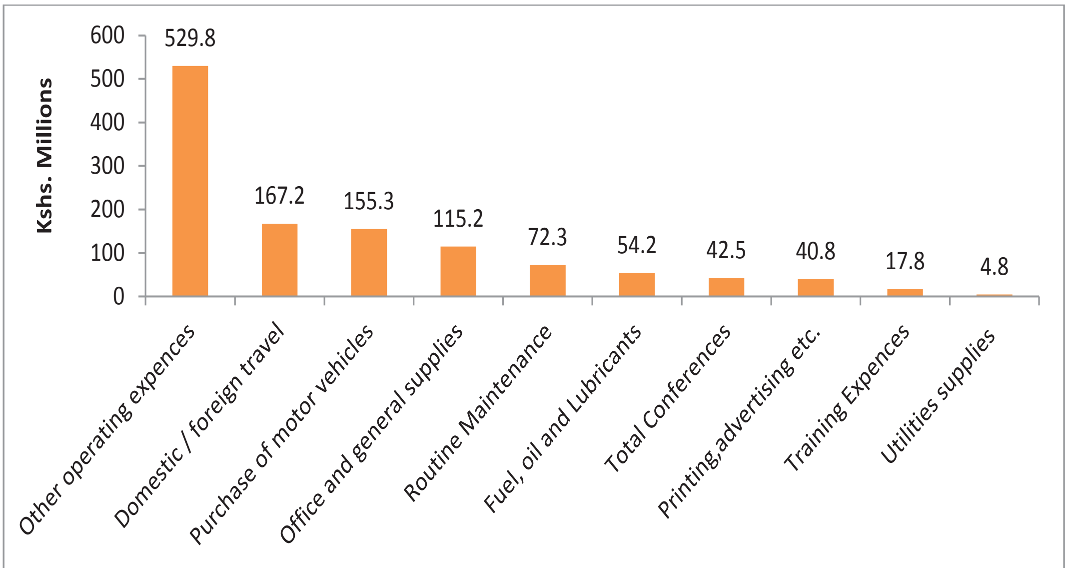
Figure 31: Analysis of Total Expenditure, Homa Bay County



Source: *Homa Bay County Treasury*

The breakdown of operations and maintenance expenditure of Kshs.1.5 billion for the period under review is shown in Figure 32.

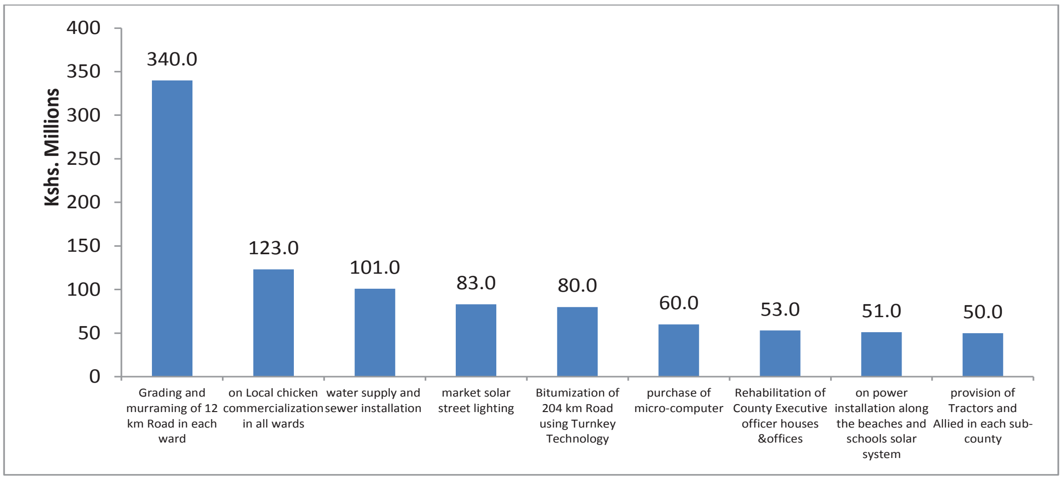
Figure 32: Analysis of Operations and Maintenance Expenditure, Homa Bay County



Source: *Homa Bay County Treasury*

Analysis of development expenditure for the FY 2013/14 shows that the County spent Kshs.340 million on Grading of 12 km Road in each ward, Kshs.123 million on local chicken commercialization in all wards, and Kshs.101 million on water supply and sewerage installation within the county.

Figure 33: Analysis of Development Expenditure, Homa Bay County



Source: *Homa Bay County Treasury*

During the period under review, the County experienced some challenges/issues that affected budget implementation. These included:

1. Delay in the enactment of the County Finance Act, 2013 affected revenue collection resulting in failure to realise the annual local revenue target.

2. Inadequate human resource capacity particularly in budgeting, accounting and procurement delayed preparation of budget documents and financial reporting

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY2014/15:

1. *Ensure that the Finance Bill is passed in time to boost revenue collections for effective budget execution.*

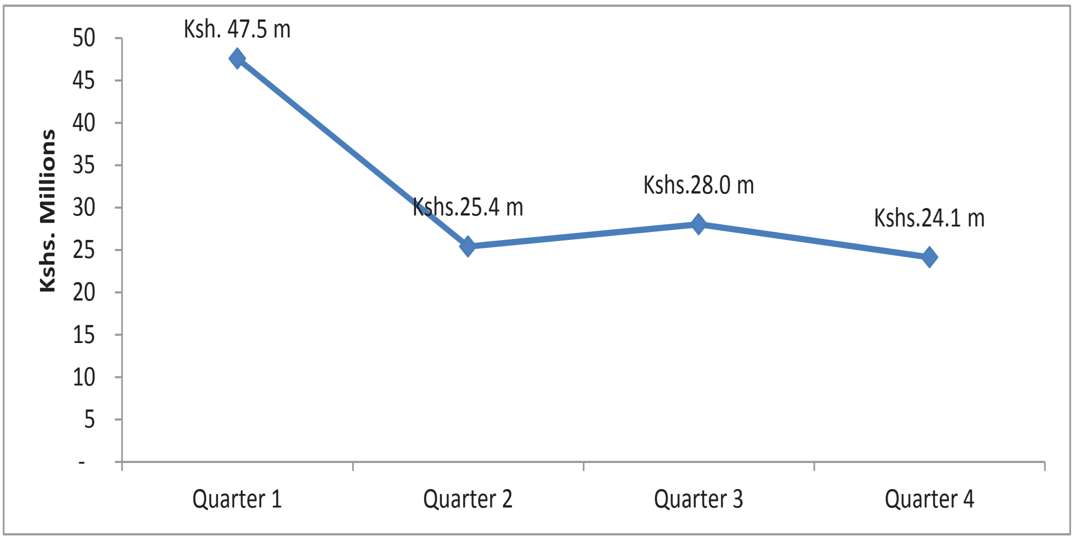
2. *Liaise with the National Government to rationalise its staff and ensure adequate capacity in public financial management.*

Isiolo County

In the FY 2013/14, the County had an approved budget of Kshs.2.8 billion comprising of Kshs.1.74 billion (63 per cent) for recurrent expenditure and Kshs.1.04 billion (37 per cent) for development expenditure. The annual revenue for the County Government for the FY 2013/14 is projected at Kshs.2.8 billion which comprises Kshs.2.4 billion (87 per cent) from the national equitable share, Kshs.360 million (13 per cent) from local revenue sources and Kshs. 5.9 million (0.02 per cent) as balance brought forward from the previous financial year, FY 2012/13.

During the period under review, the County received Kshs.2.2 billion as the national equitable share, raised Kshs.125 million from local sources, and had Kshs.5.9 million as balance brought forward from FY 2012/13. Total local revenue raised during the period under review was **35 per cent** of the annual local revenue target. In the fourth quarter of the year, the County generated Kshs. 24.1 million. Figure 34 below shows a summary of local revenue by quarter.

Figure 34: Analysis of Local Revenue, Isiolo County



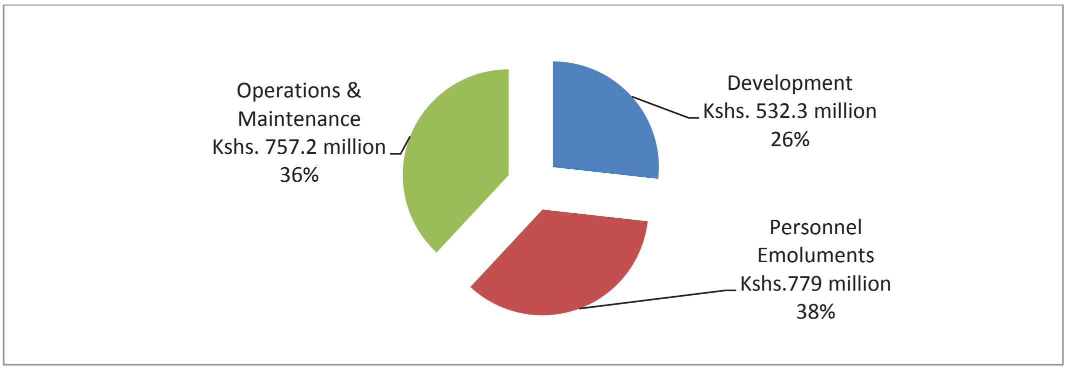
Source: *Isiolo County Treasury*

Funds released directly to the County totalled to Kshs.2.2 billion of which Kshs.1.5 billion (67 per cent) was for recurrent expenditure and Kshs. 0.7 billion (33 per cent) for development expenditure. An additional Kshs.79.4 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013

The total expenditure for the FY 2013/14 amounted to Kshs.2.0 billion, which was 91 per cent of the funds released. The County spent Kshs.1.5 billion (74 per cent) on recurrent activities and Kshs.0.5 billion (26 per cent) on development activities. Recurrent expenditure for the period represented an absorption rate of **88 per cent** of the annual recurrent budget while development expenditure translated to **51 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.778.6 million on personnel emoluments which translates to 51 per cent of the total recurrent expenditure and Kshs.757 million on operations and maintenance expenditure which is 49 per cent of the total recurrent expenditure for the year. The County spent Kshs.13.8 million for payment of sitting allowances to the 21 members of the County Assembly against an annual budget of Kshs.15.6 million representing an absorption rate of 89 per cent.

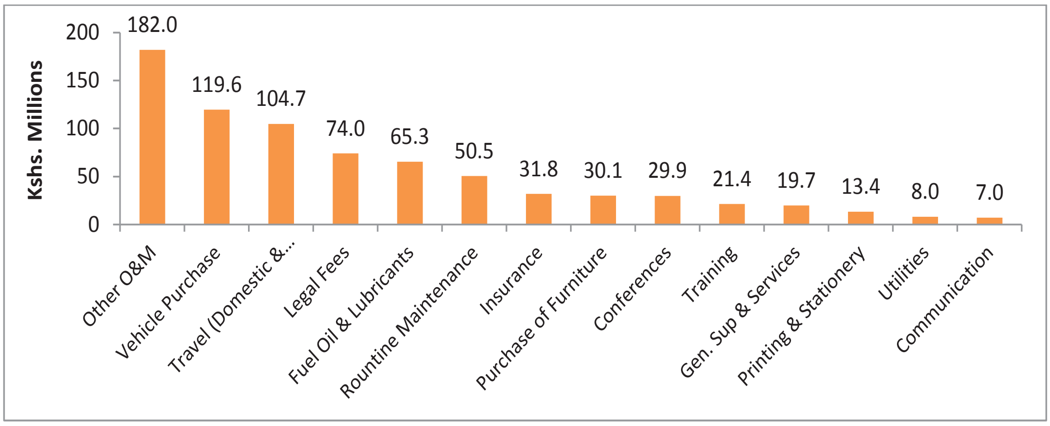
Figure 35: Analysis of Total Expenditure, Isiolo County



Source: *Isiolo County Treasury*

Analysis of operations and maintenance expenditure of Kshs.757 million for the period under review is shown in Figure 36.

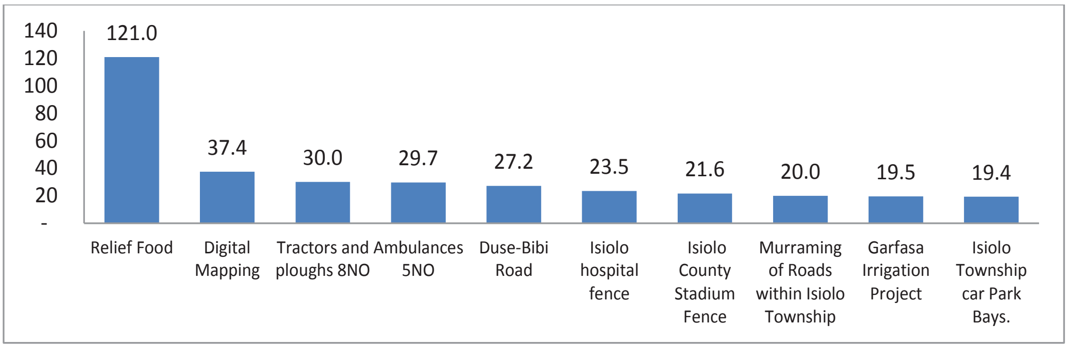
Figure 36: Analysis of Operations and Maintenance Expenditure, Isiolo County



Source: *Isiolo County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent Kshs.121 million on famine relief supplies, Kshs.37.4 million on digital mapping, and Kshs.30 million on purchase of tractors and ploughs (see Figure 37).

Figure 37: Analysis of Major Development Expenditure, Isiolo County



***Source**: Isiolo County Treasury*

During the year, the County experienced a number of challenges/issues that affected budget implementation. These included;

1. The County collected Kshs. 125 million or 35 per cent of its annual local revenue target. This low revenue collection, coupled with delays in the disbursement of the national equitable share by the National Treasury hindered effective budget implementation.
2. Inadequate human capacity, particularly in procurement.
3. Failure to implement the IFMIS system by the County Assembly.

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY2014/15:

1. *Review local revenue collection mechanisms and develop robust strategies to improve its performance. There is need to automate revenue collections to seal revenue leakages in order to enhance revenue collection.*
2. *Liaise with National Government to rationalise its staff and ensure that there is adequate capacity in public financial management.*
3. *The County Assembly should implement the IFMIS system.*

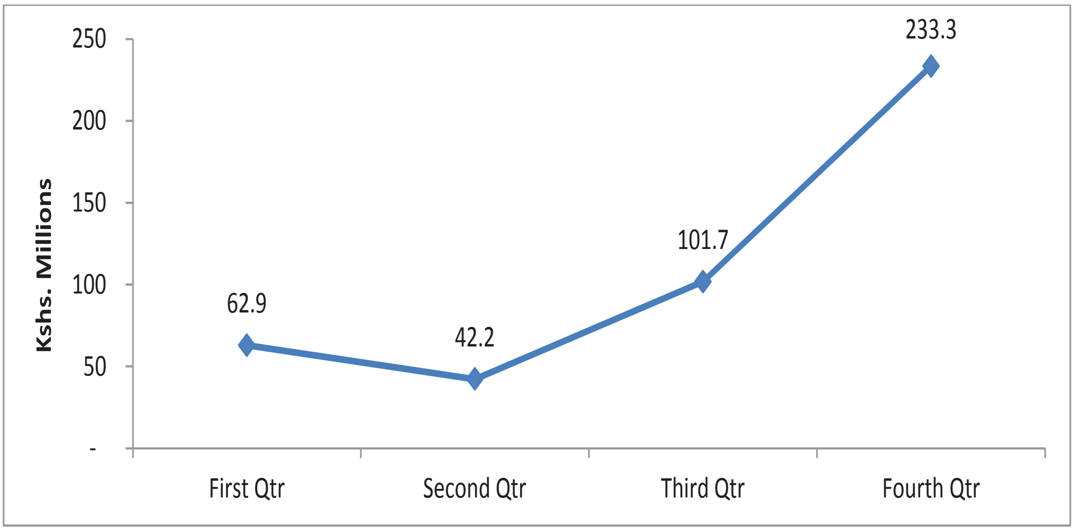
Kajiado County

In the FY 2013/14, the County had an approved budget of Kshs.3.76 billion comprising of Kshs.2.52 billion (66.9 per cent) for recurrent expenditure and Kshs.1.2 billion (33.1 per cent) for development expenditure. The budget was to be financed by Kshs.3.23

billion (85.4 per cent) from the national equitable share, Kshs.517 million (13.7 per cent) from local revenue sources and Kshs.38.3 million (1.01 per cent) as balance brought forward from the previous financial year.

In the period under review, the County received Kshs.3.2 billion as the national equitable share, collected Kshs.442.8 million from local sources, and had Kshs.38.3 million as balance brought forward from FY 2012/13. Total local revenue raised during the period under review was **72 per cent** of the annual local revenue target. In the fourth quarter of the year, the County raised Kshs.233 million, which was an improvement from the Kshs.101.74 million generated in the previous quarter. Figure 38 shows comparison in local revenue collections per quarter.

Figure 38: Analysis of Local Revenue, Kajiado County



Source: *Kajiado County Treasury*

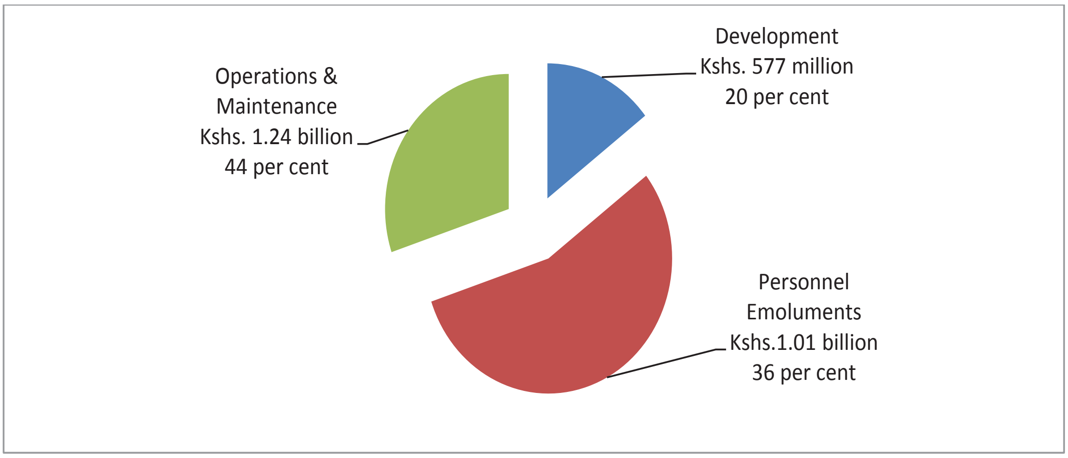
Funds released directly to the County during the period amounted to Kshs.3.14 billion of which Kshs.2.14 billion (68 per cent) was for recurrent expenditure and Kshs.1.00 billion (32 per cent) for development expenditure. An additional Kshs.212.7 million was deducted from the County's share of the national shareable revenue by the National Treasury for salaries paid to staff that performed devolved functions for the period July to December 2013.

The total expenditure for the F/Y 2013/14 amounted to Kshs.2.83 billion which was 84 per cent of the funds released. The County spent Kshs.2.25 billion (80 per cent) on recurrent expenditure and Kshs.576.5 million (20 per cent) on development activities. Recurrent expenditure was 96 per cent of the funds released for recurrent activities while development expenditure accounted for 57 per cent of the funds released for development projects.

The recurrent expenditure for the period under review was **89 per cent** of the annual recurrent budget while development expenditure was **46 per cent** of the annual development budget.

Analysis of recurrent expenditure reveals that the County spent Kshs.1.01 billion on personnel emoluments which translates to 44.9 per cent of the total recurrent expenditure while Kshs.1.24 billion was spent on operations and maintenance which is 55.1 per cent of the total recurrent expenditure. The County spent Kshs. 15.7 million as sitting allowances for the Members of the County Assembly against an annual budget of Kshs. 49.5 million representing an absorption rate of **32 per cent.**

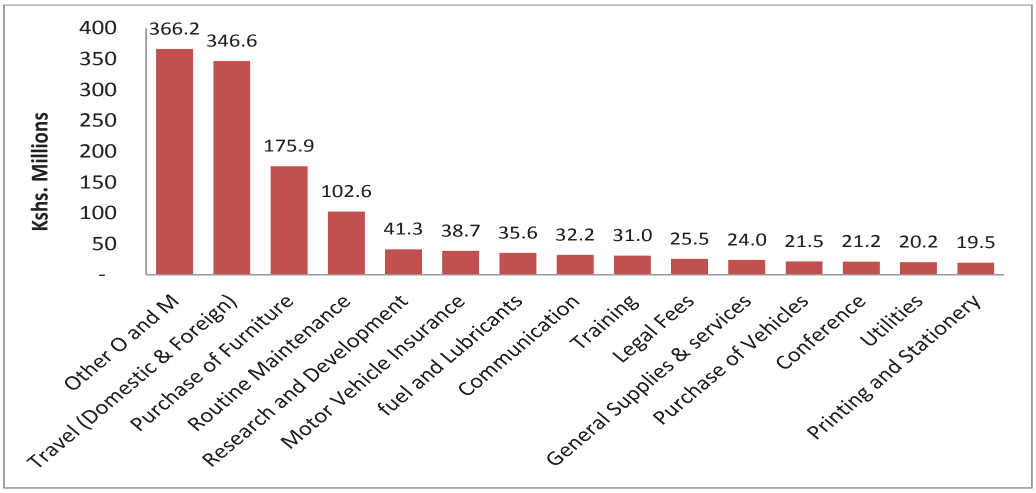
Figure 39: Analysis of Total Expenditure, Kajiado County



***Source**: Kajiado County Treasury*

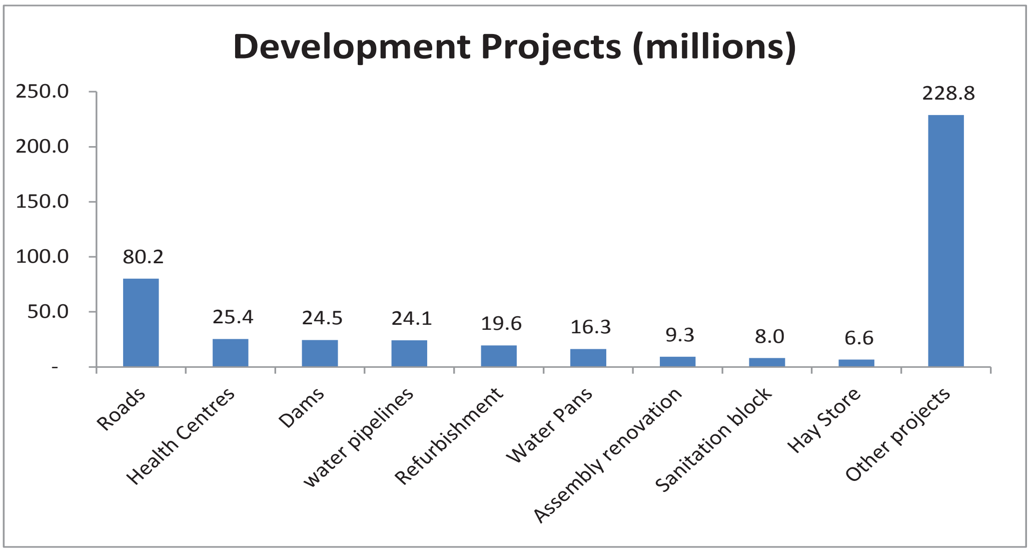
The breakdown of operations and maintenance expenditure of Kshs.1.24 billion for the period under review is shown in figure 40.

Figure 40: Analysis of Operations and Maintenance expenditure, Kajiado County



Analysis of the development expenditure for the FY2013/2014 shows that the County spent Kshs.80.2 million towards construction of roads; Kshs. 25.4 million towards construction and refurbishment of health centers; Kshs. 24.5 million towards construction of dams; Kshs.24.1 million for construction of water pipelines; Kshs. 19.6 million towards refurbishments of buildings and minor civil works; Kshs. 16.3 million for construction of water pans; Kshs. 9.2 million for renovation of the County Assembly Chambers; Kshs.8 million on construction of a sanitation block and septic tank in Namanga; and Kshs. 6.6 million for construction of hay store, among others (see figure 41).

Figure 41 : Analysis of Development Expenditure, Kajiado County



During the period under review, the County experienced some challenges/issues that affected budget implementation. They included:

1. Low absorption of development expenditure. The County attained an absorption rate of 46 per cent as a result of lack of clear mapping of procurement plans, work plans and cash flow projections. This negatively impacted the fulfilment of the County's development objectives.
2. Lack of audit committee to oversee operations of the internal audit department.

The County should consider the following recommendation to address these challenges/ issues and improve budget execution in the FY2014/2015:

1. *Ensure proper planning especially on procurement in order to enhance implementation of development activities. A proper procurement plan will assist in carrying out various procurement processes early enough even before funds are released from the exchequer.*

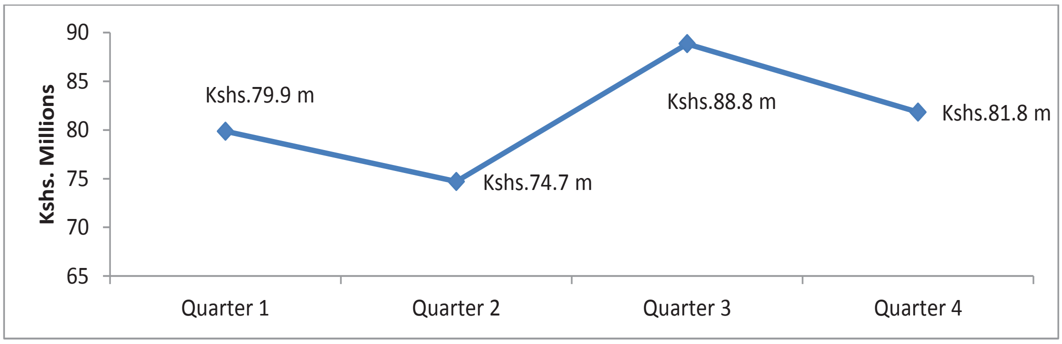
2. *Establish an internal audit committee to enhance effective review and quality assurance of financial operations by overseeing operations of the internal audit department.*

Kakamega County

In FY 2013/14, the County had an approved budget of Kshs.9.64 billion comprising of Kshs.4.06 billion (42.1 per cent) for recurrent expenditure and Kshs.5.58 billion (57.9 per cent) for development expenditure. This budget was to be financed by Kshs.6.52 billion (67.4 per cent) from national equitable share, Kshs.311 million as conditional grant for the Kakamega Level 5 hospital (3.2 per cent), Kshs.2.8 billion (28.5 per cent) from local revenue sources and Kshs.75.2 million (0.9 per cent) being balance brought forward from FY 2012/13.

During the period under review, the County received Kshs.6.8 billion as the national equitable share, generated Kshs.325.2 million from local sources, and had Kshs.75.2 million as balance brought forward from FY 2012/13. Total local revenue raised during the period under review was 11.6 per cent of the annual local revenue target. Figure 42 shows a summary of local revenue by quarter.

Figure 42: Analysis of Local Revenue, Kakamega County



Source: *Kakamega County Treasury*

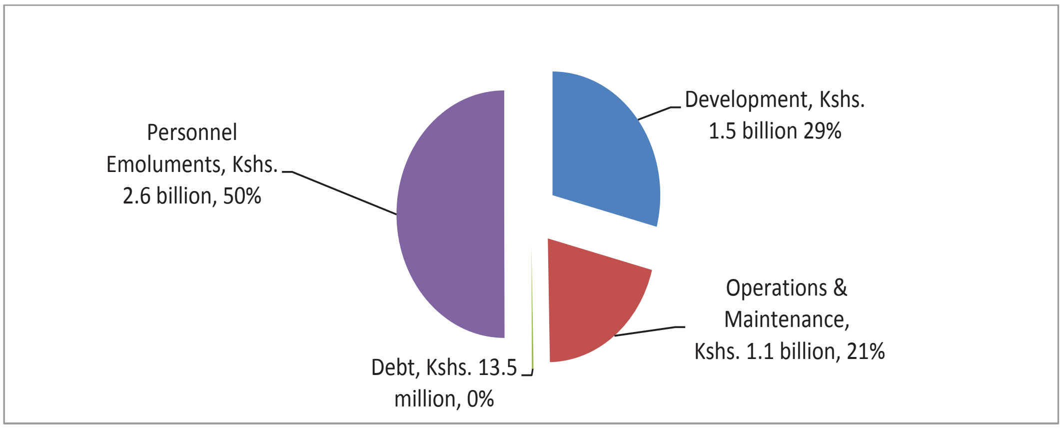
Funds released directly to the County during the period under review amounted to Kshs.6.7 billion out of which Kshs.3.6 billion (53.8 per cent) was for recurrent expenditure and Kshs.3.1 billion (46.2 per cent) for development expenditure. An additional Kshs.469 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013

The total expenditure for the FY 2013/14 amounted to Kshs.5.22 billion which was 72.5 per cent of the funds released. The County spent Kshs.3.70 billion (70.9 per cent) on recurrent activities and Kshs.1.52 billion (29.1 per cent) on development activities. Recurrent expenditure was 90.5 per cent of the funds released for recurrent activities while development expenditure accounted for 48.9 per cent of the funds released for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **91 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **27.2 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.2.61 billion on personnel emoluments which translates to 71 per cent of the total recurrent expenditure, and Kshs.1.07 billion on operations and maintenance expenditure which is 29 per cent of the total recurrent expenditure. There was debt repayment of Kshs.13.5 million with respect to a liability owed to the National Housing Corporation by the defunct Kakamega Municipality which was 0.36 per cent of the total recurrent expenditure. Additionally, the County spent Kshs.119.1 million for payment of sitting allowances to the 87 members of the County Assembly against an annual budget of Kshs. 130 million, representing an absorption rate of **91.6 per cent.**

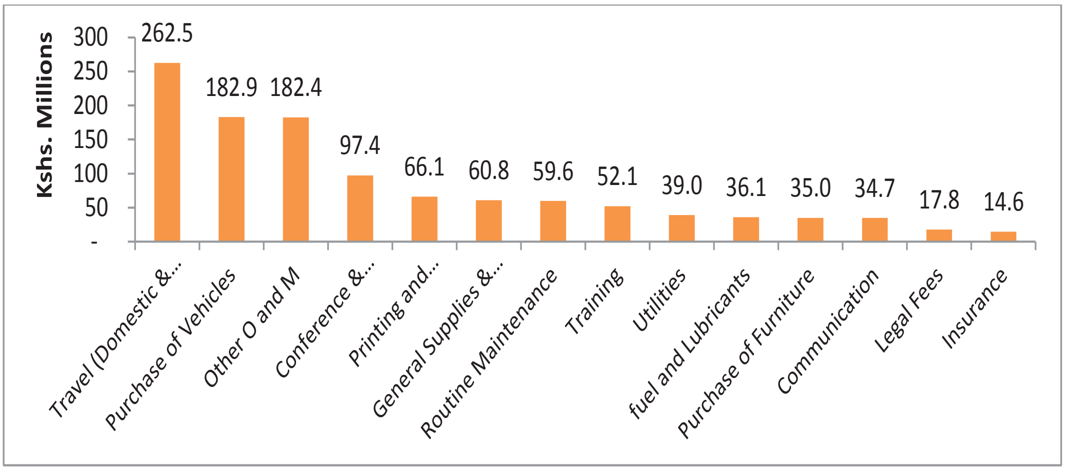
Figure 43: Analysis of Total Expenditure, Kakamega County



Source: *Kakamega County Treasury*

The analysis of operations and maintenance expenditure of Kshs.1.1 billion for the period under review is shown in Figure 44 below.

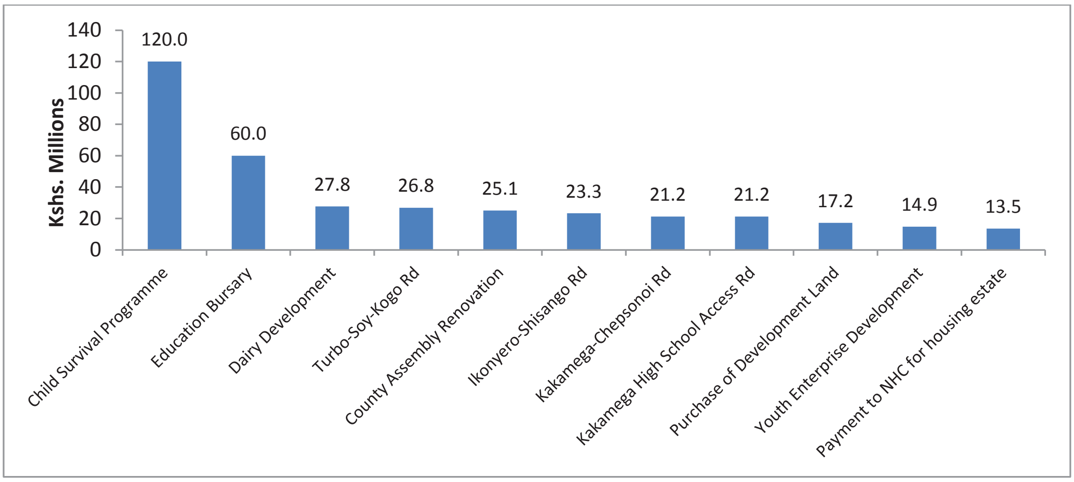
Figure 44: Analysis of Operations and Maintenance Expenditure, Kakamega County



Source: *Kakamega County Treasury*

Analysis of the development expenditure for the FY 2013/14 shows that the County spent Kshs.120 million on the Child Survival programme that has a component of co-funding from the UNICEF, Kshs.60 million towards education bursary to various students, and Kshs.27.8 million on dairy development project. (See figure 45).

Figure 45: Analysis of Development Expenditure, Kakamega County



Source: *Kakamega County Treasury*

During the year, the County experienced a number of challenges/issues that affected budget implementation. These included;

1. Delays in preparation and submission of departmental procurement plans by departments to the County Treasury. This delayed the requisition of funds for the implementation of County programmes and ultimately led to the low absorption of funds.
2. The delay in the implementation of Integrated Financial Management Information System (IFMIS) and GPAY coupled with frequent connectivity challenges affected budget implementation.
3. The County collected only 11.6 per cent of its annual local revenue target. This low revenue collection, tied with late disbursement of the national equitable share tranches in the first months of the financial year affected implementation of development projects.
4. Low absorption of development funds.

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY2014/15:

1. *All departments should link their procurement plans to cash flow projections in order to facilitate project implementation and absorption of development expenditure. Procurement processes by all departments should be completed before funds are released from the exchequer.*

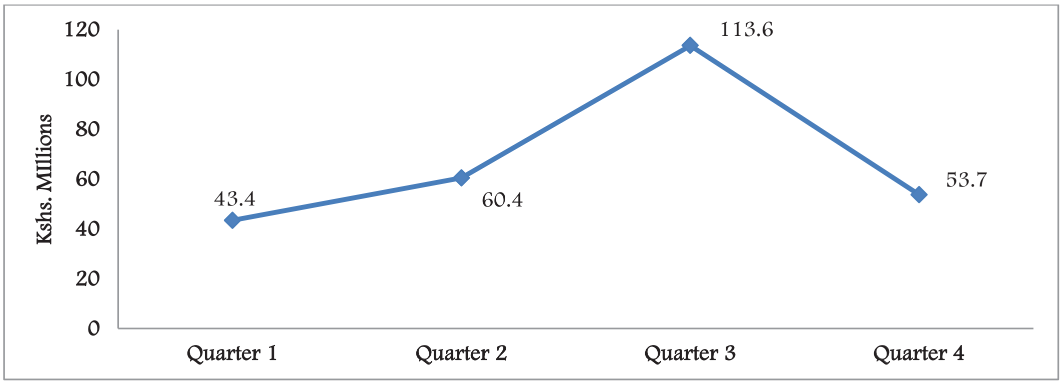
2. *Liaise with the National Treasury to address IFMIS challenges*
3. *Institute mechanisms to boost local revenue collection. In addition, the County should set realistic local revenue targets.*
4. *Institute appropriate measures to address the low absorption of development funds*

Kericho County

In FY 2013/14, the County had an approved budget of Kshs.3.6 billion comprising of Kshs.2.4 billion (67 per cent) for recurrent expenditure and Kshs.1.2 billion (33 per cent) for development expenditure. This budget was financed by Kshs.3.3 billion (91 per cent) from the national equitable share, Kshs.338.7 million (9 per cent) from own revenue sources, and Kshs.27 million being balance brought forward from FY 2012/13.

During the period under review, the County received Kshs.3.3 billion as the national equitable share, generated Kshs.371 million from local sources, and had Kshs.27 million as balance brought forward from the previous financial year. The total local revenue raised during the period under review was **110 per cent** of the annual local revenue target. In the fourth quarter of FY 2013/14 the County raised Kshs.53 million as shown in Figure 46.

Figure 46: Analysis of Local Revenue Kericho County



Source: *Kericho County Treasury*

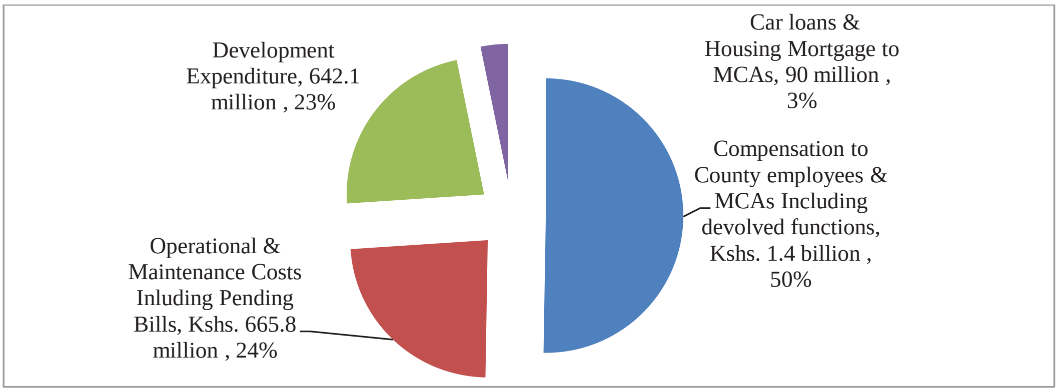
Funds released directly to the County during the period under review amounted to Kshs.2.9 billion which comprised of Kshs.2.0 billion (70 per cent) for recurrent expenditure and Kshs.862 million (30 per cent) for development expenditure. An additional Kshs.365 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013

The total expenditure for the FY 2013/14 was Kshs.2.8 billion which represented 86 per cent of the funds released during the year. The County spent Kshs.2.2 billion (77 per cent) on recurrent activities and Kshs.642 million (23 per cent) on development activities. Recurrent expenditure was 106 per cent of the funds released for recurrent activities while development expenditure accounted for 75 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **89 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **54 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that, the County spent Kshs.1.4 billion on personnel emoluments which translates to 65 per cent of the total recurrent expenditure and Kshs.739.3 million on operations and maintenance expenditure which was 31 per cent of the total recurrent expenditure for the FY 2013/14. The recurrent expenditure included pending bills amounting to Ksh.16.6 million. Further, Kshs.90 million was advanced to the MCAs as Car Loans & Mortgages as per the SRC circular. This amount accounts for 4 per cent of the recurrent expenditure. The County also spent Kshs.32.7 million for payment of sitting allowances to the 48 members of the County Assembly against an annual budget of Kshs.58.5 million representing an absorption rate of 56 per cent as represented in Figure 47.

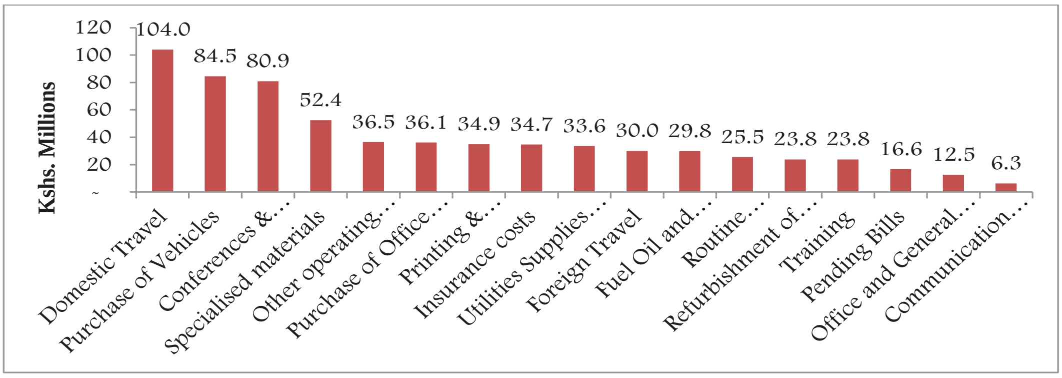
Figure 47: Analysis of Total Expenditure, Kericho County



Source: *Kericho County Treasury*

The breakdown of operations and maintenance expenditure of Kshs.666 million for the period under review is shown in Figure 48

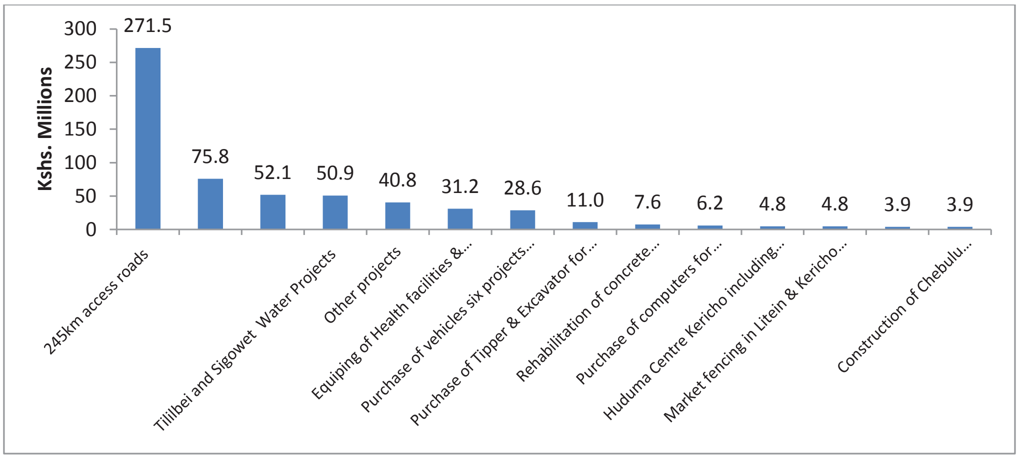
Figure 48: Analysis of Operations and Maintenance Expenditure, Kericho County



Source: *Kericho County Treasury*

Analysis of development expenditure for the FY2013/14 shows that the County spent Kshs.271 million on construction of 245 km access roads with 150 km on-going in 30 wards, Ksh.76 million on construction and facilitation costs for ECDE class rooms, Ksh.52 million on ECF vaccination Programme & Supply of acaricides in 30 wards and Ksh.51 million in revamping of both Tililbei and Sigowet Water Projects including supply of water pipes and construction of water tanks. Additionally, Kshs.41 million, Kshs.31 million, Kshs.29 million, Kshs.11 million and Kshs.8 million was incurred on equipping of health facilities and constructional works in sub-counties; purchase of six project vehicles; purchase of a tipper & excavator for public works; purchase of computers and computer accessories for schools and polytechnics; and establishment of Kericho Huduma Centre respectively as shown in Figure 49.

Figure 49: Analysis of Development Expenditure, Kericho County



Source: *Kericho County Treasury*

The County experienced a number of challenges/issues that affected budget implementation during the FY2013/2014. These included:

1) Inadequate mechanisms to ensure that locally generated revenue was fully accounted for.
2) Inadequate staff capacity among procurement and accounts staff.
3) Intermittent use of the IFMIS and the manual systems to record accounting transactions due to inadequate user capacity. This resulted in delay in reporting and accounting for public funds.
4) The County Assembly used a manual system to manage its payroll. Manual systems are susceptible to abuse.

The County should consider the following recommendations to address these challenges/issues and improve budget execution in the FY2014/2015:

1) *Institute mechanisms to ensure that all local revenue is properly accounted and reconciled against each revenue stream.*
2) *Build staff capacity through continuous training programs and where necessary, liaise with the National Government for secondment of skilled staff.*
3) *Liaise with the National Treasury to build capacity for IFMIS users.*
4) *Ensure that the County Assembly installs and operationalize the IPPD system.*

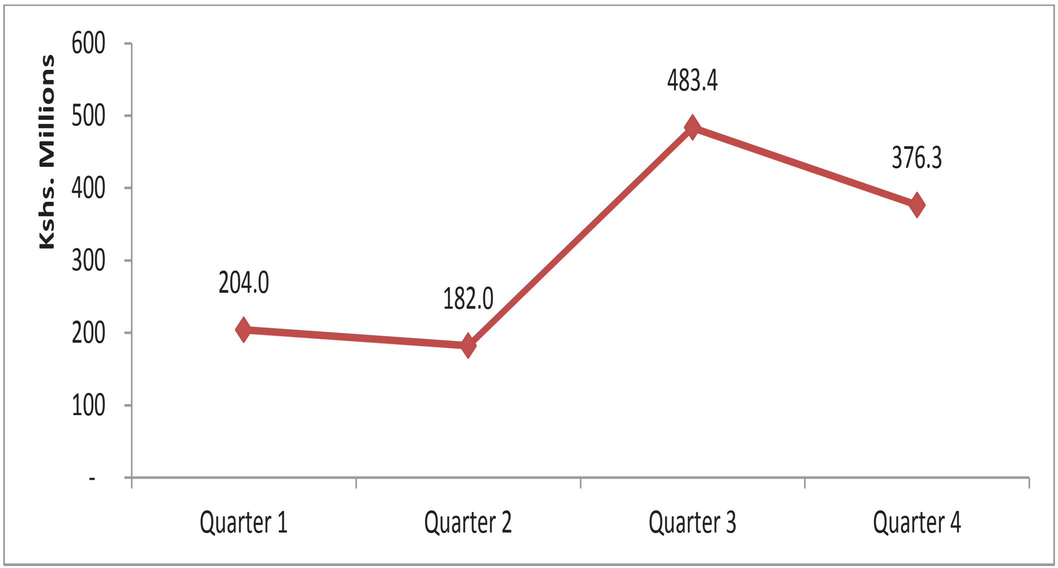
Kiambu County

In FY 2013/14, the County had an approved budget of Kshs.9.3 billion comprising of Kshs.6.5 billion (69.8 per cent) for recurrent expenditure and Kshs.2.8 billion (30.2 per cent) for development expenditure. This budget was to be financed by Kshs.5.5billion (56.8 per cent) from the national equitable share, Kshs.367 million (3.8 per cent) for the Kiambu Level 5 hospital, Kshs.437.6 million (4.5 per cent) as donor funds Kshs.3.1 billion (31.7 per cent) from local revenue sources, and Kshs.290 million (3 per cent) unspent funds from FY 2012/13.

During the period under review, the County received Kshs.5.8 billion as the national equitable share, generated Kshs.1.25 billion from local sources, and had Kshs.290.8 million as balance brought forward from FY 2012/13. The total local revenue realised during the period under review was Kshs. 1.2 billion, representing **40.7 per cent** of the annual local revenue target.

In the fourth quarter of the year, the County generated Kshs.376.31 million which was a decline from the third quarter collections of Kshs.483.4 million but an improvement from Kshs.182 million raised in the second quarter, and the Kshs.204 million raised in the first quarter. Figure 50 shows a summary of local revenue by quarter.

Figure 50: Local Revenue Analysis, Kiambu County



***Source**: Kiambu County Treasury*

Funds released directly to the County during the period under review amounted to Kshs.6.7 billion of which Kshs.5.1 billion (77.7 per cent) was for recurrent expenditure and Kshs.1.5 billion (22.3 per cent) for development expenditure. An additional Kshs.461 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013

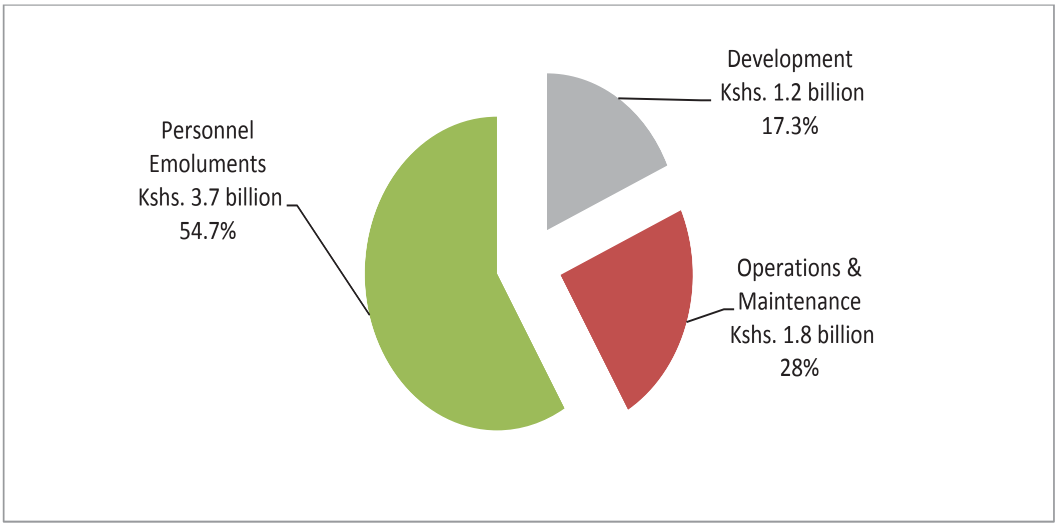
The total expenditure for the FY 2013/14 was Kshs.6.7 billion which was 94.4 per cent of the funds released. The County spent Kshs.5.5 billion (82.7 per cent) on recurrent expenditure and Kshs. 1.2 billion (17.3 per cent) on development activities. Recurrent expenditure was 98.6 per cent of the funds released for recurrent activities while development expenditure accounted for 78.4 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **84.9 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **41.1 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.3.7 billion on personnel emoluments which translates to 66.2 per cent of the total recurrent expenditure and Kshs.1.8 billion was spent on operations and maintenance accounting for 26.3 per cent of the total recurrent expenditure. Expenditure on operations and maintenance included Kshs.419 million or 7.6 per cent of recurrent expenditure spent on debt repayment.

The County spent Kshs.94.1 million for payment of sitting allowances for the 87 members of the County Assembly during the period under review against an annual budget of Kshs.90.0 million. This represents an absorption rate of 104.4 per cent.

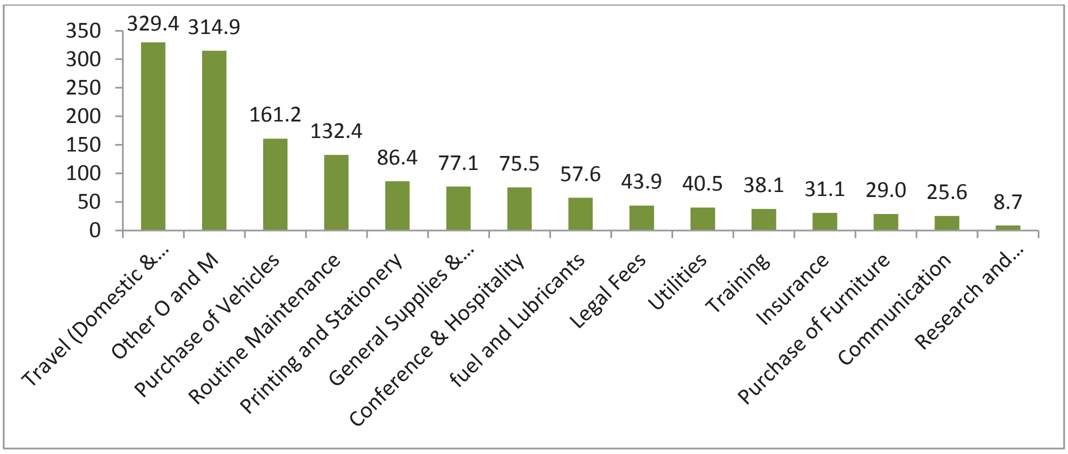
Figure 51: Analysis of Total Expenditure, Kiambu County



***Source**: Kiambu County Treasury*

The analysis of the operations and maintenance expenditure of Kshs.1.5 billion for the period under review is shown in Figure 52.

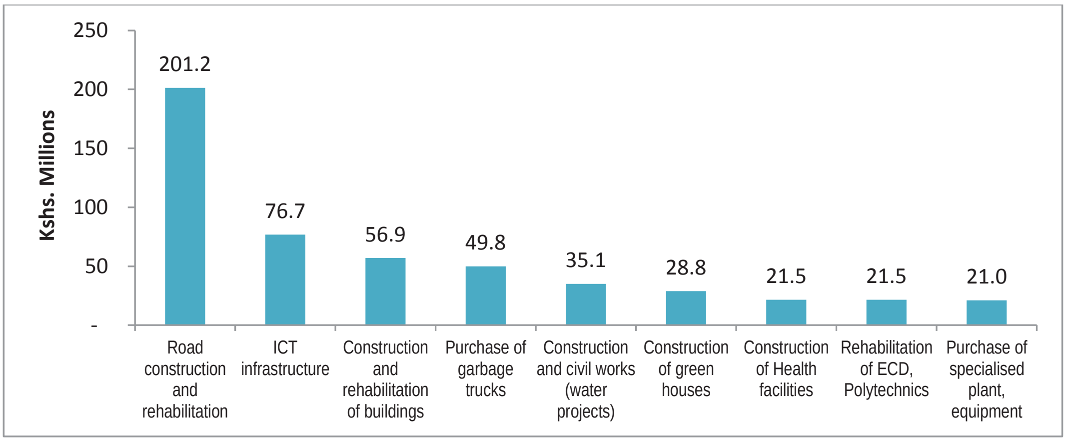
Figure 52: Analysis of Operations and Maintenance Expenditure, Kiambu County



***Source**: Kiambu County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent Kshs.201 million on roads project, Kshs.76 million on ICT project, and Kshs.56 million on construction and rehabilitation of buildings 3 (see figure 53).

Figure 53: Analysis of Development Expenditure, Kiambu County



***Source**: Kiambu County Treasury*

The County experienced some challenges/issues that affected budget implementation during the FY 2013/14. These are:

1. The County inherited a workforce of approximately 3,750 staff from the National Government, and approximately 1,200 staff from the defunct local authorities with an annual wage bill of Kshs.3.7 billion, or 59 per cent of the annual budget. This wage bill has constrained the county resources to fund development programmes. In

spite of the huge workforce, there was inadequate capacity in budgeting, accounting and procurement. This resulted in delayed preparation of budget documents and inaccurate reporting.

2. Intermittent use of IFMIS and manual system to record accounting transactions exposed the County to accounting errors.

3. There were delays in the preparation of key policy documents guiding the budgetary process such as the Finance Act, Budget Review and Outlook Paper, CFSP, CIDP, and the Annual Development Plan. This resulted in delays in the implementation of programmes leading to the low absorption of funds.

4. Failure to meet local revenue target, whereby, the county attained 41 per cent of its annual local revenue target. This was attributed to unrealistic local revenue targets, and affected funding of some planned activities.

5. The County is yet to establish an internal audit committee to oversee operations of the internal audit department.

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY 2014/15

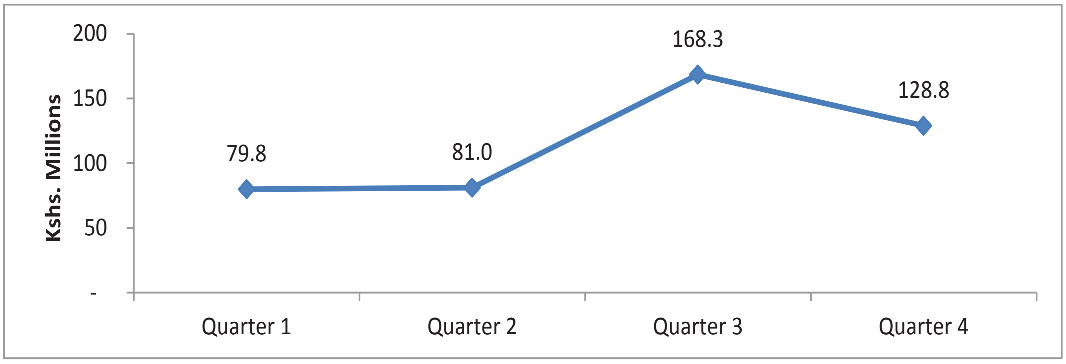
1. *Liaise with National Government in order to rationalize its workforce in order to manage the huge wage bill.*
2. *Liaise with National Treasury to address IFMIS challenges.*
3. *Fast-track the passing of key policy document to facilitate proper budget implementation.*
4. *Set realistic local revenue targets and put in place strong mechanisms to achieve the targets.*
5. *Establish an internal audit committee to oversee operations of the internal audit department.*

Kilifi County

In FY 2013/14, the County had an approved budget of Kshs.6.7 billion comprising of Kshs.4.6 billion (69 per cent) for recurrent expenditure and Kshs.2.1 billion (31 per cent) for development expenditure. This budget was to be financed by Kshs.5.4 billion (81 per cent) from national equitable share, conditional grant of Kshs 377.9 million (6 per cent), Kshs.735 million (11 per cent) from local revenue sources and Kshs.144 million (2 per cent) being balance brought forward from FY 2012/13.

During the period under review, the County received Kshs.5.4 billion as the national equitable share, generated Kshs.459.6 million from local sources, and had Kshs.144 million as balance brought forward from FY 2012/13. Total local revenue raised was **62.5 per cent** of the annual local revenue target. During the fourth quarter of the year, the County generated Kshs.128 million. Figure 54 shows a summary of local revenue by quarter.

Figure 54: Local Revenue Analysis, Kilifi County



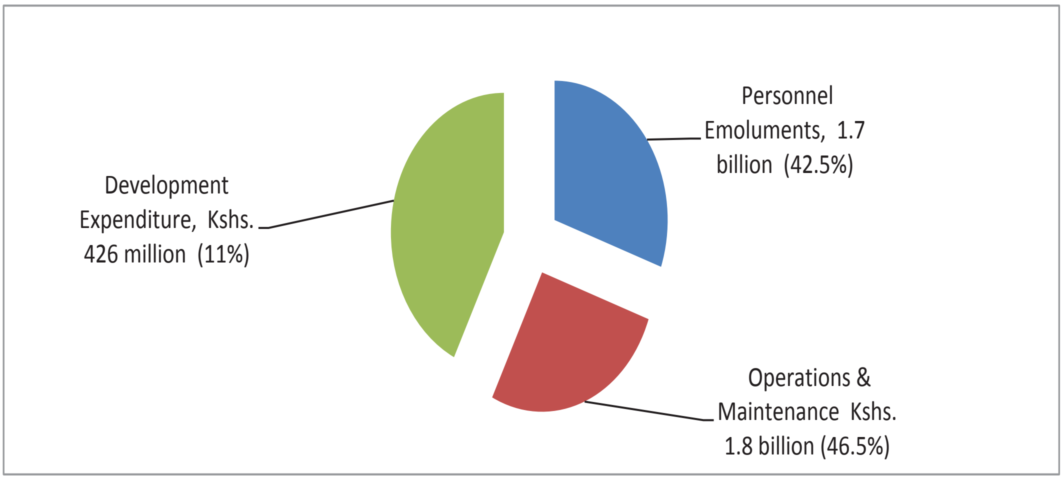
Source: *Kilifi County treasury*

Funds released directly to the County during the period under review amounted to Kshs.4.9 billion of which Kshs.3.9 billion (80 per cent) was for recurrent expenditure and Kshs.974 million (20 per cent) for development expenditure. An additional Kshs.206 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013

The total expenditure was Kshs.4.01 billion, which was 78 per cent of the funds released. The County spent Kshs.3.6 billion (89 per cent) on recurrent activities and Kshs.426 million (11 per cent) on development activities. Recurrent expenditure for the period under review represented an absorption rate of **77.3 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **20.7 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.7 billion on personnel emoluments which translates to 48 per cent of the total recurrent expenditure and Kshs.1.9 billion on operations and maintenance expenditure which is 52 per cent of the total recurrent expenditure for the FY 2013/14. The County spent Kshs.39 million for payment of sitting allowances to the 54 members of the County Assembly. This payment of sitting allowance to the MCAs had not been appropriated, an issue raised in the third quarter budget implementation report. The amount was expensed as salaries of MCAs.

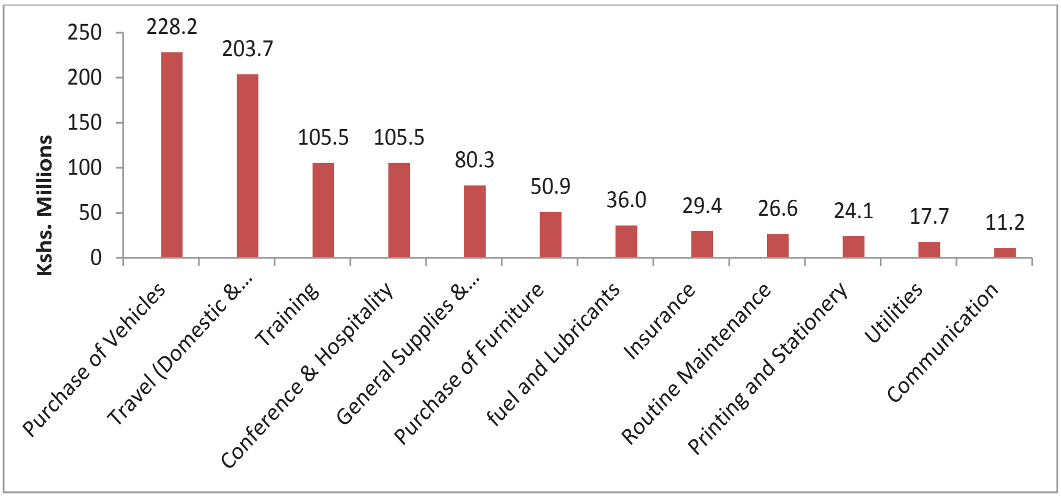
Figure 55: Analysis of Total Expenditure, Kilifi County



Source: *Kilifi County Treasury*

A breakdown of the operations and maintenance expenditure of Kshs.1.9 billion for the period under review is shown in Figure 56.

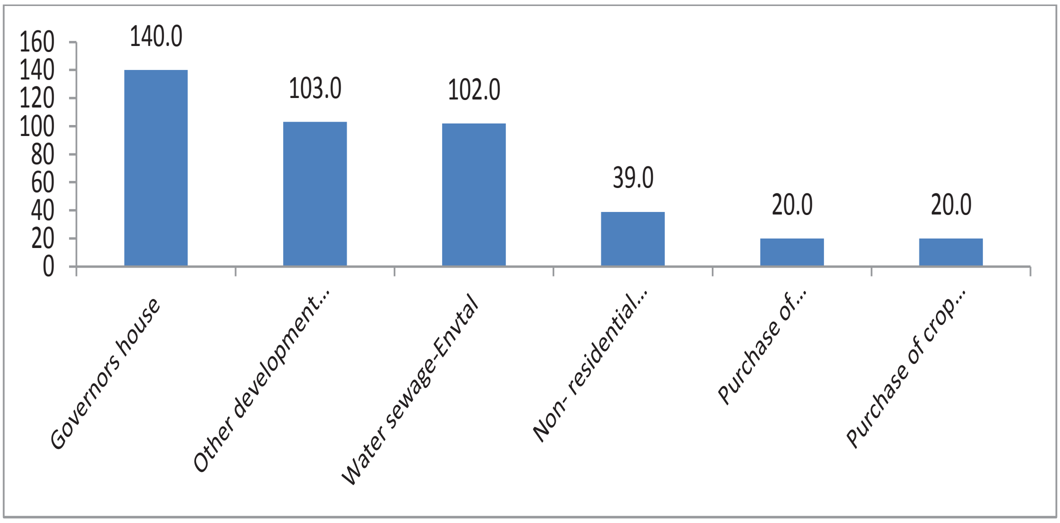
Figure 56: Analysis of Operations and Maintenance expenditure, Kilifi County



Source: *Kilifi County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent Kshs.140 million on the Governor's residence, Kshs.102 million on water and sewerage and Kshs.39 million on education. (See Figure 57)

Figure 57 : Analysis of Development Expenditure, Kilifi County



***Source:** Kilifi County Treasury*

The County experienced some challenges/issues that affected budget implementation during the FY2013/2014. These included:

1. Lack of a monitoring, evaluation and reporting framework to enable effective monitoring and evaluation of projects.

2. Lack of an internal audit committee as stipulated in Section 155 of the PFM Act, 2012 to to oversee operations of the internal audit department.

3. Underperformance in local revenue collection (62 per cent of the annual local revenue collection) resulted in underfunding of some approved activities.

4. Low absorption of development expenditure, at 20.6 per cent of the annual development budget.

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY 2014/15.

1. *Develop a monitoring, evaluation, and reporting framework to guide monitoring and evaluation of development projects.*

2. *Establish an internal audit committee to oversee operations of the internal audit department.*

3. *Institute mechanisms to enhance local revenue collection and ensure set revenue targets are attained.*

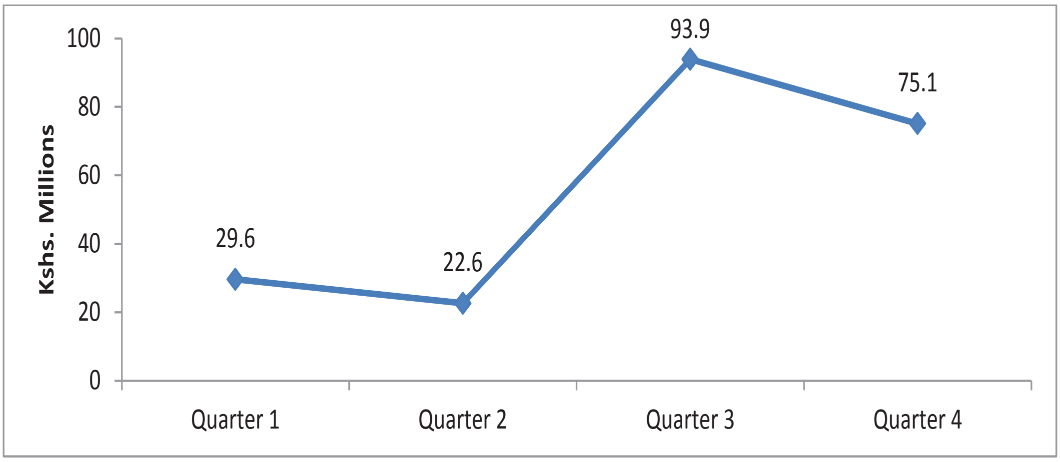
4. *Institute appropriate structures to enhance absorption of development funds.*

Kirinyaga County

In the FY 2013/14, the County had an approved budget of Kshs.3.02 billion comprising of Kshs.2.1 billion (70 per cent) for recurrent expenditure and Kshs.907.8 million (30 per cent) for development expenditure. This budget was to be financed by Kshs.2.6 billion (86 per cent) from national equitable share, Kshs.438.1 million (14 per cent) from local revenue sources and Kshs.56.8 million (2 per cent) as balance brought forward from FY 2012/13.

During the period July 2013 to June 2014, the County received Kshs.2.6 billion as the national equitable share, generated Kshs.200.4 million from local sources, and had Kshs.56.8 million as balance brought forward from FY 2012/13. Total local revenue generated during the period under review represents **45.7** per cent of the annual local revenue target. In the fourth quarter, the County generated Kshs.54.3 million. Figure 58 shows a summary of local revenue by quarter.

Figure 58: Analysis of Local Revenue, Kirinyaga County



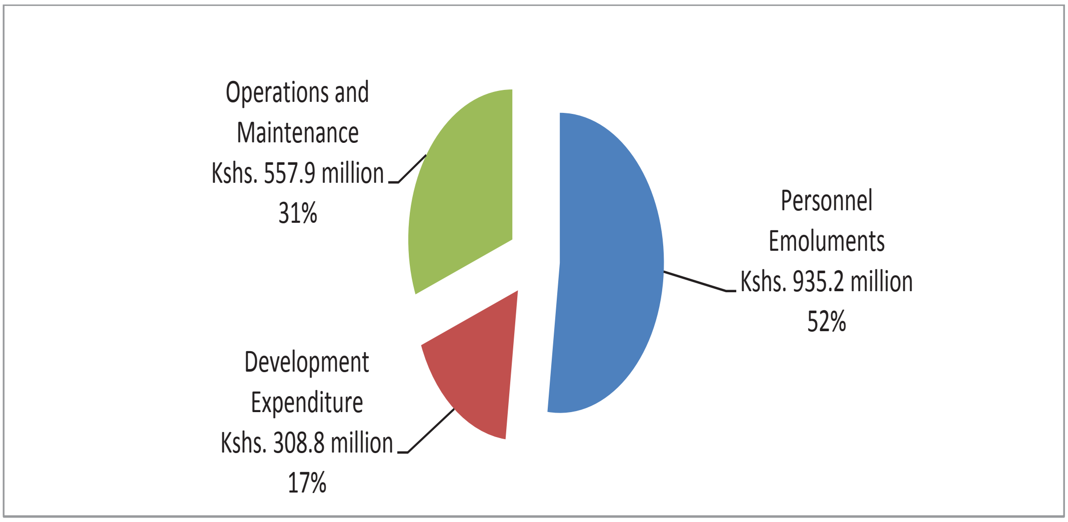
Source: *Kirinyaga County Treasury*

Funds released directly to the County during the period under review amounted to Kshs.2.2 billion of which Kshs.1.5 billion (70 per cent) was for recurrent expenditure and Kshs.627.2 million (30 per cent) for development expenditure. The National Treasury deducted at source Kshs.442 million for salaries paid by the national government to staff performing devolved functions.

The total expenditure for the FY 2013/14 amounted to Kshs.1.8 billion which was 84 per cent of the funds released. The County spent Kshs.1.52 billion on recurrent activities and Kshs.308.8 million on development activities. Recurrent expenditure represented an absorption rate of **70 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **34 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.935.2 million on personnel emoluments which translates to 62 per cent of the total recurrent expenditure and Kshs.557.9 million on operations and maintenance expenditure which is 38 per cent of the total recurrent expenditure allocation for the FY 2013/14. The County spent Kshs.25.1 million for payment of sitting allowances to the 29 members of the County Assembly against an annual budget of Kshs.30 million representing an absorption rate of 83 per cent.

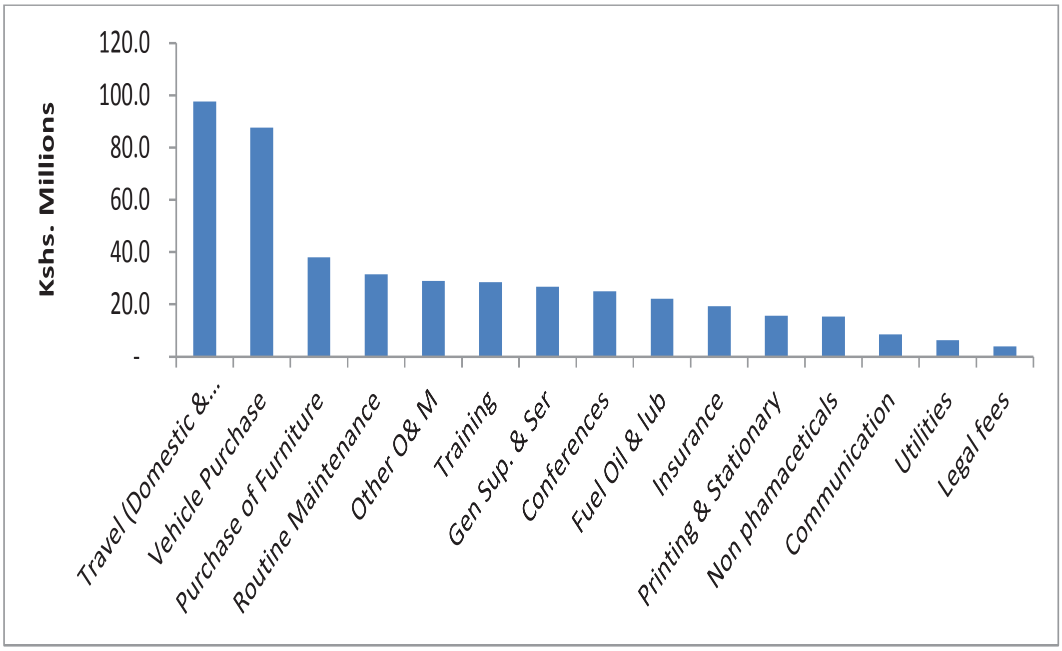
Figure 59: Analysis of Total Expenditure, Kirinyaga County



Source: *Kirinyaga County Treasury*

The breakdown of operations and maintenance expenditure of Kshs.557 million for the period under review is shown in figure 60.

Figure 60: Analysis of Operations and Maintenance Expenditure, Kirinyaga County

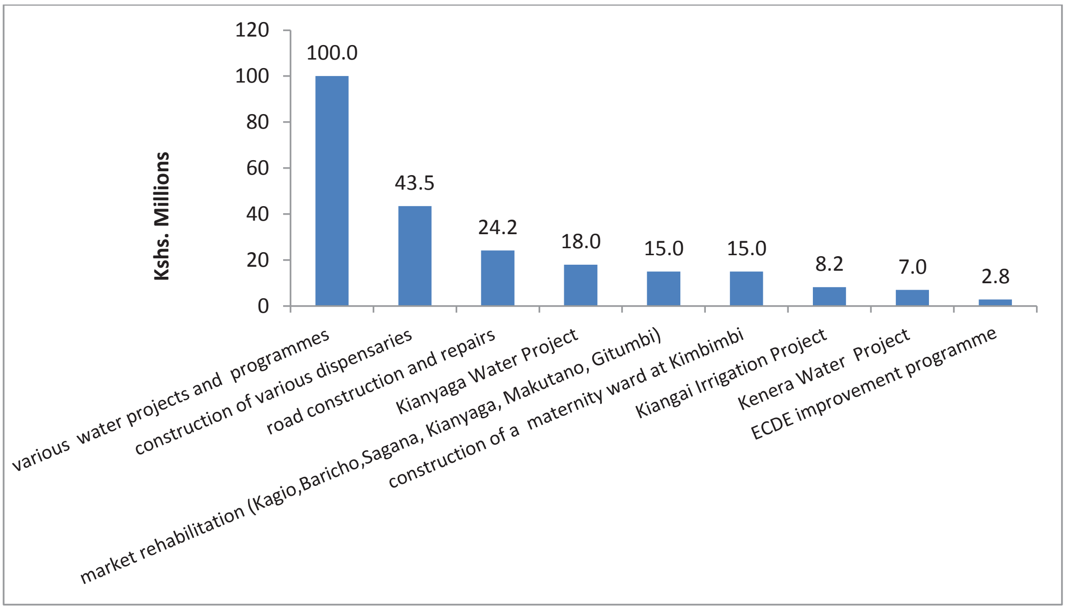


Source: *Kirinyaga County Treasury*

As shown in Figure 57, travelling (both domestic and foreign) registered the highest expenditure under the operations and maintenance category. Out of the Kshs.97 million incurred by the County on travelling, Kshs.55.7 million was incurred by the County Assembly.

Analysis of the development expenditure shows that the County spent Kshs.308 million on projects. Some of the development projects that the County implemented during the period under review included; market rehabilitation (Kagio, Baricho, Sagana, Kianyaga, Makutano, Gitumbi) at a cost of Kshs.15 million, road construction and repairs at Kshs.24.2 million; construction of a maternity ward at Kimbimbi at Kshs.15 million, construction of dispensaries at various locations at Kshs.43.5 million, the Kianyaga Water Project at Kshs.18 Million, Kenera Water Project at Kshs.7 million, Kiangai Irrigation Project at Kshs.8.2 million, an ECDE improvement programme at of Kshs. 2.8 million, and other projects and programmes at Kshs.100 million.

Figure 61: Analysis of Development Expenditure, Kirinyaga County



Source: *Kirinyaga County Treasury*

The County experienced a number of challenges/issues that affected budget implementation during the FY2013/14. These included:

1. Failure to fully implement the IFMIS system and use of manual accounting systems. This exposed the County to accounting errors.

2. Inability to meet local revenue target. The County realised 45.7 per cent of its annual local revenue target. This affected implementation of planned projects.
3. Low absorption of development funds during the period under review at 34 per cent of the annual development budget.

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY2014/15:

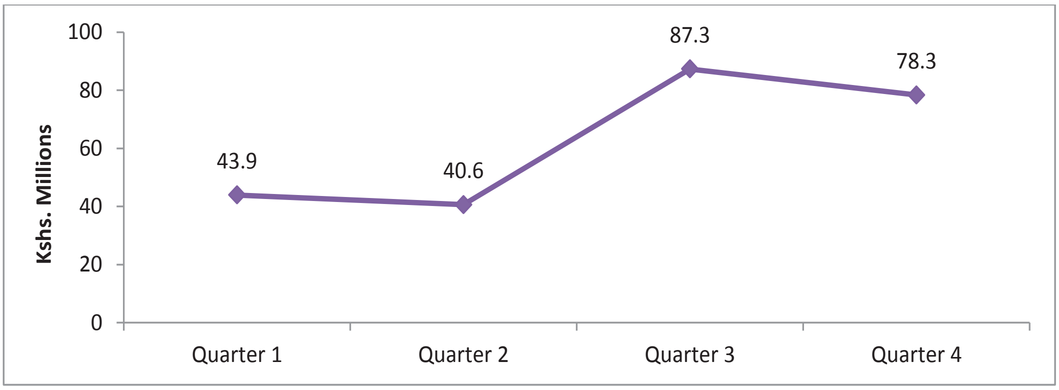
1. *Liaise with the National Treasury to address any challenges on IFMIS and G-pay, including connectivity problems.*
2. *Establish elaborate mechanisms to enhance local revenue collection, including the timely enactment of the Finance Act, 2014 that will provide the legal framework for local revenue collection.*
3. *Strengthen capacity in the procurement unit to improve operational efficiency and improve the uptake of development funds.*

Kisii County

In the FY 2013/14, the County had an approved budget of Kshs.6.6 billion comprising of Kshs.3.7 billion (57 per cent) for recurrent expenditure and Kshs.2.8 billion (43 per cent) for development expenditure. This budget was to be financed by Kshs.5.4 billion (82.4 per cent) from national equitable share, Kshs.1.13 million (17.3 per cent) from local revenue sources and Kshs.22.9 million (0.3 per cent) being balance brought forward from FY 2012/13.

During the period under review, the County received Kshs.5.4 billion as the national equitable share, raised Kshs.250 million from local sources, and had Kshs.22.9 million as balance brought forward from FY 2012/13. The total local revenue generated during the period under review was **22 per cent** of the annual local revenue target. In the fourth quarter, the County generated Kshs.78 million, a decline from Kshs.87.3 million collected in the third quarter. Figure 62 shows a summary of local revenue by quarter.

Figure 62: Analysis of Local Revenue, Kisii County



Source: *Kisii County Treasury*

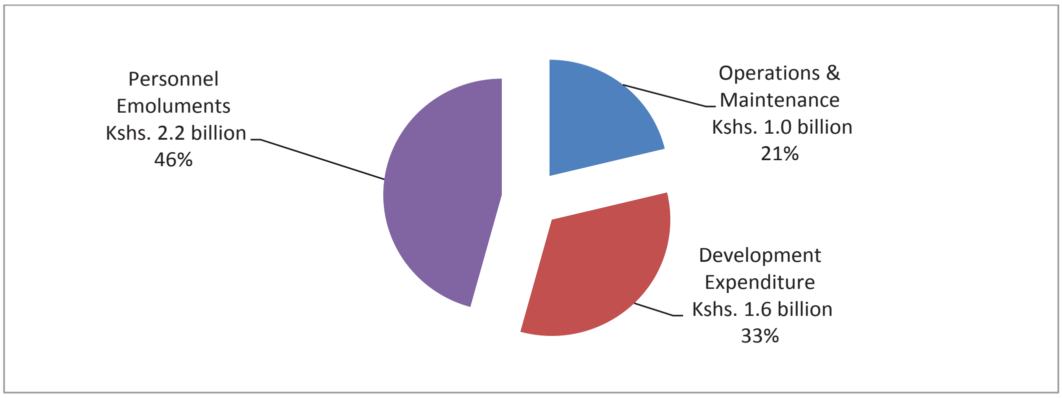
Funds released directly to the County amounted to Kshs.4.8 billion of which Kshs.3.02 billion (62.4 per cent) was for recurrent expenditure and Kshs.1.8 billion (37.6 per cent) for development expenditure. An additional Kshs.332.6 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013

The total expenditure for the FY 2013/14 amounted to Kshs.4.8 billion which was about 100 per cent of the funds released. The County spent Kshs.3.2 billion (67 per cent) on recurrent activities and Kshs.1.5 billion (33 per cent) on development activities. Recurrent expenditure for the period under review represented an absorption rate of **86**

per cent of the annual recurrent budget while development expenditure translated to an absorption rate of **55 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.2.2 billion on personnel emoluments which translates to 68 per cent of the total recurrent expenditure and Kshs.1 billion on operations and maintenance expenditure which is 32 per cent of the total recurrent expenditure for the FY 2013/14. The County spent Kshs.111 million for payment of sitting allowances to the 71 members of the County Assembly against an annual budget of Kshs.120 million representing an absorption rate of 93 per cent.

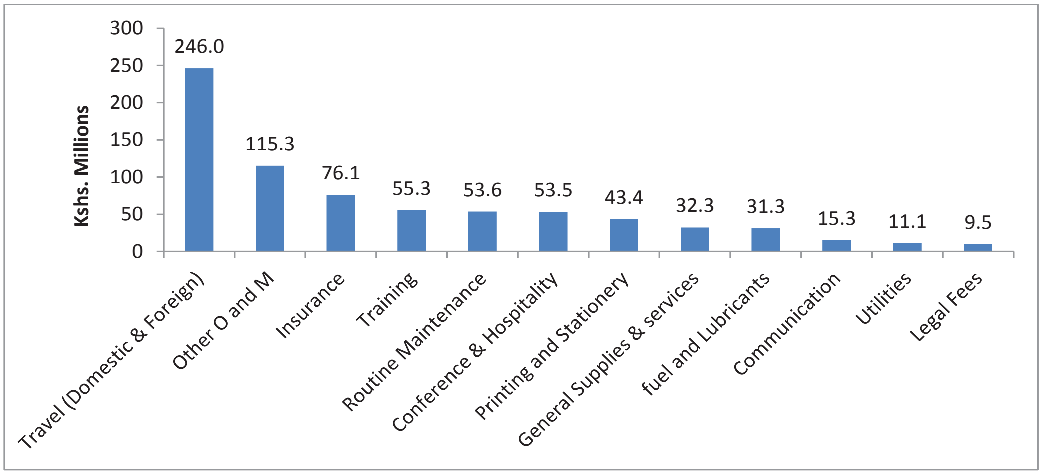
Figure 63: Analysis of Total Expenditure, Kisii County



Source: *Kisii County Treasury*

The analysis of operations and maintenance expenditure of Kshs.1 billion for the period under review is shown in Figure 64.

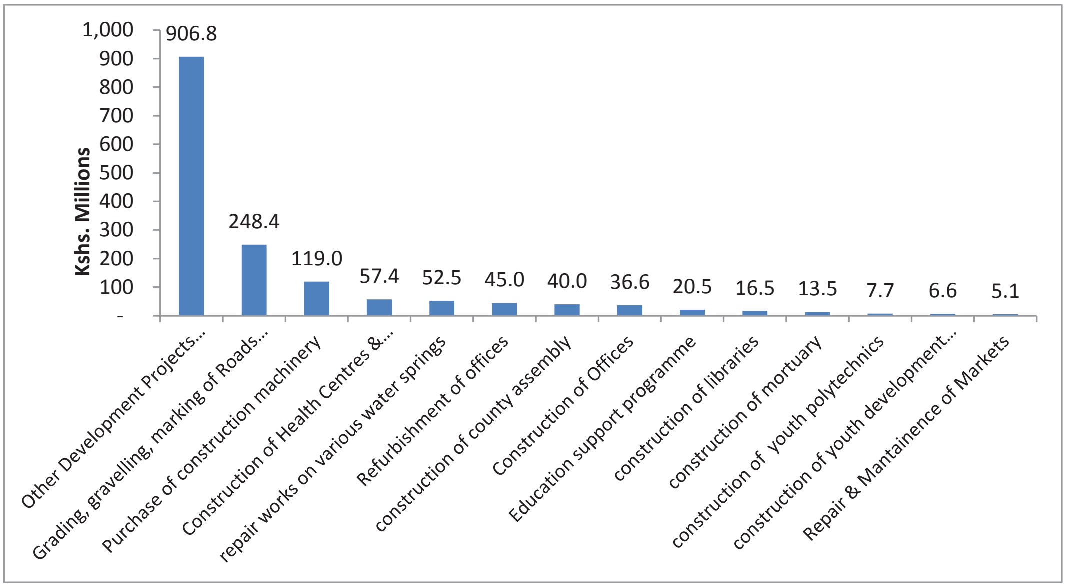
Figure 64: Analysis of Operations and Maintenance Expenditure, Kisii County



Source: *Kisii County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent Kshs.248 million on construction and grading of roads, Kshs.119 million on purchase of road construction machinery, Kshs.57 million on construction of health facilities, Kshs.53 million on repair works on various water springs and Kshs.45 million on refurbishment of offices (see figure 65).

Figure 65: Analysis of Development Expenditure, Kisii County



Source: *Kisii County Treasury*

During the period under review, the County experienced several challenges/issues that affected budget implementation. These included:

1. Intermittent use of the IFMIS system while other times using the manual accounting systems. This exposed the County to accounting errors and made it difficult for the OCOB to verify the accuracy of reports submitted by the County Treasury.

2. Use of local revenue at source without sweeping into the CRF. This contravenes Section 109(2) of the Public Finance Management Act, 2012.

3. The County collected 22 per cent of its annual local revenue target. This affected cash flow projections and the implementation of planned projects.

The County should consider the following recommendations in order to address these challenges/issues and improve budget execution in the FY2014/2015:

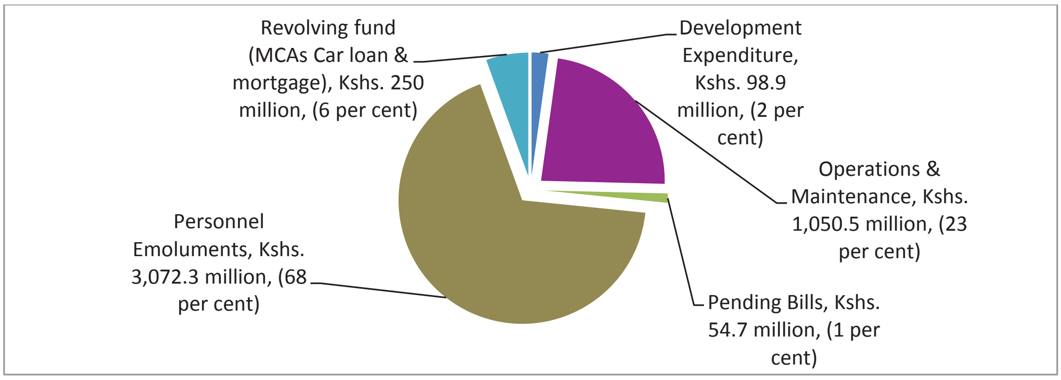
1. *Fully implement IFMIS to facilitate accurate, and timely reporting.*
2. *Adhere to the provisions of the Public Finance Management Act, 2012 Section 109(2) which requires that all monies raised or received by or on behalf of the county should be banked in the CRF.*
3. *Institute concrete strategies to optimize local revenue collection.*

Kisumu County

The County had an approved budget for the FY 2013/14 of Kshs.7.3 billion comprising of Kshs.4.8 billion (66 per cent) for recurrent expenditure and Kshs.2.5 billion (34 per cent) for development expenditure. This budget was to be financed by Kshs.4.9 billion (66 per cent) from the national equitable share, Kshs.1.74 billion (24 per cent) from local revenue sources, Kshs.653.21 million (9 per cent) from donor loans and grants, and Kshs.179.5 million (1 per cent) being balance brought forward from FY 2012/13.

During the period under review, the County received Kshs.4.6 billion as the national equitable share, raised Kshs. 621.9 million from local sources, and had Kshs.179.5 million as balance brought forward from FY 2012/13. The total local revenue collected during the period under review represents **35.7 per cent** of the annual local revenue target. The local revenue raised during the fourth quarter of FY 2013/14 was Kshs.155.2 million. Figure 66 shows a summary of local revenue by quarter.

Figure 66: Analysis of Local Revenue, Kisumu County



Source: *Kisumu County Treasury*

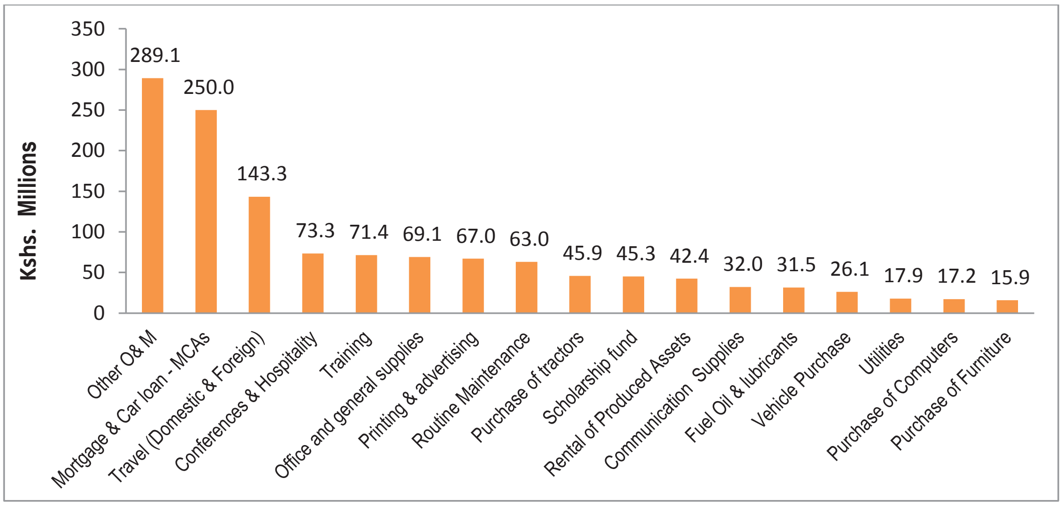
Funds released directly to the County during the period under review amounted to Kshs.4.5 billion of which Kshs. 3.8 billion (85 per cent) was for recurrent expenditure and Kshs.681.2 million (15 per cent) for development expenditure. An additional Kshs.446.6 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs.4.53 billion which was 91.8 per cent of the funds released. The County spent Kshs.4.43 billion (98 per cent) on recurrent activities and Kshs.98.9 million (2 per cent) on development activities. The recurrent expenditure was 104 per cent of the funds released for recurrent activities while development expenditure accounted for 14 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **91 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **4 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.3.07 billion on personnel emoluments which translates to 69 per cent of the total recurrent expenditure and Kshs.1.35 billion on operations and maintenance expenditure which is 31 per cent of the total recurrent expenditure for the FY 2013/2014. The County spent Kshs. 46.46 million for payment of sitting allowances to the 49 members of the County Assembly against an annual budget of Kshs. 118.17 million representing an absorption rate of 39 per cent.

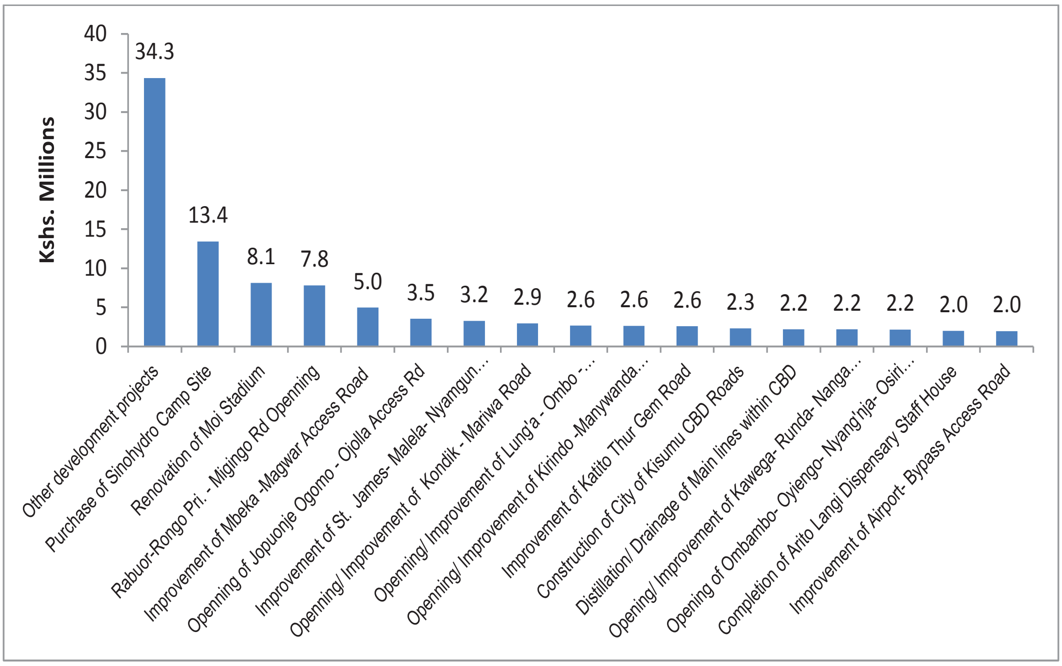
Figure 67: Analysis of Total Expenditure, Kisumu County



Source: *Kisumu County Treasury*

A breakdown of the operations and maintenance expenditure of Kshs. 1.3 billion for the period under review is shown in Figure 68.

Figure 68 : Analysis of Operations and Maintenance Expenditure, Kisumu County

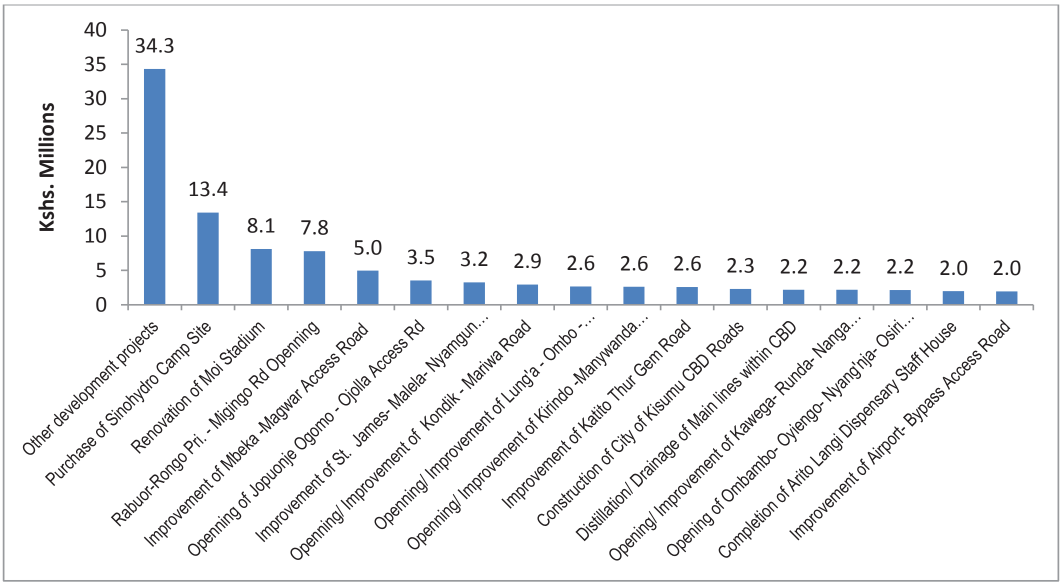


Source: *Kisumu County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent Kshs.13.4 million on Sinohydro camp site, Kshs. 8.1 million on renovation of Moi stadium, and Kshs.7.8 million on opening/ improvement of Rabuor- Rongo Pri. – Migingo road (see Figure 69).

Out of the total development expenditure, Kshs 15.6 million was spent by the County on 8 projects not included in the FY 2013/14 budget. These projects include among others renovation of Moi Stadium (Kshs. 8.1 million), improvement of Katito- Thur Gem Road (Kshs. 2.6 million), City of Kisumu CBD roads (Kshs. 2.3 million) and distillation/ drainage of main lines within the CBD (Kshs 2.2 million).

Figure 69: Analysis of Development Expenditure, Kisumu County



***Source**: Kisumu County Treasury*

The County experienced some challenges/issues that affected budget implementation during the FY2013/2014. These included:

1. Low local revenue collection due to lack of requisite legislations.
2. Low absorption of development funds at 4 per cent of the annual development budget. This will negatively impact on the County's development objectives.
3. Failure to fully implement the IFMIS system and intermittent use of manual accounting systems which exposed the County to accounting errors.
4. Use of local revenue at source without sweeping the same into the County Revenue Fund account. This contravenes the Public Finance Management Act, 2012 Section 109(2).

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY2014/2015:

1. *Enact the requisite County legislations to optimize revenue collection.*
2. *All departments should maintain vote books to track spending from their budget allocations. In addition, the County Treasury should ensure that requisition of funds is based on cash needs of the departments/ county entities. This will*

enhance the absorption of development funds.

3. *Ensure that all financial transactions are carried out through the IFMIS. Expenditure reports should therefore be generated from IFMIS.*

4. *Ensure that all revenue raised or received by or on behalf of the County is paid into County revenue fund as per Section 109 (2) of the PFM act, 2012.*

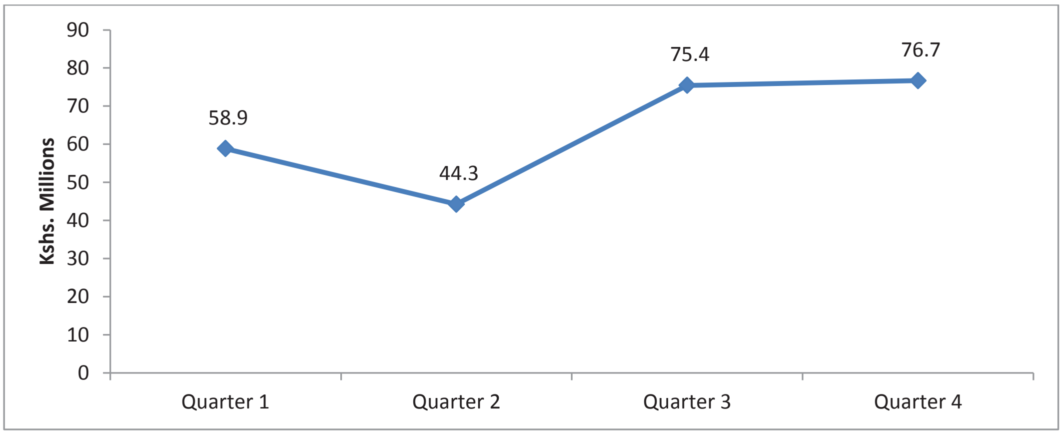
Kitui County

The County had an approved budget of Kshs.6.5 billion for the FY 2013/14 comprising of Kshs.3.6 billion (55.8 per cent) as recurrent expenditure and Kshs.2.9 billion (44.2 per cent) for development expenditure. This budget was to be financed by Kshs.5.8 billion (89.1 per cent) from the national equitable share, Kshs.540 million (8.3 per cent) from local revenue sources and Kshs.176.6 million (2.7 per cent) being balance brought forward from FY 2012/13.

During the period July 2013 to June 2014, the County received Kshs.5.3 billion as the national equitable share, raised Kshs.255.2 million from local sources, and had Kshs.176.6 million as balance brought forward from FY 2012/13. Total local revenue raised during the period under review was **47.3 per cent** of the annual local revenue target.

In the fourth quarter of the year, the County raised Kshs. 76.7 million. Figure 70 shows a summary of local revenue by quarter.

Figure 70: Analysis of Local Revenue Kitui County



Source: *Kitui County Treasury*

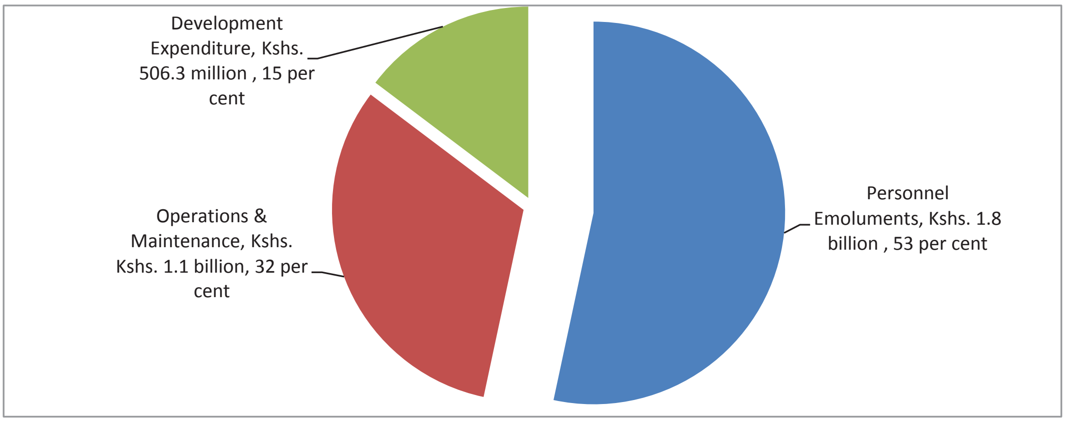
Funds released directly to the County during the period under review amounted to Kshs.4.3 billion of which Kshs. 3.4 billion (79 per cent) was for recurrent expenditure and Kshs. 895.7 million (21 per cent) for development expenditure. An additional Kshs.11.3 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013

The total expenditure for the FY 2013/14 amounted to Kshs. 3.4 billion which was **80.6 per cent** of the funds released. The County spent Kshs. 2.9 billion **(85.3 per cent)** on recurrent activities and Kshs.506.3 million **(14.7 per cent)** on development projects. Recurrent expenditure was **87.3 per cent** of the funds released for recurrent expenditure while development expenditure accounted for **56.5 per cent** of the funds released for development projects

The recurrent expenditure for the period under review represented an absorption rate of **81 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **18 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.84 billion on personnel emoluments which translates to 62.6 per cent of the total recurrent expenditure and Kshs.1.1 billion on operations and maintenance expenditure which is 37.5 per cent of the total recurrent expenditure for the FY 2013/2014. The County spent Kshs. 60.9 million for payment of sitting allowances to the 56 members of the County Assembly against an annual budget of Kshs.64.7 million representing an absorption rate of 94.1 per cent.

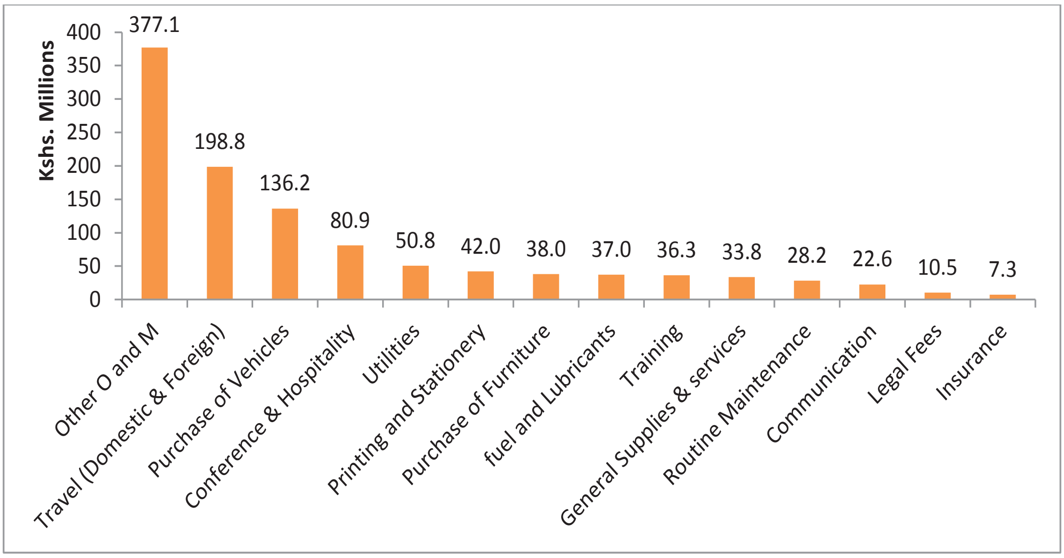
Figure 71: Analysis of Expenditure, Kitui County



Source: *Kitui County Treasury*

The breakdown of operations and maintenance expenditure of Kshs. 1.1 billion for the period under review is shown in figure 72.

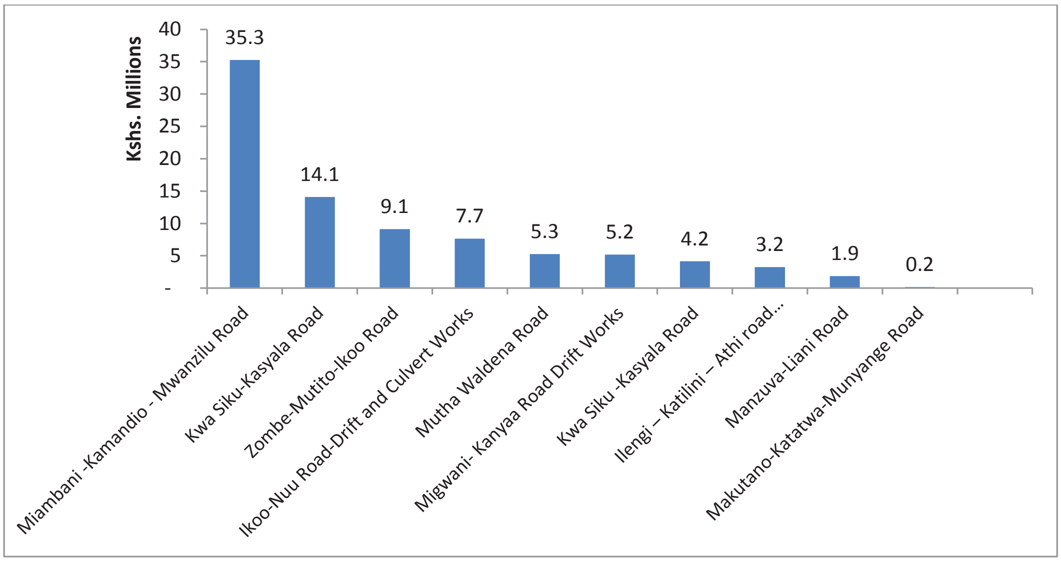
Figure 72: Analysis of Operations and Maintenance Expenditure, Kitui County



Source: *Kitui County Treasury*

Analysis of the development expenditure for the FY 2013/14 shows that the County spent Kshs.182 million on construction of roads, Kshs.118 million on construction of buildings, and Kshs.80 million on construction and civil works (see figure 73).

Figure 73: Analysis of Development Expenditure, Kitui County



Source: *Kitui County Treasury*

The County experienced several challenges/issues that affected budget implementation during the FY2013/2014. These are:

1. County entities spent more than what had been issued to them, for instance, the Office of the Governor requested Kshs.72.5 million for development activities but reported an expenditure of Kshs.113.3 million.

2. The County recorded low absorption rate of development funds at 18 per cent of the annual development budget.

3. The County collected Kshs.255.2 million from local sources or 47.3 per cent of the annual local revenue target.

4. A high wage bill of 62.6 per cent of the total recurrent expenditure, hence affecting implementation of development programmes in the long run.

5. The approved budget was different from the budget uploaded into the IFMIS which led to over expenditure of some votes.

6. The supplementary budget that was approved towards the end of FY 2013/14 did not consider funds already issued to the County as per the exchequer ledgers. This created an impression of over issue of the appropriated/voted provision

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY2014/15:

1. *Spend funds according to the appropriation act and approved exchequer issues by the Controller of Budget.*
2. *Planning documents such as annual procurement plans, annual cash flow projections, annual development plan should be implemented accordingly to improve absorption of the development funds.*
3. *Establish clear mechanism to address the underperformance of local revenue collections.*
4. *The County Executive should prescribe and adhere to an acceptable percentage of wage bill over the total revenue in accordance with section 107 2(c) of the PFM Act, 2012*
5. *Approved budget estimates should be uploaded into the IFMIS system to enhance controls and improve on the public expenditure reports.*

6. *Supplementary budgets should consider both exchequer records and expenditure returns in making adjustments to the approved budget. Thus, the County Treasury must prepare and maintain proper exchequer ledgers.*

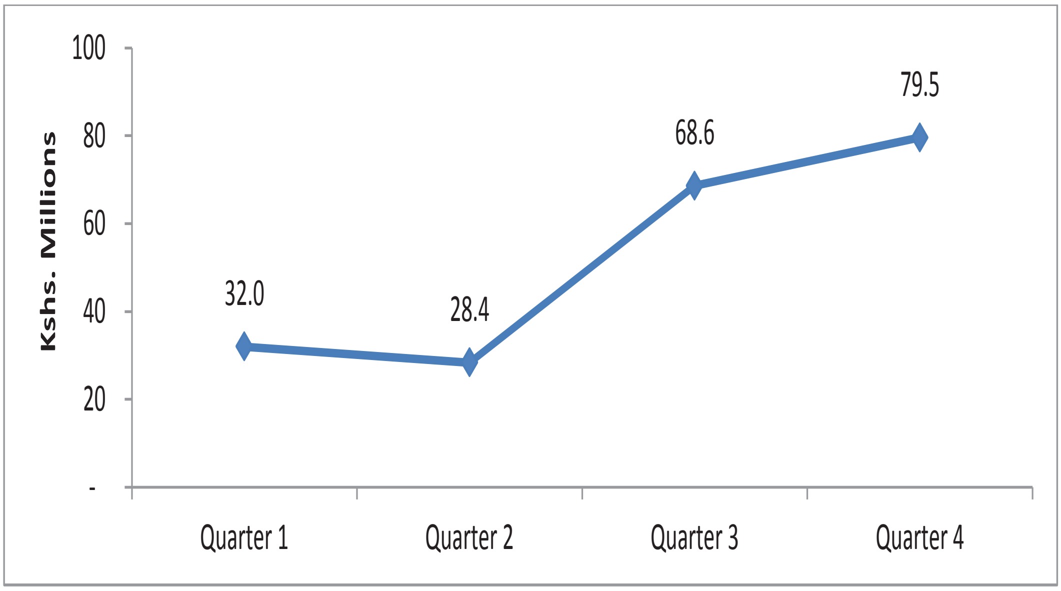
Kwale County

The County had an approved budget of Kshs.4.4 billion for the FY 2013/14 comprising of Kshs.2.9 billion (65.3 per cent) for recurrent expenditure and Kshs.1.5 billion (34.7 per cent) for development expenditure. This budget was to be financed by Kshs.3.7 billion (85 per cent) from national equitable share, Kshs.427 million (10 per cent) from local revenue sources and Kshs.216 million (5 per cent) being balance brought forward from FY 2012/13.

During the period July 2013 to June 2014, the County received Kshs.3.7 billion as the national equitable share, raised Kshs.208.5 million from local sources, and had Kshs.216 million as balance brought forward from FY 2012/13. Total local revenue raised during the period under review was **48.9 per cent** of the annual local revenue target.

In the fourth quarter of the year, the County raised Kshs. 79.5 million. Figure 74 shows a summary of local revenue by quarter.

Figure 74: Analysis of Local Revenue, Kwale County



***Source**: Kwale County Treasury*

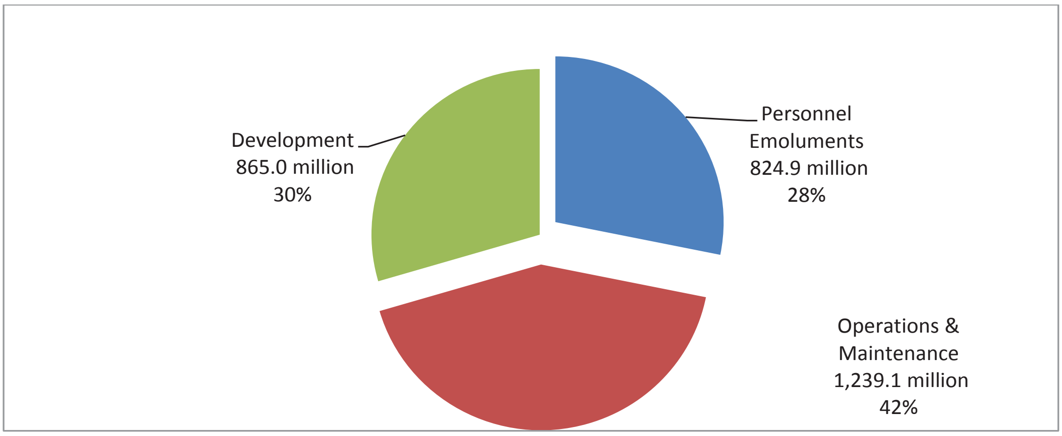
Funds released directly to the County during the period under review amounted to Kshs.3.02 billion of which Kshs.2.06 billion (68.1 per cent) was for recurrent expenditure and Kshs.963.5 million (31.9 per cent) for development expenditure. An additional Kshs.171 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013

The total expenditure for the FY 2013/14 amounted to Kshs. 2.93 billion which was 96.9 per cent of the funds released. The County spent Kshs. 2.064 billion (70 per cent) on recurrent activities and Kshs.865.3 million (30 per cent) on development activities. The recurrent expenditure was 100.1% per cent of the funds released for recurrent activities while development expenditure accounted for 89.8 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **71.9 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **56.9 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.824.9 million on personnel emoluments which translates to 40 per cent of the total recurrent expenditure and Kshs. 2.1 billion on operations and maintenance expenditure of Kshs.1.24 billion which is 60 per cent of the total recurrent expenditure for the FY 2013/14. The County spent Kshs.49.5 million for payment of sitting allowances to the 33 members of the County Assembly against an annual budget of Kshs.45 million representing an absorption rate of **110 per cent**. A summary breakdown of the total annual expenditure for FY 2013/14 is as shown in Figure 75.

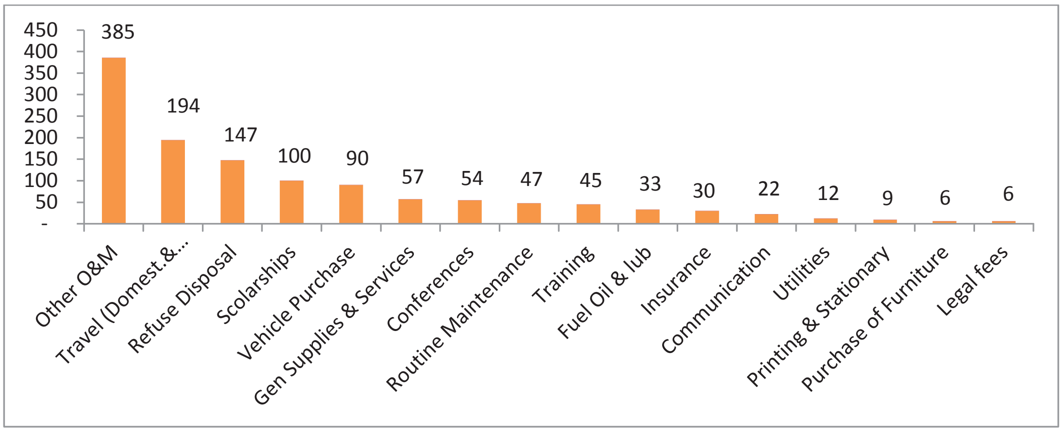
Figure 75: Analysis of Total Expenditure, Kwale County



Source: *Kwale County Treasury*

The breakdown of operations and maintenance expenditure of Kshs.1.24 billion for the period under review is shown in Figure 76.

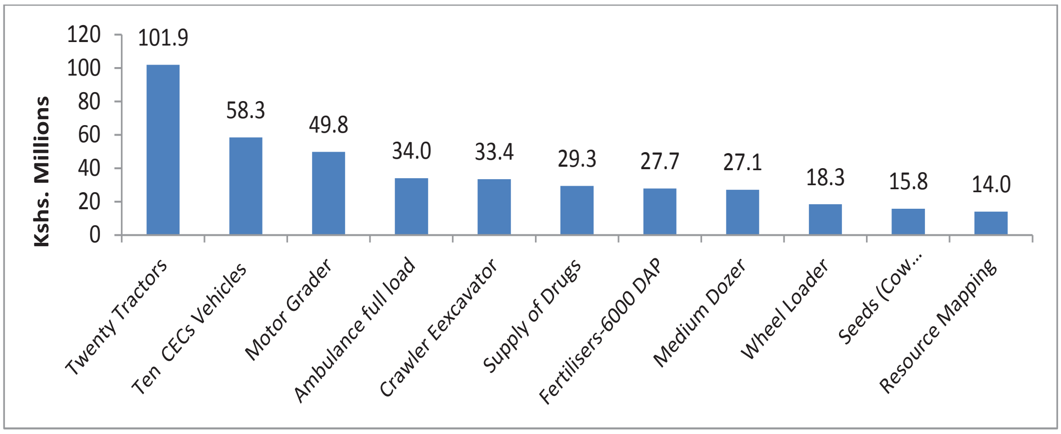
Figure 76 : Analysis of Operations and Maintenance Expenditure, Kwale County



Source: *Kwale County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent a total of Kshs.865 million as development expenditure. Figure 77 provides information on the eleven top projects implemented by the County in the FY2013/14. The department of Agriculture took the lead with by purchasing 20 farming tractors per ward of Kshs.102 million. The County Government purchased 10 vehicles for the CEC members at Kshs.58 million. Plant and equipment of Kshs.162 million were purchased as shown in Figure 77.

Figure 77 : Analysis of Development Expenditure, Kwale County



Source: *Kwale County Treasury*

The County experienced some challenges that affected budget implementation during the FY2013/2014. These are:

1. The County delayed implementation of IFMIS due to inadequate capacity of its users at the County Treasury. This compromised the production of financial reports.

2. The County had inadequate capacity especially in procurement and revenue collection.

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY2014/2015:

1. *The County Treasury should liaise with the National Treasury to ensure the IFMIS is fully operational and that all financial transactions are transacted through the system.*

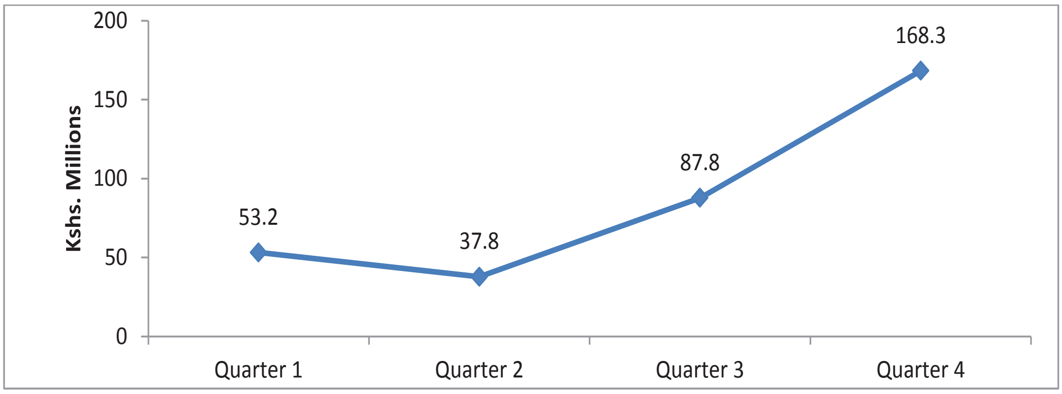
2. *The County should liaise with the National Government and Transition Authority to rationalize the existing workforce and build adequate human capacity.*

Laikipia County

The County had an approved budget of Kshs.3.3 billion comprising of Kshs.2.4 billion (72 per cent) for recurrent expenditure and Kshs.942 million (28 per cent) for development expenditure. This budget was to be financed by Kshs.2.5 billion (76 per cent) from the national equitable share, Kshs.794.0 million (23 per cent) from local revenue sources and Kshs.78.0 million (2 per cent) as balance brought forward from FY 2012/13.

During the period July 2013 to June 2014, the County received Kshs.2.5 billion as the national equitable share, collected Kshs.347 million from local sources, and had Kshs.78.0 million as balance brought forward from FY 2012/13. The total local revenue raised during the period under review was **44 per cent** of the annual local revenue target. In the fourth quarter of the year, the County raised Kshs.168.3 million. Figure 78 shows a summary of local revenue collection by quarter.

Figure 78: Analysis of Local Revenue Collection, Laikipia County



***Source**: Laikipia County Treasury*

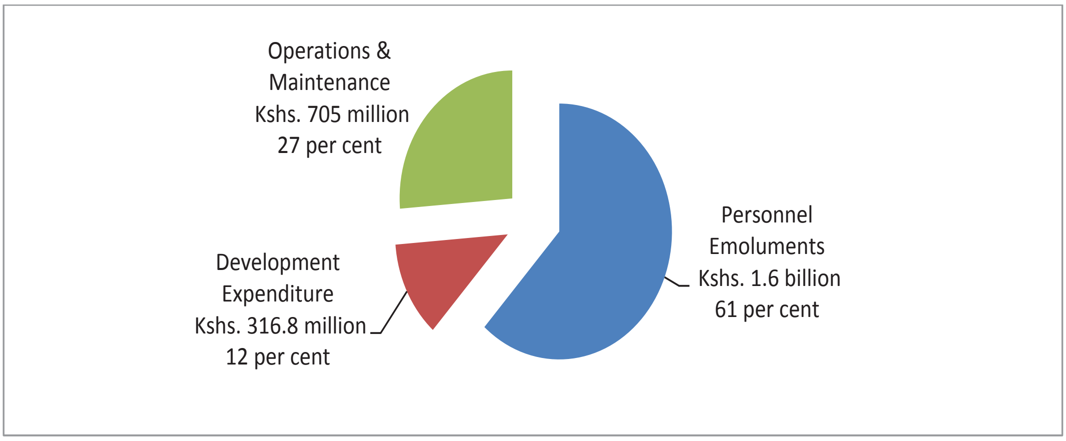
The funds released directly to the County during the period under review was Kshs.2.35 billion of which Kshs.1.8 billion (77.5 per cent) was for recurrent expenditure and Kshs.528.4 million (22.5 per cent) for development expenditure. An additional Kshs.490.5 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013

The total expenditure for the FY 2013/14 amounted to Kshs. 2.6 billion which was 92.5 per cent of the funds released. The County spent Kshs.2.3 billion (88 per cent) on recurrent activities and Kshs.316.7 million (12 per cent) on development projects. The recurrent expenditure was 99 per cent of the funds released for recurrent activities while development expenditure accounted for 50.9 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **97 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **34 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.6 billion on personnel emoluments which translates to 69 per cent of the total recurrent expenditure and Kshs.705 million on operations and maintenance expenditure which is 31 per cent of the total recurrent expenditure for the FY 2013/2014. The County spent Kshs.25.5 million for payment of sitting allowances to the 23 members of the County Assembly against an annual budget of Kshs.25.7 million representing an absorption rate of 99.3 per cent.

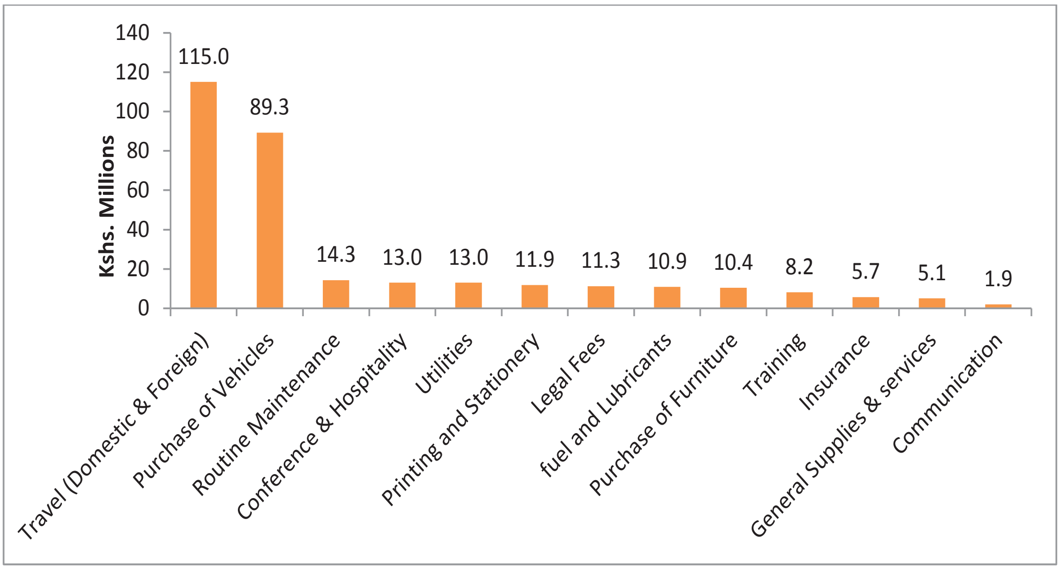
Figure 79: Analysis of Total Expenditure, Laikipia County



Source: *Laikipia County Treasury*

The breakdown of operations and maintenance expenditure of Kshs.705 million for the period under review is shown in figure 80.

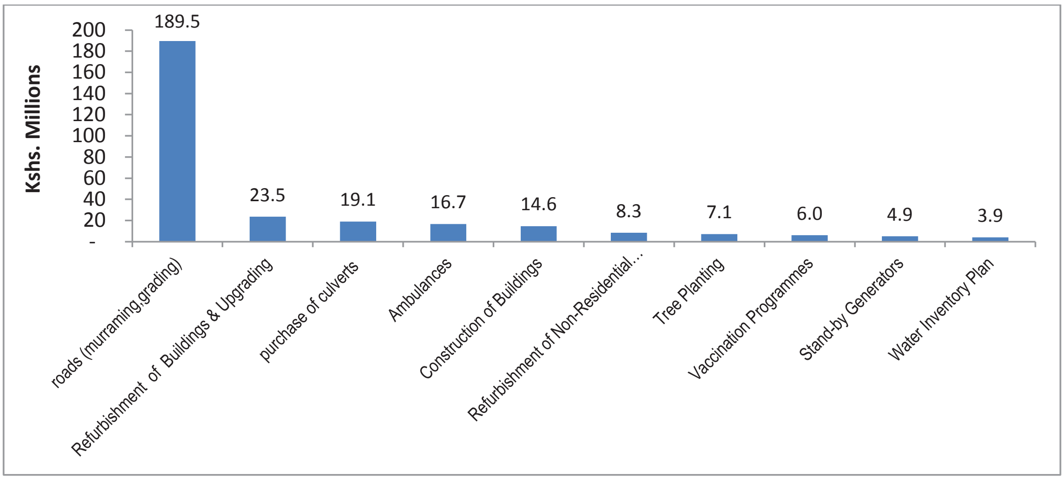
Figure 80: Analysis of Operations and Maintenance Expenditure, Laikipia County



Source: *Laikipia County Treasury*

Analysis of the development expenditure for the FY2013/2014 shows that the County spent Kshs. 316.7 million on development which included on grading of unclassified roads.

Figure 81: Analysis of Development Expenditure, Laikipia County



Source: *Laikipia County Treasury*

The County experienced some challenges/issues that affected budget implementation during the FY2013/14:

1. Failure to fully implement the IFMIS and GPAY systems and the use of manual revenue collection systems
2. Inadequate physical infrastructure and office space to accommodate staff, hence disrupting service delivery to the public.
3. The County collected 44 per cent of the annual local revenue target due to unrealistic targets. This made it difficult for the County to fully finance its budget.
4. Lack of a policy framework on the execution of projects that had been started by the defunct local authorities. As a result, most projects within the county have been abandoned.

The County should consider the following recommendations in order to address the identified challenges/issues to improve budget execution:

1. *Ensure the IFMIS is fully operationalized for all financial transactions. The approved budget for the FY 2014/15 should be uploaded into the system to facilitate effective budget monitoring.*
2. *Budget classification should be done according to Government Financial Statistics (GFS).*

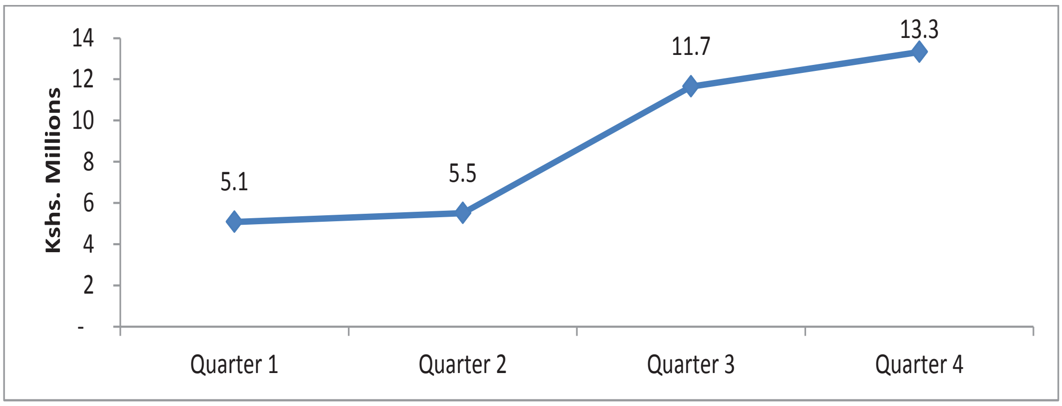
3. *The County should ensure adequate office space and infrastructure to ensure efficient service delivery to the public.*
4. *Establish mechanisms to improve revenue collections from local sources.*

Lamu County

The County had an approved budget of Kshs.1.65 billion composed of Kshs.1.1 billion (69.6 per cent) for recurrent expenditure and Kshs.500.5 billion (30.4 per cent) for development expenditure. The annual revenue for the County Government for the FY 2013/14 was projected at Kshs.1.7 billion which comprised of Kshs.1.5 billion (89.0 per cent) from the national equitable share, Kshs.99.2 million (5.9 per cent) for donor funds and Kshs.86.1 million (5.1 per cent) from local revenue sources.

During the period July 2013 to June 2014, the County received Kshs. 1.5 billion as the national equitable share, raised Kshs.35.6 million from local sources, and had Kshs.125 million as balance brought forward from FY 2012/13. Total local revenue collected during the period under review was **41.3 per cent** per cent of the annual local revenue target. In the fourth quarter of the year, the county raised Kshs. 13.3 million. Figure 82 shows a summary of local revenue by quarter.

Figure 82: Analysis of Local Revenue, Lamu County



***Source**: Lamu County Treasury*

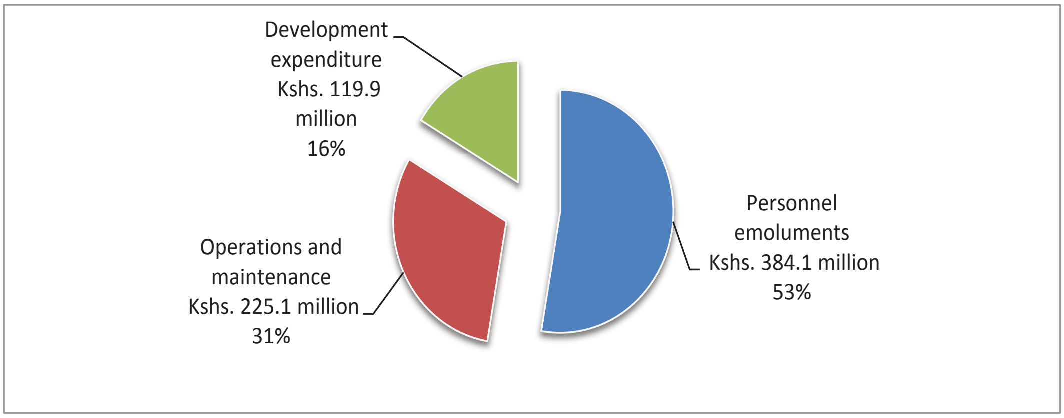
Funds released directly to the County during the period under review amounted to Kshs.998.6 million of which Kshs.798.8 million (80 per cent) was for recurrent expenditure and Kshs.199.8 million (20 per cent) for development expenditure. An additional Kshs.100 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013

The total expenditure for the FY 2013/14 amounted to Kshs.729 million, which was 66.4 per cent of the funds released. The County spent Kshs.609 million (84 per cent) on recurrent activities and Kshs.119.9 million (16 per cent) on development activities. The recurrent expenditure was 67.8 per cent of the funds released for recurrent activities while development expenditure accounted for 60 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **53.1 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **24 per cent** of the annual development budget. The development and recurrent expenditure includes 15.2 million and 31.1 million respectively from the Transition Authority (TA) infrastructure funds brought forward from the financial year 2012/13.

Analysis of the recurrent expenditure shows that the County spent Kshs.384.1 million on personnel emoluments which translates to 63.1 per cent of the total recurrent expenditure and Kshs.225.1 million on operations and maintenance expenditure which is 36.9 per cent of the total recurrent expenditure for the FY 2013/2014. The County spent Kshs.6.7 million for payment of sitting allowances to the 21 members of the County Assembly against an annual budget of Kshs.41.5 million representing an absorption rate of 16.1 per cent.

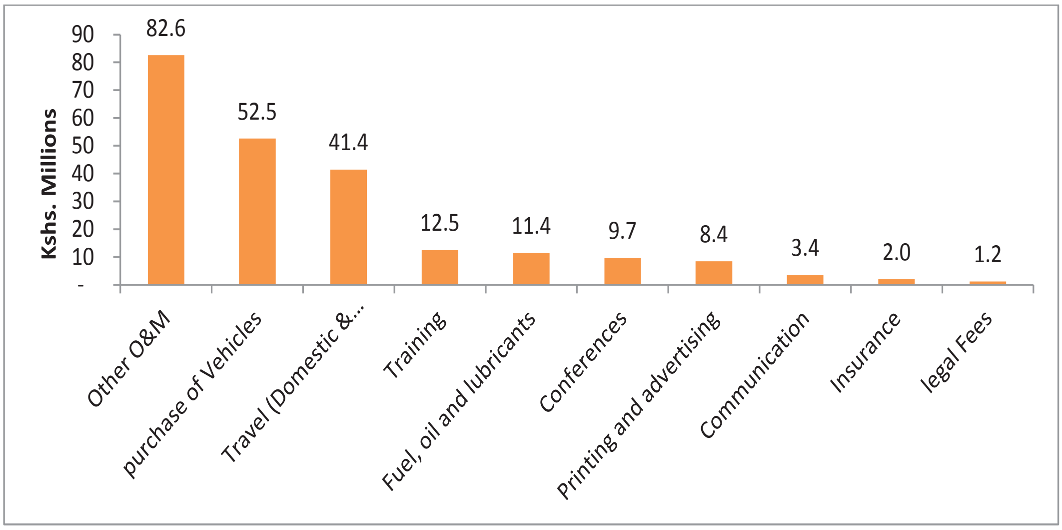
Figure 83: Analysis of Total Expenditure, Lamu County



Source: *Lamu County Treasury*

The breakdown of operations and maintenance expenditure of Kshs.225.1 million for the period under review is shown in Figure 84.

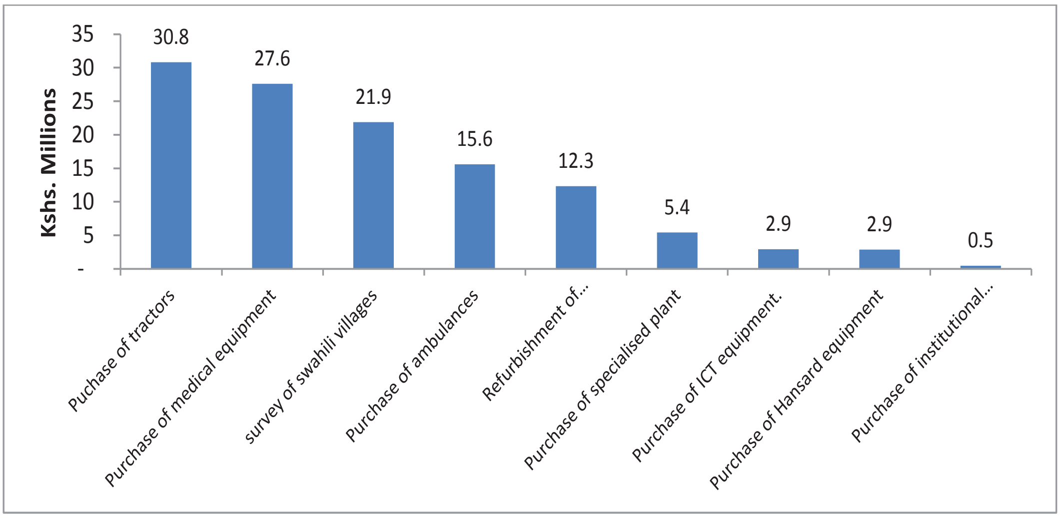
Figure 84: Analysis of Operations and Maintenance Expenditure, Lamu County



Source: *Lamu County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent Kshs.119.9 million on development. This includes Kshs.30.8 million on purchase of tractors, Kshs.27.6 million on purchase of medical equipment for Lamu King Fahad hospital and Mpeketoni hospital, and Kshs.21.9 million on survey and mapping of Swahili villages of Mkunumbi, Mapenya, Ndambwe And Kiongwe Mjini.(see figure 85).

Figure 85: Analysis of Development Expenditure, Lamu County



Source: *Lamu County Treasury*

The County experienced some challenges that affected budget implementation during the FY2013/14:

1. Inadequate physical infrastructure such as offices to accommodate staff, resulting in shared/congested offices. This disrupted service delivery to the residents of Lamu County.

2. The County used both manual system and IFMIS during the financial year which exposed the County to accounting errors.

3. Inadequate preparation of procurement plans and work plans delayed the procurement processes, particularly for development expenditure.

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY2014/2015:

1. *Fast-track the refurbishment and/or construction of buildings to enable provision of services to the residents of the county.*

2. *Liaise with the IFMIS department to enhance the connectivity and use of the system.. This will enhance proper management of public resources.*

3. *Ensure all the required plans are prepared in time as required by the PFM. Act, 2012 to enable smooth implementation of the budget.*

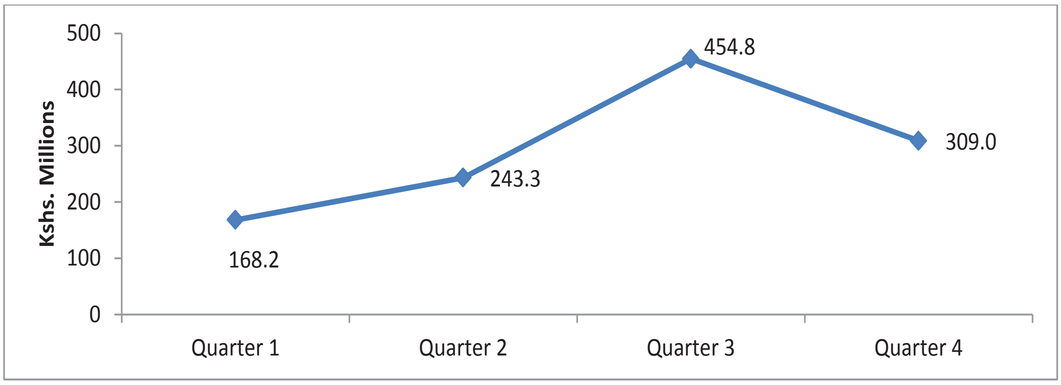
Machakos County

The County had an approved budget for the FY 2013/14 of Kshs.8.0 billion comprising of Kshs.3.8 billion (48 per cent) as recurrent expenditure and Kshs.4.2 billion (52 per cent) for development expenditure. This budget was to be financed by Kshs.5.5 billion (68.8 per cent) from the national government, Kshs.2.5 million (31.2 per cent) from local revenue sources and Kshs.77 million (0.95 per cent) as balance brought forward from FY 2012/13.

During the period under review, the County received Kshs. 5.1 billion as the national equitable share, raised Kshs.1.18 billion from local sources, and had Kshs. 77 million as balance brought forward from FY 2012/13. Total local revenue raised during the period under review was Kshs. 1.2 billion representing **46.8 per cent** of the annual local revenue target. In the fourth quarter of the year, the County raised Kshs. 309 million.

Figure 86 shows a summary of local revenue by quarter.

Figure 86: Local Revenue by quarter FY 2013/14 – Machakos County



***Source**: Machakos County Treasury*

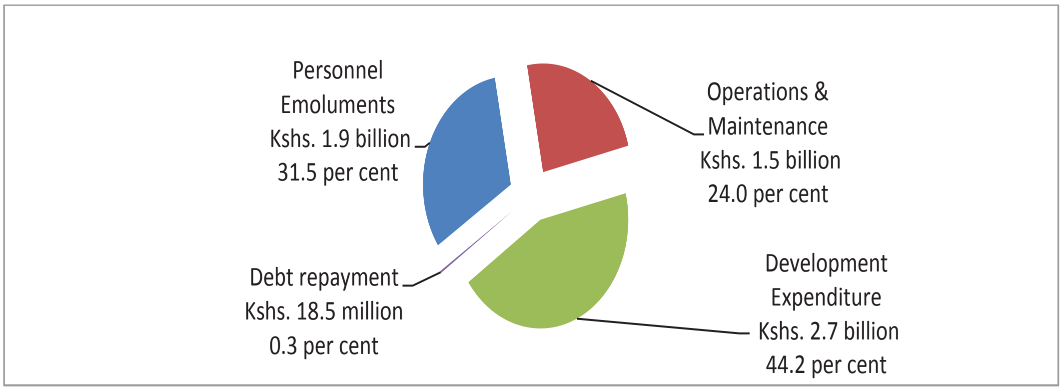
The funds released directly to the County during the period under review amounted to Kshs.6.1 billion of which, Kshs.3.9 billion (63.5 per cent) was for recurrent expenditure and Kshs.2.2 billion (36.5 per cent) for development expenditure. The amount released included Kshs.219 million which was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013

The total expenditure for the FY 2013/14 amounted to Kshs. 6.1 billion which was 97 per cent of the funds released. The County spent Kshs.3.4 billion (55.6 per cent) on recurrent expenditure and Kshs.2.7 billion (44.1 per cent) on development expenditure. The recurrent expenditure was 93 per cent of the funds released for recurrent activities while development expenditure accounted for **104.5 per cent** of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **87.9 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **64.5 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent: Kshs.1.9 billion on personnel emoluments or 56.2 per cent of the total recurrent expenditure, Kshs.1.5 billion on operations and maintenance expenditure which is 42.9 per cent of the total recurrent expenditure, and Kshs.18.5 million on debt repayment. The County spent Kshs.48 million for payment of sitting allowances to the 59 members of the County Assembly against an annual budget of Kshs.46 million representing an absorption rate of **104.5 per cent.**

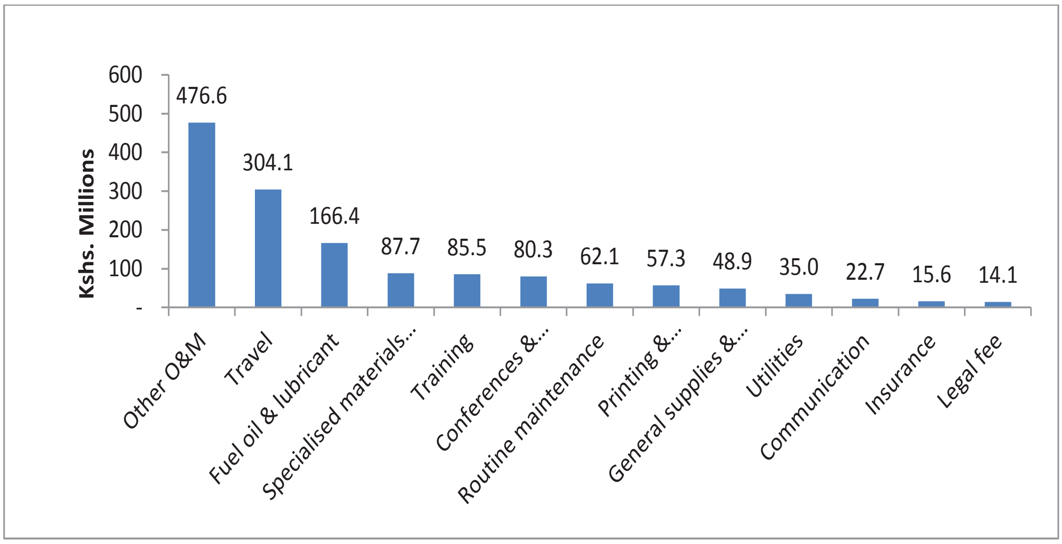
Figure 87: Analysis of Total Expenditure, Machakos County



Source: *Machakos County Treasury*

The breakdown of operations and maintenance expenditure of Kshs.1.5 billion for the period under review is shown in figure 88.

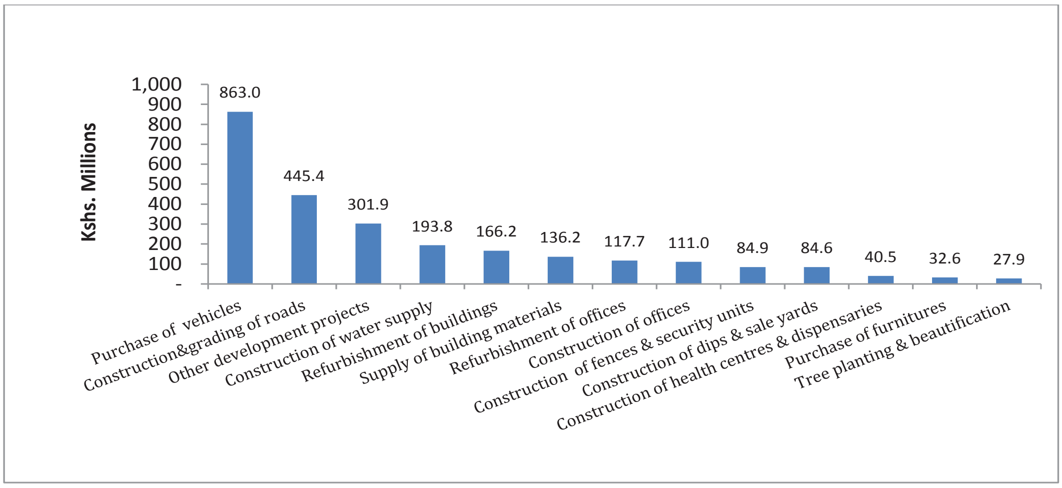
Figure 88: Analysis of Operations and Maintenance Expenditure, Machakos County



Source: *Machakos County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent Kshs.445 million on construction and grading of roads, Kshs.117 million on refurbishment of offices, and Kshs.136 million on supply of building materials (see figure 89).

Figure 89: Analysis of Development Expenditure, Machakos County



Source*: Machakos County Treasury*

The County experienced a number of challenges/issues that affected budget implementation during the FY2013/14. These are:

1. Failure to fully implement the IFMIS system and intermittent use of manual systems which exposed the County to accounting errors.
2. Failure to constitute an audit committee as required by the PFM Act, 2012.
3. The County did not adhere to deadlines in the PFM-A, 2012 in preparation of key policy documents guiding the budgetary process such as Budget Review and Outlook Paper, Debt Management Strategy Paper, Annual development Plan.
4. The County collected 46.8 per cent of the annual local revenue target. This is partly attributed to unrealistic revenue projections.

The County should consider the following recommendations to address these challenges/issues and improve budget execution in the FY2014/2015:

1. *Liaise with the IFMIS department to enhance the connectivity of the system as well as ensure that the system is used in full to manage public resources.*
2. *Establish an audit committee so as to oversee operations of the internal audit department.*
3. *Adhere to timelines as stipulated in the PFM Act 2012, when preparing key policy documents to guide the budgetary process.*

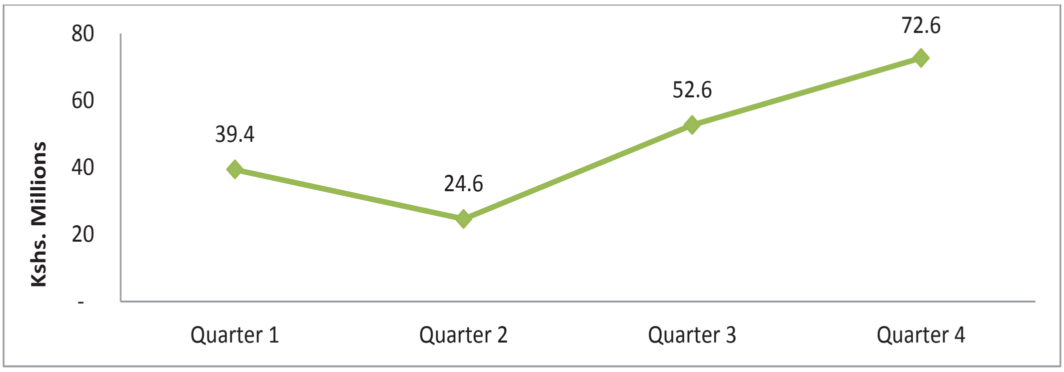
4. *Set realistic targets for local revenues and ensure that the set targets are achieved.*

Makueni County

In the FY2013/14, the County had an approved budget of Kshs.5.1 billion comprising of Kshs.3.1 billion (61 per cent) for recurrent expenditure and Kshs.2.0 billion (39 per cent) for development expenditure. The Annual revenue for the County Government for the FY 2013/14 is projected at Kshs.5.1 billion which comprises Kshs. 4.4 billion (84.9 per cent) from the national equitable share, Kshs.354 million (6.9 per cent) as conditional grant, Kshs.350 million (6.8 per cent) from local revenue sources and Kshs.72.5 million (1.4 per cent) as balance brought forward from the previous financial year.

During the period under review, the County received Kshs.4.4 billion as the national equitable share, raised Kshs.189.2 million from local sources, and had Kshs.72.5 million as balance brought forward from FY 2012/13. Total local revenue raised during the period was 54.1 per cent of the annual local revenue target. In the fourth quarter of the year, the County raised Kshs.72.6 million. Figure 90 shows a summary of local revenue by quarter.

Figure 90: **Analysis of Local Revenue, Makueni County**



Source: *Makueni County Treasury*

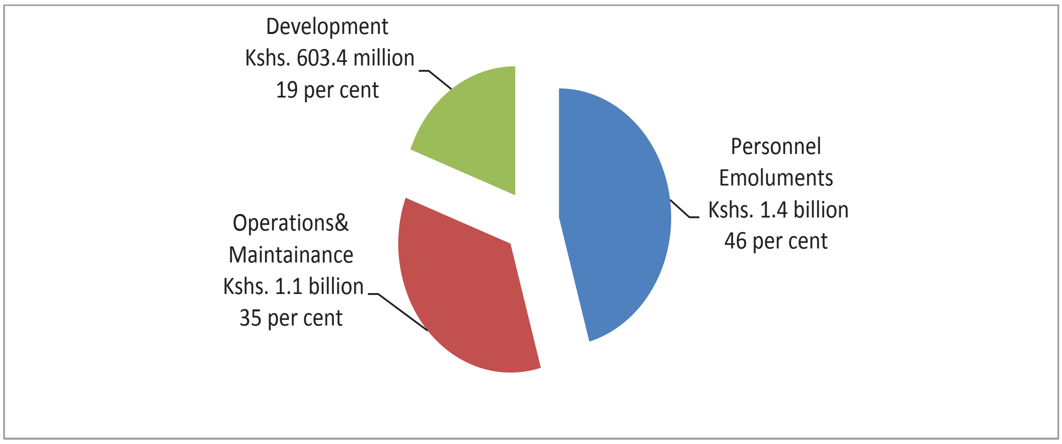
Funds released directly to the County during the period under review amounted to Kshs.3.7 billion of which Kshs. 2.35 billion (63.6 per cent) was for recurrent expenditure and Kshs.1.34 billion (36.4 per cent) for development expenditure. An additional Kshs.364.9 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013.

The total expenditure for the County during FY 2013/14 amounted to Kshs.3.1 billion which was 77.4 per cent of the funds released. The County spent Kshs.2.5 billion (81 per cent) on recurrent expenditure and Kshs.603 million (19 per cent) on development projects. Recurrent expenditure was 93.5 per cent of the funds released for recurrent activities while development expenditure accounted for 44.8 per cent of the funds released for development projects.

The recurrent expenditure for the period represented an absorption rate of **81.7 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **30.7 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.4 billion on personnel emoluments which translates to 46 per cent of the total expenditure and Kshs.1.1 billion on operations and maintenance expenditure which is 35 per cent of the total recurrent expenditure for the FY 2013/2014. The County spent Kshs. 31.9 million for payment of sitting allowances to the 48 members of the County Assembly against an annual budget of Kshs.32 million representing an absorption rate of 100 per cent.

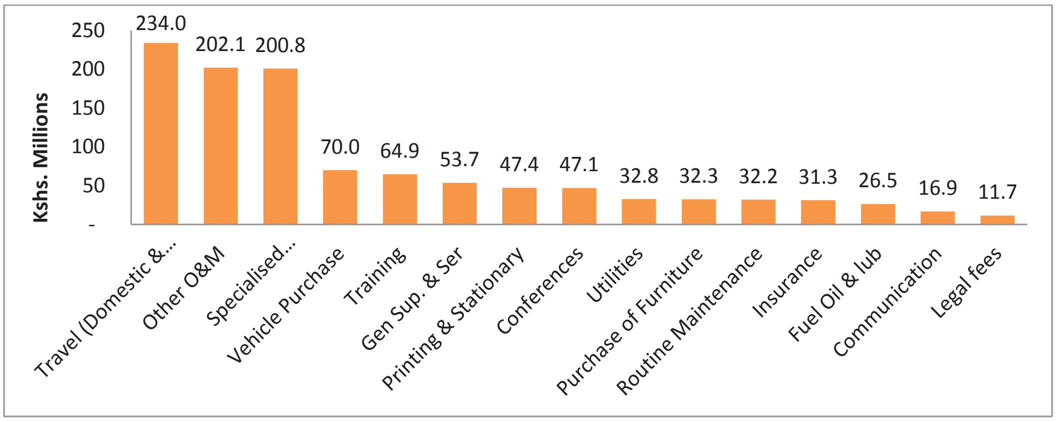
Figure 91: Analysis of Total Expenditure, Makueni County



Source: *Makueni County Treasury*

The breakdown of operations and maintenance expenditure of Kshs.1.1 billion for the period July 2013 to June 2014 is shown in figure 92 below.

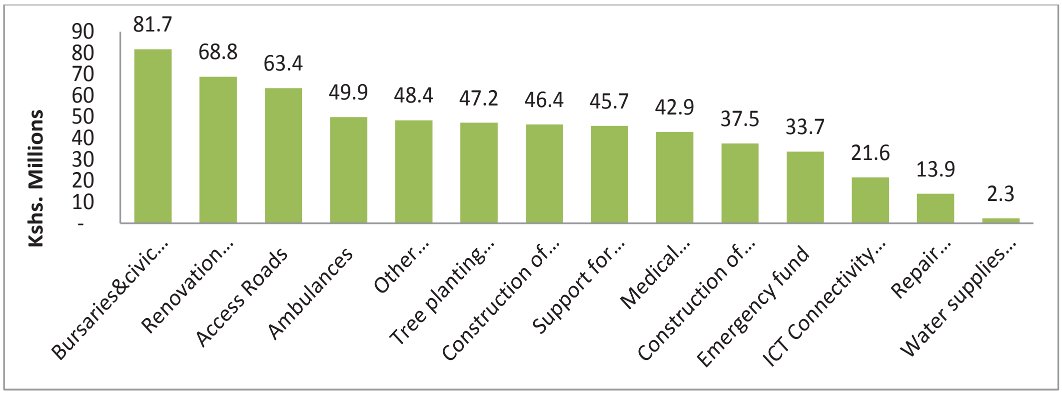
Figure 92: Analysis of Operations and Maintenance Expenditure, Makueni County



Source: *Makueni County Treasury*

Further Analysis of development expenditure shows that bursaries and civic education had the highest expenditure of Kshs.81.7 million, renovation & upgrading of dispensaries at Kshs.68.7 million, and access roads at Kshs.63.4 million (See figure 93).

Figure 93: Analysis of Development Expenditure, Makueni County



Source: *Makueni County Treasury*

The County experienced several challenges/issues that affected budget implementation during the FY2013/14. These are:

1. The County collected 54.1 per cent of its annual local revenue target partly because the projections were unrealistically high. This made it difficult for the County to fully fund its budget.

2. Low absorption of development funds during the period under review which was as a result of lack of clear mapping of procurement plans, work plans and cash

flow projections

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY2014/15:

1. *Automate revenue collection and also, build staff capacity to ensure effective collection of local revenue. In addition, the County should set realistic revenue targets based on prior year performance.*

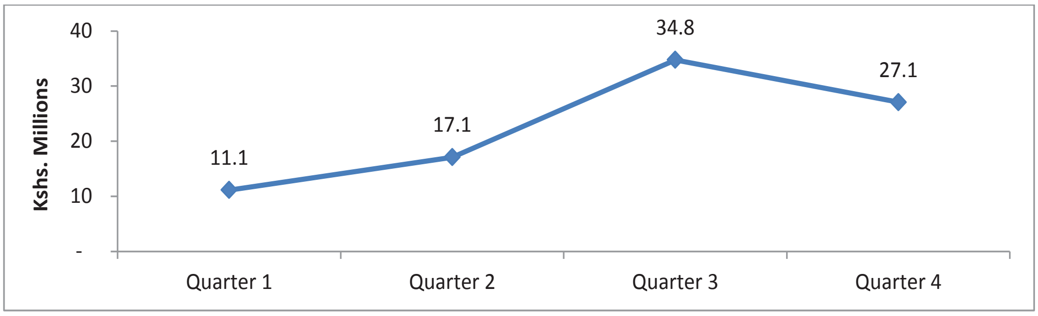
2. *Harmonize procurement plans with departmental work plans and cash flow projections to enhance smooth budget implementation*

Mandera County

The County had an approved budget of Kshs.7 billion for the FY 2013/14 comprising of Kshs.3 billion (43.1 per cent) as recurrent expenditure and Kshs.4 billion (56.9 per cent) for development expenditure. This budget was to be financed by Kshs.6.55 billion (92.3 per cent) from the national equitable share, Kshs.437 million (6.2 per cent) from local revenue sources and Kshs.108 million (1.5 per cent) being balance brought forward from FY 2012/13.

During the period July 2013 to June 2014, the County received Kshs.6.6 billion as the national equitable share, raised Kshs.90.1 million from local sources, and had Kshs.108 million as balance brought forward from FY 2012/13. Total local revenue raised during the period under review was **20.6 per cent** of the annual local revenue target. In the fourth quarter of the year, the County raised Kshs.27.1 million.

Figure 94: Analysis of Local Revenue, Mandera County



Source: *Mandera County Revenue Office*

Funds released directly to the County during the period under review amounted to

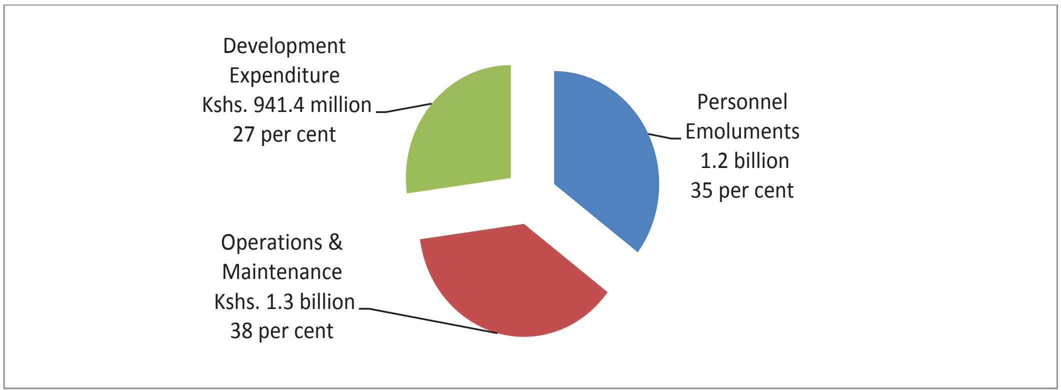
Kshs.3.5 billion of which Kshs.2.5 billion (71.9 per cent) was for recurrent expenditure and Kshs.985 million (28.1 per cent) for development expenditure. An additional Kshs.54 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013

The total expenditure for the FY 2013/14 amounted to Kshs.3.5 billion which was **97.2 per cent** of the funds released. The County spent Kshs.2.5 billion **(71.8 per cent)** on recurrent expenditure and Kshs. 941 million **(26.8 per cent)** on development projects. Recurrent expenditure was 97.8 per cent of the funds released for recurrent activities while development expenditure accounted for **95.6 per cent** of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **83.8 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **23.7 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.2 billion on personnel emoluments which translates to 48 per cent of the total recurrent expenditure and Kshs.1.3 billion on operations and maintenance expenditure which is 52 per cent of the total recurrent expenditure for the FY 2013/14. The County spent Kshs. 48.1 million for payment of sitting allowances to the 48 members of the County Assembly against an annual budget of Kshs.90.8 million representing an absorption rate of 53 per cent.

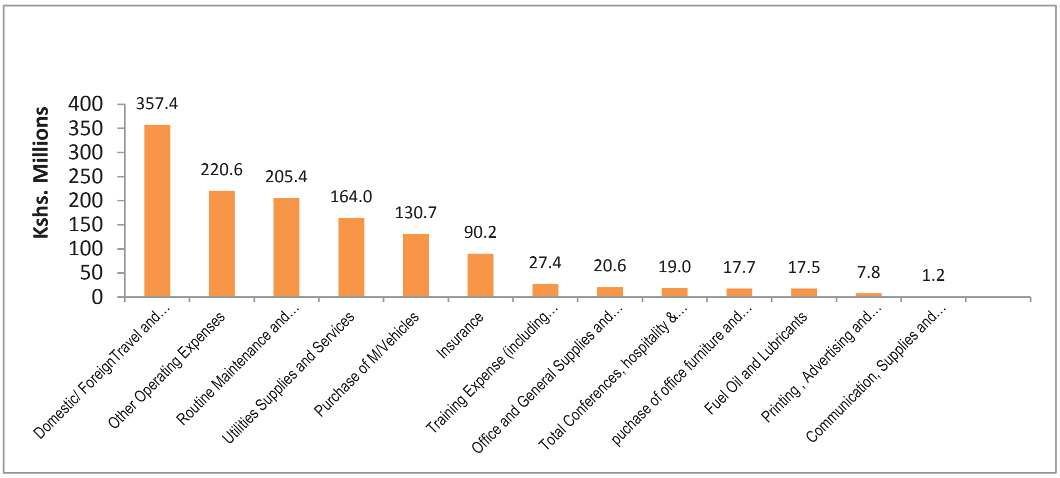
Figure 95: Analysis of Total Expenditure, Mandera County



Source: *Mandera County Treasury*

The breakdown of operations and maintenance expenditure of Kshs.1.3 billion for the period under review is shown in figure 96.

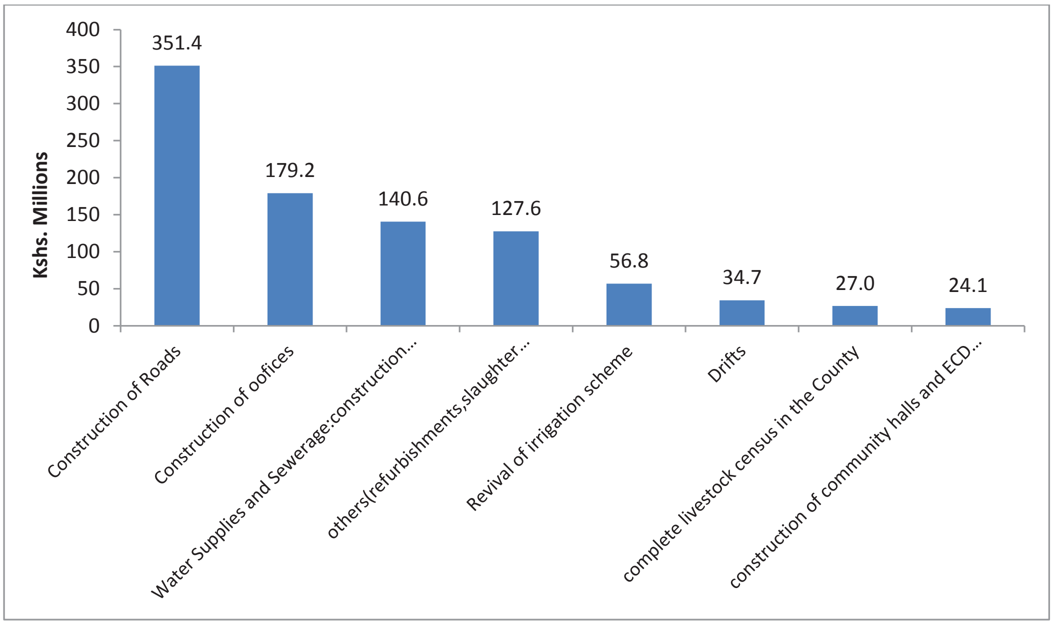
Figure 96: Analysis of Operations and Maintenance expenditure, Mandera County



Source: *Mandera County Treasury*

Analysis of the development expenditure for the FY 2013/2014 shows that the County spent Kshs. 351 million on construction of roads, Kshs.179 million on construction of offices, and Kshs. 140 million on water supplies and sewerages, construction of Dams, wells boreholes as well as water tanks to reduce the rampant water shortages in the County (see figure 97).

Figure 97: Analysis of Development Expenditure, Mandera County



Source: *Mandera County Treasury*

The County experienced some challenges/issues that affected budget implementation during the FY2013/14. They included:

1. The County collected 20.6 per cent of its annual local revenue target which made it difficult for the County to fully implement its budget.

2. Inter and intra-County clashes which affected the implementation of development projects.

3. Improper classification of recurrent and development budget items which necessitated three budget revisions.

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY2014/15:

1. *Institute mechanisms to improve local revenue collections.*
2. *Liaise with the National Government in order to enhance security in the County and consequently enable the County to effectively implement development programs.*

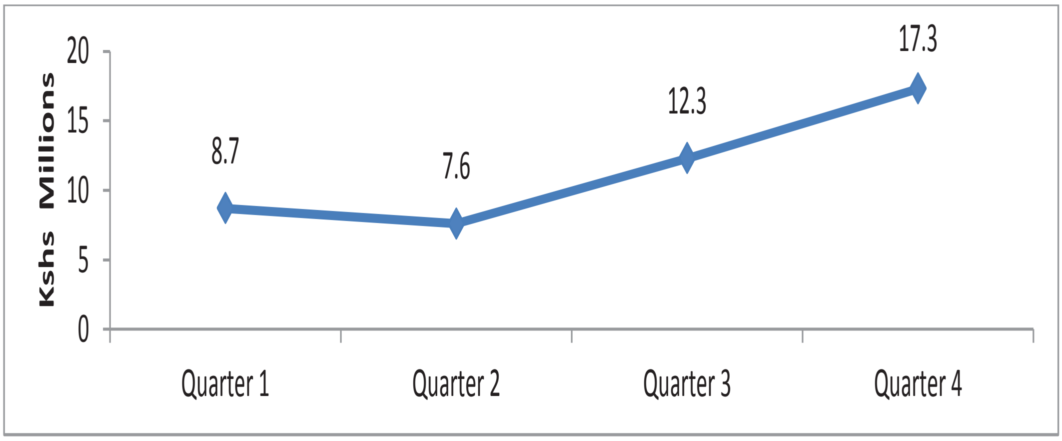
3. *Build the necessary capacity in budget formulation to ensure that classification of budget in accordance with the prescribed Government Financial Statistics format and the PFM Act, 2012.*

Marsabit County

In the FY 2013/14, the County had an approved budget of Kshs.3.8 billion comprising of Kshs. 2.1 billion **(56.1 per cent)** as recurrent expenditure and Kshs. 1.7 billion **(43.9 per cent)** for development expenditure. The budget was to be financed by Kshs.3.8 billion (98.9 per cent) from the national equitable share and Kshs.44 million **(1.1 per cent)** from local revenue sources.

During the period under review, the County received Kshs.3.8 billion as the national equitable share and raised Kshs.46 million from local revenue sources. Total local revenue raised during the period under review was **104.5 per cent** of the annual local revenue target. Figure 98 shows a summary of local revenue collection per quarter

Figure 98: Analysis of Local Revenue, Marsabit County



***Source**: Marsabit County Treasury*

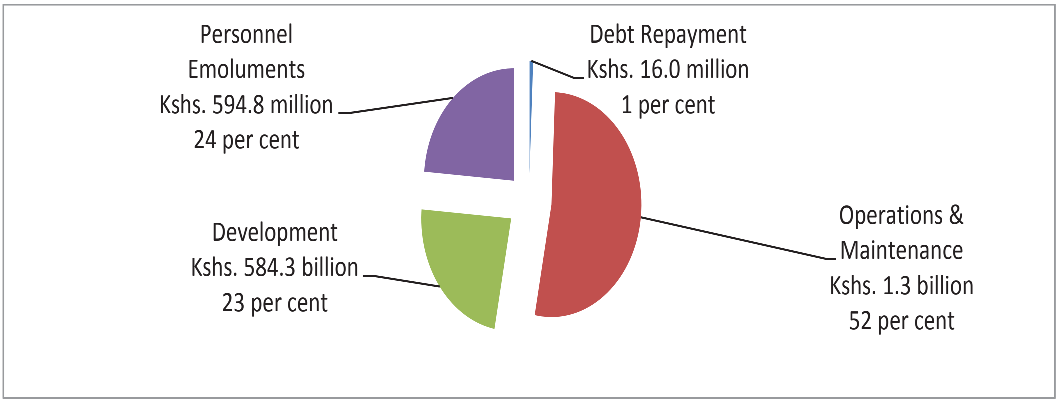
Funds released directly to the County during the period under review amounted to Kshs.3.5 billion of which Kshs. 2.16 billion (61.5 per cent) was for recurrent expenditure and Kshs.1.35 billion (38.5 per cent) for development expenditure. An additional Kshs.28.7 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs. 2.5 billion which was 70.8 per cent of the funds released. The County spent Kshs.1.9 billion (76 per cent) on recurrent activities and Kshs.584.3 million (24 per cent) on development projects. Recurrent expenditure was 87.9 per cent of the funds released for recurrent activities while development expenditure accounted for 43.1 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **89.4 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **34.6 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.594.8 million on personnel emoluments which translates to 31.3 per cent of the total recurrent expenditure and Kshs.1.3 billion on operations and maintenance expenditure which is 68.4 per cent of the total recurrent expenditure for the FY 2013/14 and Kshs 15.9 on debt repayment. The County spent Kshs. 30 million for payment of sitting allowances to the 33 members of the County Assembly.

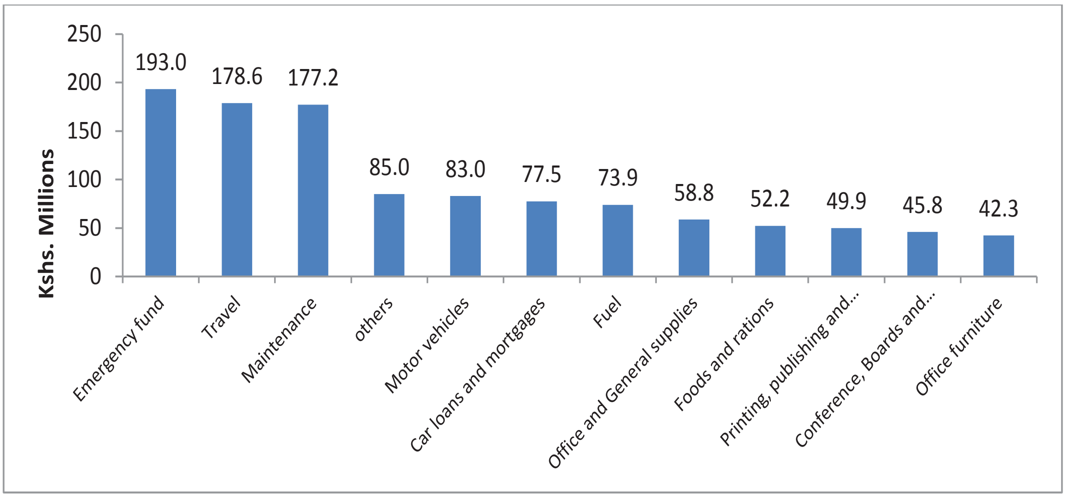
Figure 99: Analysis of Total Expenditure, Marsabit County



Source: *Marsabit County Treasury*

The breakdown of operations and maintenance expenditure of Kshs.1.3 billion for the period under review is shown in figure 100.

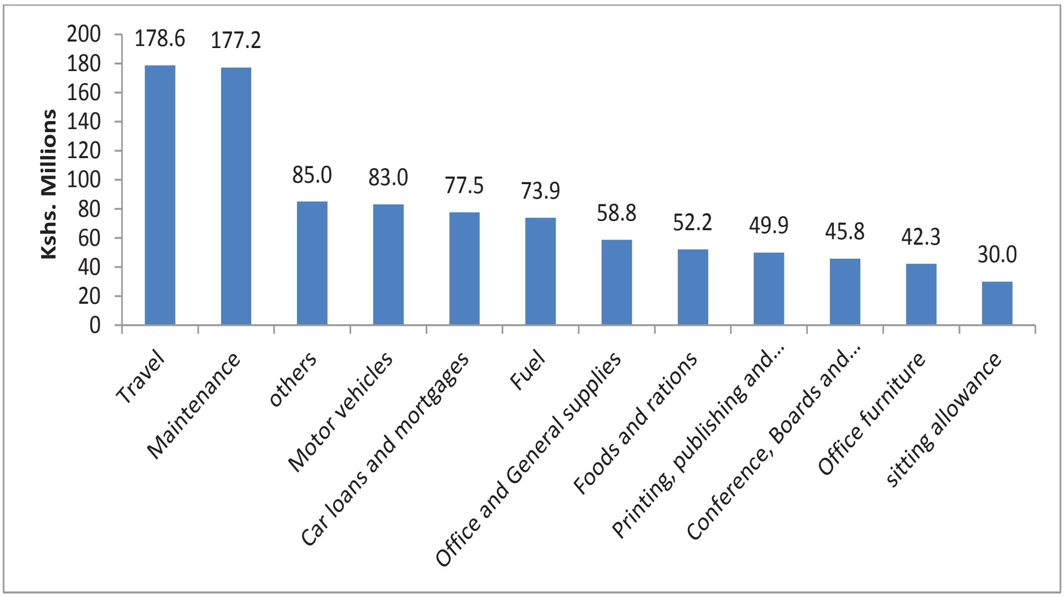
Figure 100 : Analysis of Operations and Maintenance Expenditure, Marsabit County



Source: *Marsabit County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent Kshs.216 million on construction of buildings, Kshs.113.6 on construction and grading of roads, Kshs.49.5 million on purchase of agricultural machinery, Kshs.14.2 million on purchase of certified agricultural seeds and Kshs 27 million on purchase of medical equipment among others. (See figure 101).

Figure 101: Analysis of Development Expenditure, Marsabit County



Source: *Marsabit County Treasury*

The County faced some challenges/issues that affected budget implementation during the FY2013/14. These included:

1. Intermittent use of manual accounting system and IFMIS system which is susceptible to accounting errors.

2. Inadequate physical infrastructure/office space to accommodate all staff. This led to disruption of service delivery to the public.
3. Low absorption of development funds.

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY2014/15:

1. *Liaise with the IFMIS department to enhance the connectivity of the IFMIS and G-Pay system.*

2. *Fast-track the refurbishment and/or construction of buildings in order to ensure county staff to have adequate space to work from.*

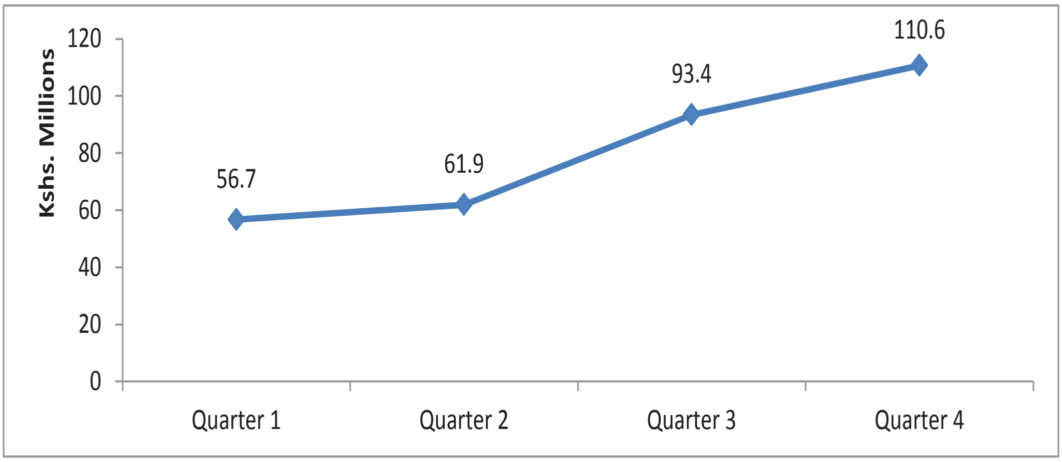
3. *Enhance proper planning to facilitate absorption of development funds.*

Meru County

In the FY 2013/14, the County had an approved budget of Kshs.5.68 billion comprising of Kshs. 2.7 billion (49.5 per cent) as recurrent expenditure and Kshs. 2.87 billion (50.5 per cent) for development expenditure. This budget was to be financed by Kshs.4.75 billion (83.6 per cent) from national equitable share, Kshs.658 million (11.6 per cent) from local revenue sources and Kshs.226 million (4.8 per cent) being balance brought forward from FY 2012/13.

During the period under review, the County received Kshs.4.9 billion as the national equitable share, raised Kshs.344 million from local revenue sources, and had Kshs.226 million as balance brought forward from FY 2012/13. Total local revenue raised during the period under review was **52.3 per cent** of the annual local revenue target. In the fourth quarter of the year, the County raised Kshs.110.6 million. Figure 102 shows a summary of local revenue by quarter.

Figure 102: Analysis of Local Revenue, Meru County



***Source**: Meru County Treasury*

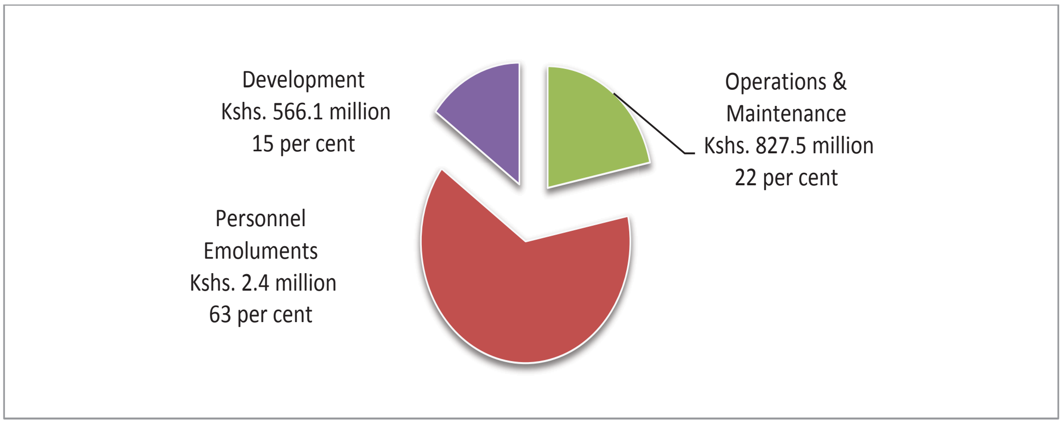
Funds released directly to the County during the period under review amounted to Kshs.4.4 billion of which Kshs.3.3 billion (74.9 per cent) was for recurrent expenditure and Kshs.1.1 billion (25.1 per cent) for development expenditure. An additional Kshs.581 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs.3.8 billion which was 76.1 per cent of the funds released. The County spent Kshs.3.3 billion (85.2 per cent) on recurrent activities and Kshs. 566 million (14.8 per cent) on development projects. Recurrent expenditure was 83 per cent of the funds released for recurrent activities while development expenditure accounted for 51 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **115.9 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **19.7 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.2.4 billion on personnel emoluments which translates to 75 per cent of the total recurrent expenditure and Kshs.827 million on operations and maintenance expenditure which is 25 per cent of the total recurrent expenditure for the FY 2013/14. The County spent Kshs.86.8 million for payment of sitting allowances to the 70 members of the County Assembly against an annual budget of Kshs.120.0 million representing an absorption rate of 72.3 per cent.

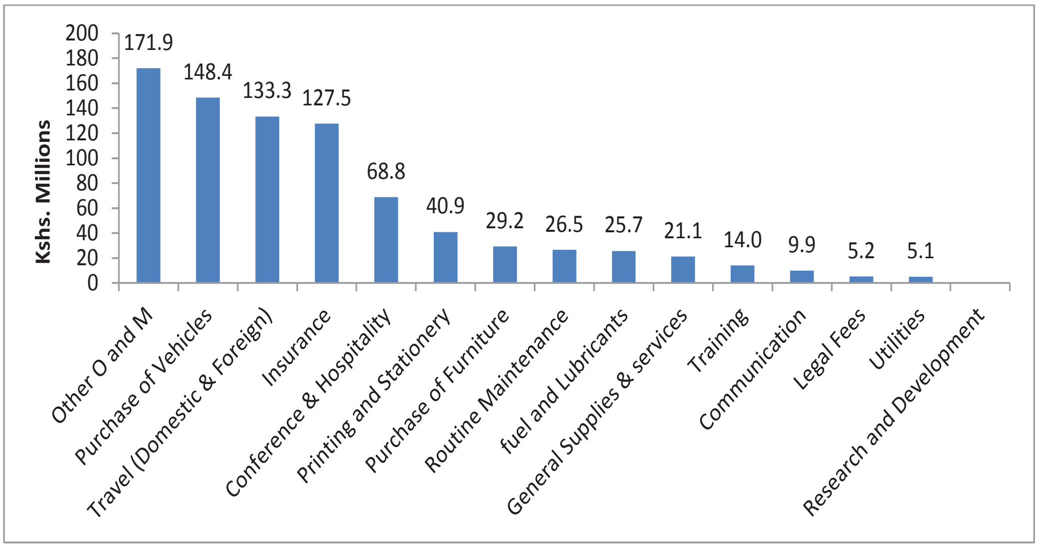
Figure 103: Analysis of Total Expenditure, Meru County



Source: *Meru County Treasury*

The analysis of operations and maintenance expenditure of Kshs.827.5 million for the period under review is shown in figure 104.

Figure 104: Analysis of Operations and Maintenance expenditure, Meru County

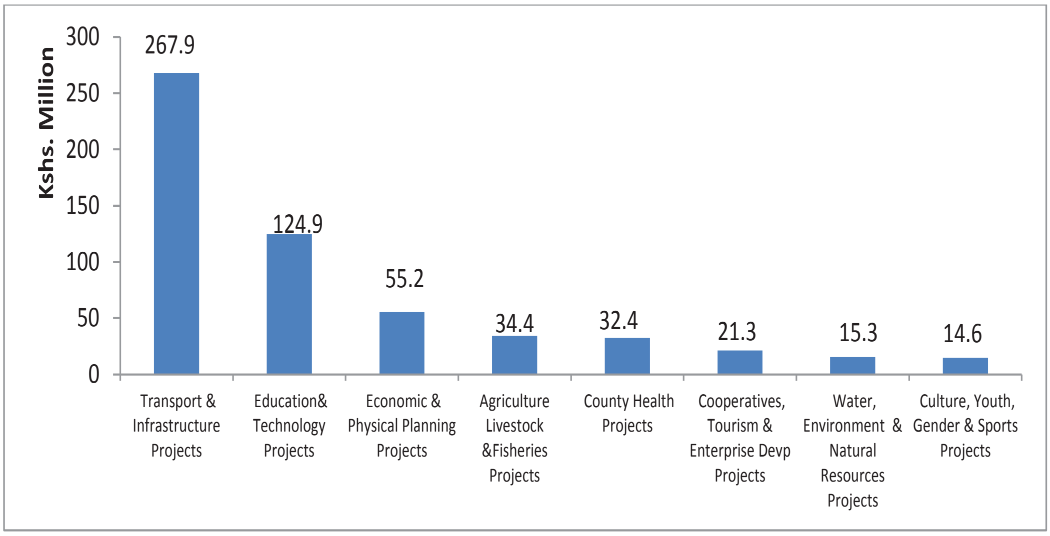


Source: *Meru County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent Kshs.267.9 million on transport & infrastructure projects, Kshs.124.9 million on Education & technology projects, Kshs.55.2 million on Economic & physical planning projects, and Kshs.34.4 million on Agriculture livestock & fisheries projects.

(See figure 105).

Figure 105: Analysis of Development Expenditure, Meru County



Source: *Meru County Treasury*

The County faced some challenges/issues that affected budget implementation during the FY2013/14. These are:

1. Poor budgeting practices where costing of some budgetary items was not informed by market prices and led to under budgeting especially on recurrent budget. This led to funds being irregularly diverted from development budget to cover for under budgeting in recurrent budget.

2. Failure to prepare and submit financial reports in time, which led to delay in monitoring and reporting of budget implementation.

3. The County had not effectively implemented the IFMIS system and was still using manual accounting systems. This exposed the County to accounting errors and led to an over expenditure on recurrent budget.

4. Requisition of funds by the County was not based on departmental work plans and the procurement plans. This affected efficient budget execution as planned activities were not implemented as scheduled.

The County should consider the following recommendations to address these challenges/issues and improve budget execution in the FY2014/15:

1. *Ensure that there are adequate budgetary allocations for expenditure items and should take into consideration the prevailing market prices. Additionally, the County should follow the requisite procedures when reallocating funds.*

2. *Enhance human capacity particularly in finance to facilitate production of standard and reliable financial reports.*

3. *Liaise with the IFMIS department to strengthen user capacity in the management of public resources.*

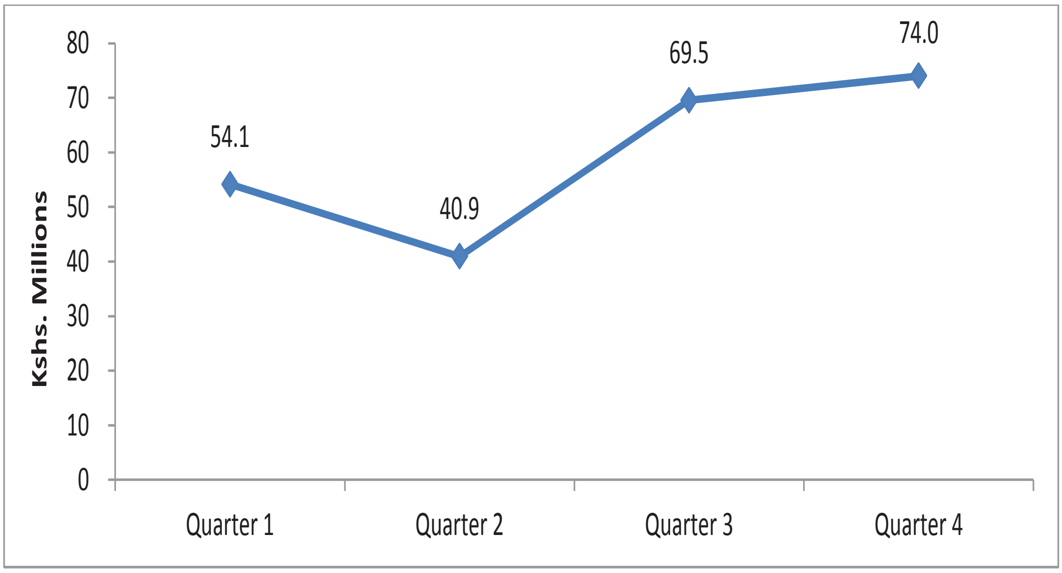
4. *Departments should link their work plans and procurement plans to the cash flow projections in order to enhance absorption of development funds.*

Migori County

In the FY 2013/14 the County had an approved budget of Kshs.5.5 billion comprising of Kshs.3.87 billion (70 per cent) for recurrent expenditure and Kshs.1.66 billion (30 per cent) for development expenditure. This budget was to be financed by Kshs.4.3 billion (76.8 per cent) from national equitable share, Kshs.795.4 million (14.3 per cent) from local revenue sources and Kshs.491.0 million (8.8 per cent) being donor funded projects.

During the period under review, the County received Kshs.4.3 billion as the national equitable share, raised Kshs.238.6 million from local sources, and had Kshs.5.7 million as balance brought forward from FY 2012/13. Total local revenue raised during the period under review was **30 per cent** of the annual local revenue target. In the fourth quarter, the county raised Kshs.74 million. Figure 106 shows a summary of local revenue by quarter.

Figure 106: Analysis of Local Revenue, Migori County



Source: *Migori County Treasury*

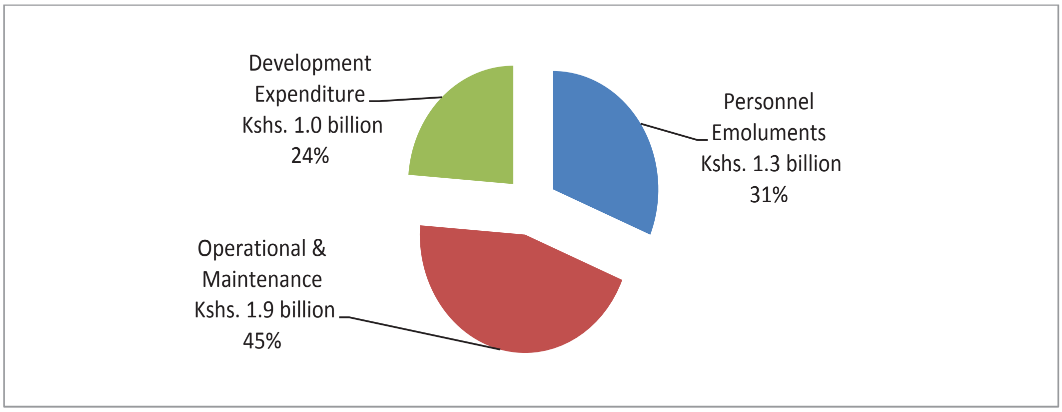
Funds released directly to the County during the period under review amounted to Kshs.4.3 billion of which Kshs.2.8 billion (65 per cent) was for recurrent expenditure and Kshs.1.5 billion (35 per cent) for development expenditure. An additional Kshs.206.9 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs.4.2 billion which was 93.5 per cent of the funds released. The County spent Kshs.3.2 billion (76 per cent) on recurrent activities and Kshs.1 billion (24 per cent) on development projects. Recurrent expenditure was 107 per cent of the funds released for recurrent activities while development expenditure accounted for 67 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **84 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **61 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.3 billion on personnel emoluments which translates to 41 per cent of the total recurrent expenditure and Kshs.1.9 billion on operations and maintenance expenditure which is 59 per cent of the total recurrent expenditure for the FY 2013/14. The County spent Kshs.126 million for payment of sitting allowances to the 62 members of the County Assembly against an annual budget of Kshs.115 million representing an absorption rate of **110 per cent**. (See Figure 107)

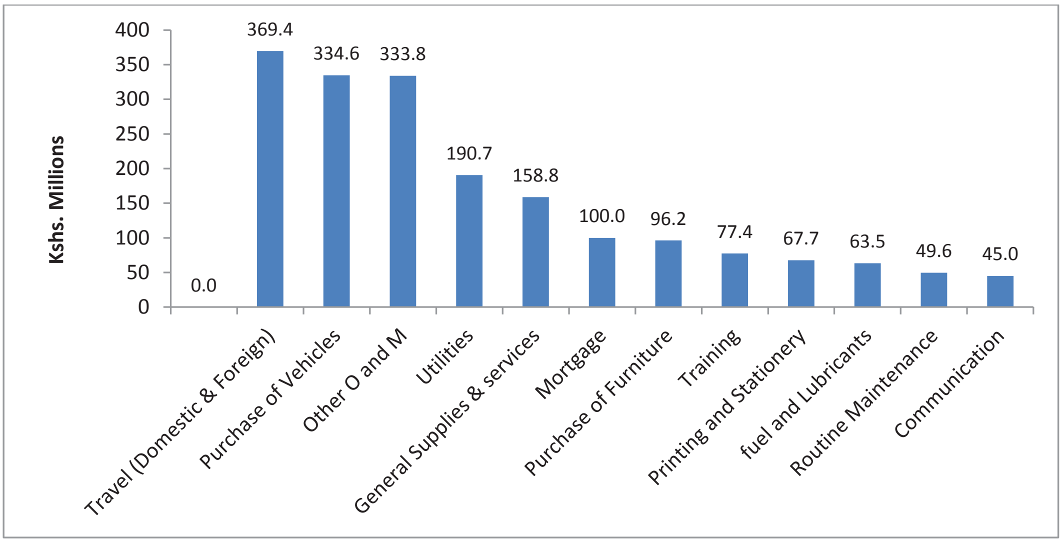
Figure 107 : Analysis of Total Expenditure, Migori County



Source: *Migori County Treasury*

The breakdown of operations and maintenance expenditure of Kshs.1.9 billion for the period under review is shown in figure 108.

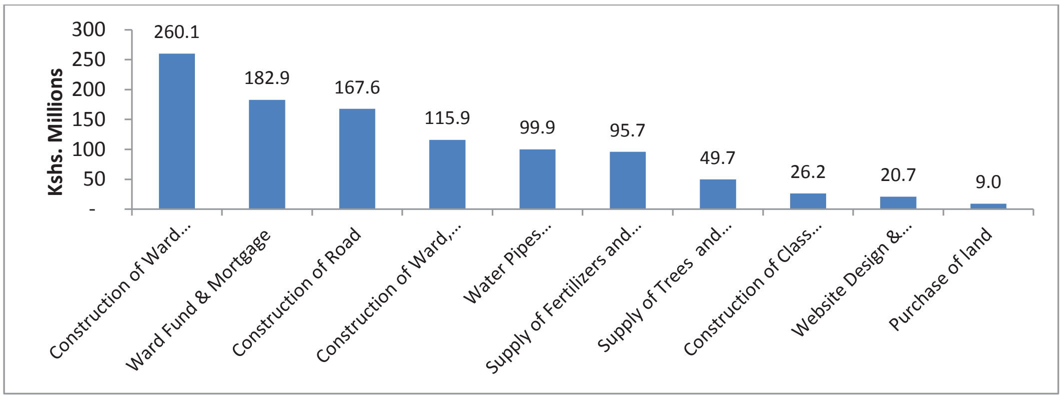
Figure 108 : Analysis of Operations and Maintenance Expenditure, Migori County



Source: *Migori County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent Kshs.116 million on Construction of Wards, Mortuary, Waiting Bay and KMTC building, Kshs. 96 million supply of fertilizer and Water pan Construction and Others, Kshs.100 million on Water pipes, Supply of Water tanks and Construction of Tanks. Kshs.260 million on Construction of ward offices kshs.9 million on Purchase of County land, Kshs.168 million on Construction of roads, Kshs.21 million on Website design and Development, Kshs.50 million on Supply of trees seedlings and Emuhaya School Disaster management Contribution, Kshs.80 million on ward fund for MCA and Kshs. 26 million on construction of class rooms and Youth polytechnics. (See figure 109)

Figure 109: Analysis of Development Expenditure, Migori County



Source: *Migori County Treasury*

The County faced some challenges/issues that affected budget implementation during the FY 2013/14. These are:

1. Failure to fully implement the IFMIS system due to network connectivity challenges and therefore used manual system for financial transactions. This exposed the County to accounting errors.

2. Failure to establish an internal audit committee to monitor financial operations and reporting system.

3. Low local revenue collection at 30 per cent of the annual target. This adversely affected implementation of planned activities that were expected to be financed through local revenues.

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY 2014/15:

1. *Collaborate with Directorate of IFMIS to address the challenges of connectivity and build capacity among the IFMIS users.*
2. *Establish an internal audit committee to enhance effective review and monitoring of the internal audit function.*

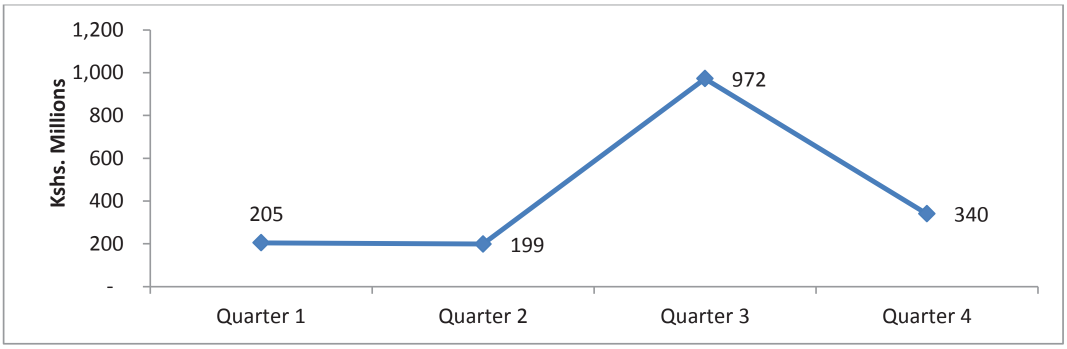
3. *Establish mechanisms to enhance the local revenue collection.*

Mombasa County

In the FY 2013/14, the County had an approved budget of Kshs.11.7 billion consisting of Kshs.7.0 billion (59.7 per cent) for recurrent expenditure and Kshs.4.7 billion (40.3 per cent) for development expenditure. This budget was to be financed by Kshs.4.2 billion (36.1 per cent) from the national equitable share, Kshs.2.4 billion (20.5 per cent) from donor funds, and Kshs.5.1 billion (43.5 per cent) from local revenue sources.

During the period under review, the County received Kshs.4.2 billion as the national equitable share, raised Kshs.1.72 billion from local revenue sources, and had Kshs.200 million as balance brought forward from FY 2012/13. Total local revenue raised during the period under review was **34 per cent** of the annual local revenue target. In the fourth quarter of the year, the County raised Kshs.340 million. Figure 110 shows a summary of local revenue by quarter.

Figure 110: Analysis of Local Revenue, Mombasa County



***Source**: Mombasa County Treasury*

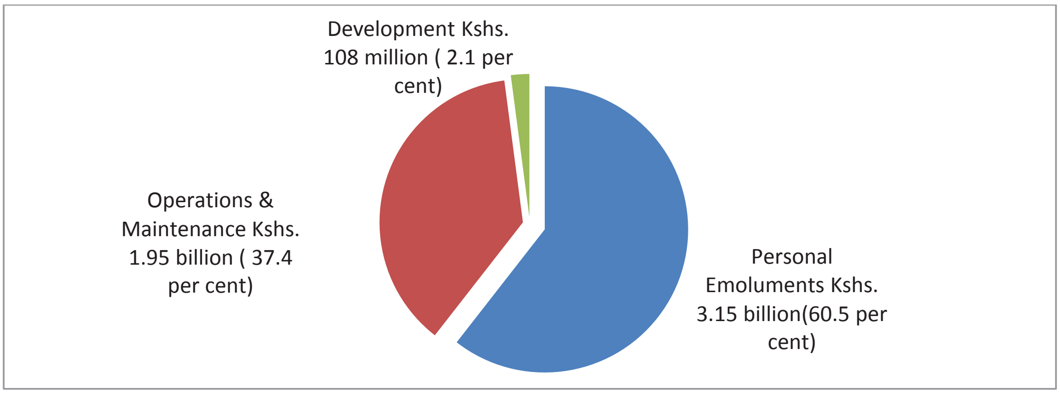
Funds released directly to the County during the period under review amounted to Kshs.4.62 billion of which Kshs. 4.4 billion (95 per cent) was for recurrent expenditure and Kshs.211 million (5 per cent) for development expenditure. An additional Kshs.785.8 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs.5.2 billion which was 96 per cent of the funds released. The County spent Kshs.5.1 billion (98 per cent) on recurrent activities and Kshs.112 million (2 per cent) on development projects. Recurrent expenditure was 98.1 per cent per cent of the funds released for recurrent activities while development expenditure accounted for 53 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **73.1 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **2.4 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.3.2 billion on personnel emoluments which translates to 62 per cent of the total recurrent expenditure and Kshs.1.95 billion on operations and maintenance expenditure which was 38 per cent of the total recurrent expenditure for the FY 2013/2014. The County spent Kshs.14.4 million for payment of sitting allowances to the 45 members of the County Assembly against an annual budget of Kshs.45 million representing an absorption rate of 32 per cent. A summery breakdown of the total annual expenditure for FY 2013/14 is as shown in Figure 111.

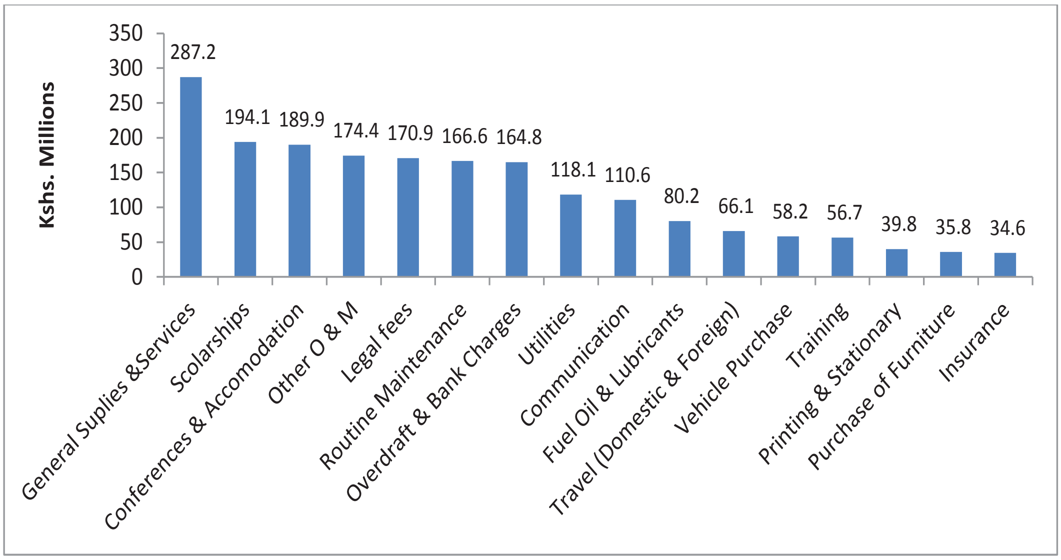
Figure 111: Analysis of Total Expenditure, Mombasa County



Source: *Mombasa County Treasury*

The breakdown of operations and maintenance expenditure of Kshs.1.95 billion for the period under review is shown in Figure 112.

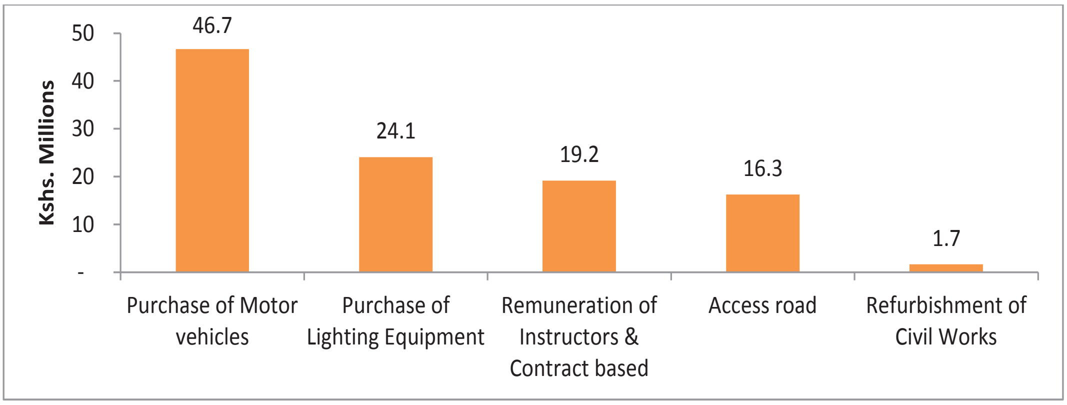
Figure 112: Analysis of Operations and Maintenance Expenditure, Mombasa County



Source: *Mombasa County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent Kshs.108 million on development. The main project was purchase of vehicles of Kshs.47 million followed by purchase of lighting equipment project (See Figure 113).

Figure 113: Analysis of Development Expenditure, Mombasa County



Source: *Mombasa County Treasury*

The County faced some challenges during the FY2013/14 that affected budget implementation. These included:

1. Low absorption of development funds at 2.4 per cent of the development budget.
2. Low local revenue collection. The County realized Kshs.1.7 billion (34 per cent) of the local revenue target which hampered implementation of budgeted activities.
3. The Treasury centrally implemented the FY 2013/14 budget on behalf of most departments, hence eliminating control by departments in the implementation of their work plans and budgets.

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY2014/15:

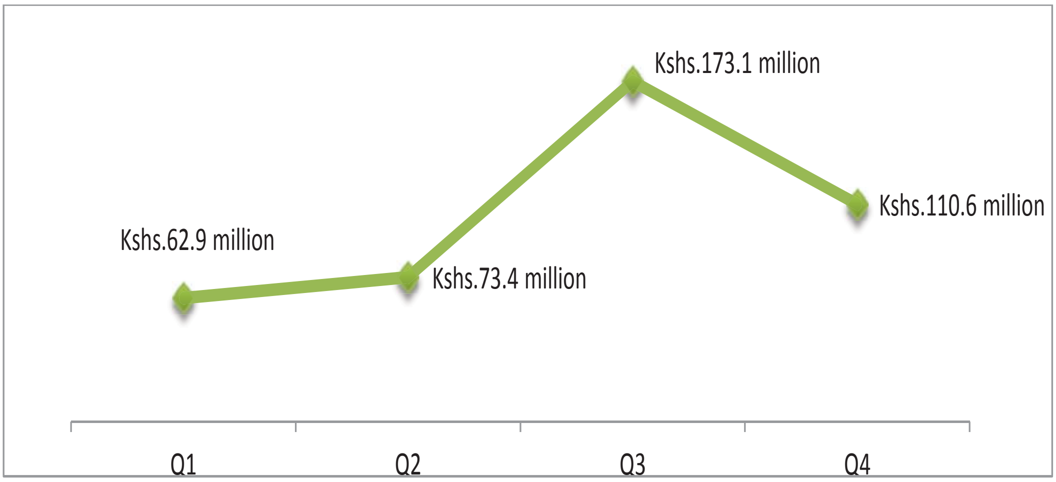
1. *Establish strong mechanisms and procedures to enhance the absorption of development funds.*
2. *Institute appropriate mechanisms such as automation in order to enhance local revenue collection.*
3. *Appoint Accounting Officers for all departments as per the requirements of the PFM Act, 2012 to enhance budget implementation.*

Murang’a County

In the FY 2013/14, the County had an approved budget of Kshs.5.6 billion which was revised to Kshs.5.1 billion, comprising of Kshs.2.4 billion (47.4 per cent) for recurrent expenditure and Kshs.2.7 billion (52.6 per cent) for development expenditure. This budget was to be financed by the national equitable share of Kshs.3.9 billion (76.5 per cent) and Kshs.404 million (7.9 per cent) as conditional grant. Other sources of funds were local revenue that was projected at Kshs.800 million (15.6 per cent) and Kshs.112 million (2.2 per cent) as balance brought forward from FY 2012/13.

During the period under review, the County received Kshs.3.9 billion as the national equitable share The County collected Kshs.420 million from local revenue sources, and had Kshs.112 million as balance brought forward from FY 2012/13. The local revenue raised in FY 2013/14 was 52.5 per cent of the annual local revenue target. In the fourth quarter of the year, the county raised Kshs.110.6 million. Figure 114 shows a summary of local revenue collection by quarter.

Figure 114: FY 2013/14 Local Revenue generation by Quarter, Murang’a County



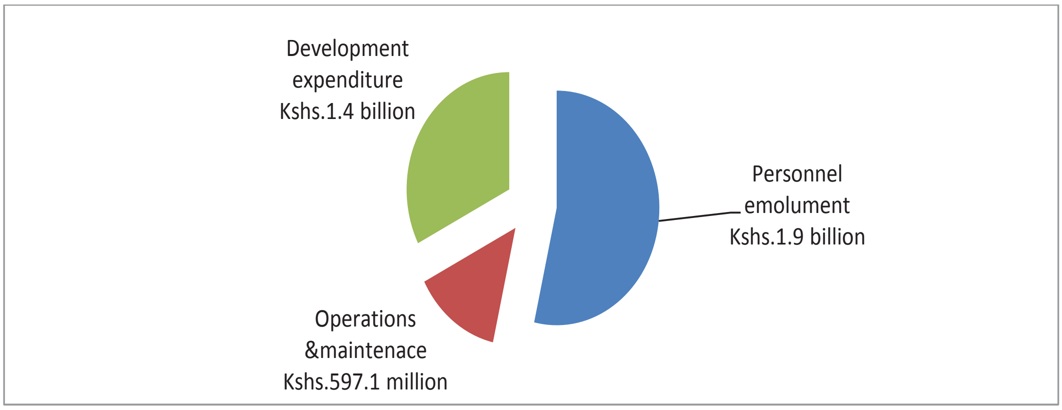
Source: Murang’a County Treasury

Total funds released directly to the County amounted to Kshs.3.7 billion, out of which Kshs.2.0 billion (53.4 per cent) was for recurrent expenditure while Kshs.1.7 billion (46.6 per cent) was for development expenditure. An additional Kshs.440.4 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013.

The total expenditure for the year amounted to Kshs.3.9 billion which was 93.7 per cent of the funds released and includes the deduction by the National Treasury. This expenditure comprised of Kshs.2.5 billion (64.2 per cent) on recurrent activities and Kshs.1.4 billion (35.8 per cent) on development activities. Recurrent expenditure was 103 per cent of the funds released for recurrent activities, or an absorption rate of **101.9 per cent** of the annual recurrent budget. On the other hand, development expenditure accounted for 80.7 per cent of the funds released for development activities or an absorption rate of **51.3 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.9 billion on personnel emoluments which translates to 75.8 per cent of the total recurrent expenditure and Kshs.597 million on operations and maintenance expenditure which is 24.1 per cent of the total recurrent expenditure for the FY 2013/14. The County spent Kshs.46 million for payment of sitting allowances to the 50 Members of the County Assembly and the Speaker against an annual budget of Kshs.46.7 million representing an absorption rate of 98.3 per cent.

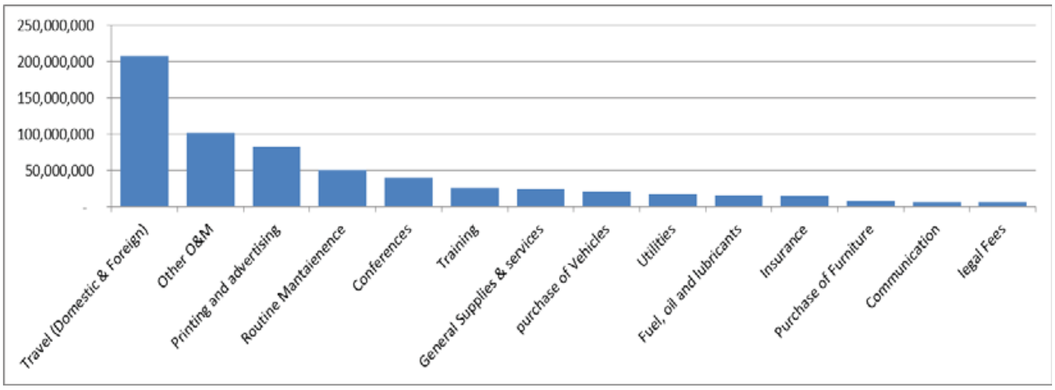
Figure 115: Analysis of Total Expenditure, Murang'a County



Source: *Murang'a County Treasury*

Analysis of the Kshs.597 million spent on operations and maintenance expenditure for the period under review is shown in Figure 116.

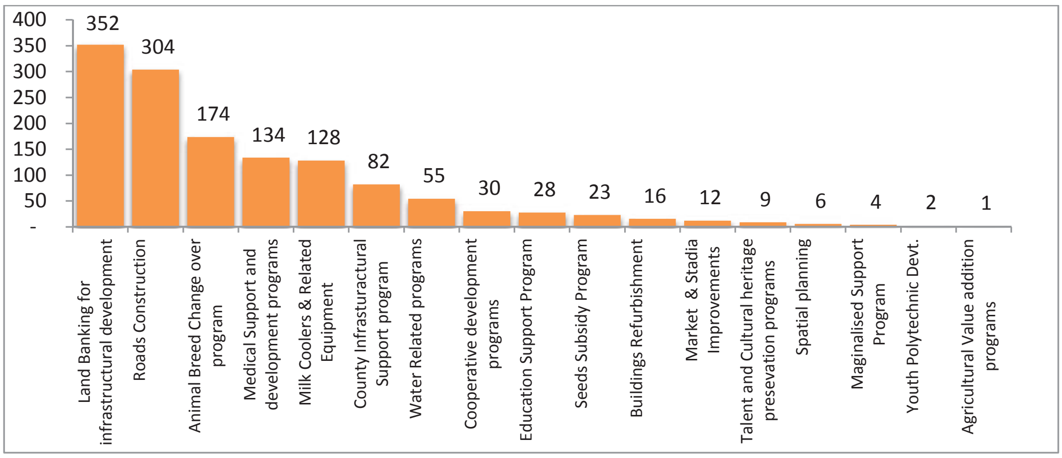
Figure 116: Analysis of Operations and Maintenance expenditure, Murang'a County (Kshs.)



Source: *Murang'a County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.352 million on Purchase of Land for Infrastructural Development, Kshs.304 million on grading and construction of roads, and, Kshs.174 million on animal breeding program.

Figure 117: Analysis of Development Expenditure, Murang'a County (Kshs. million)



Source: *Murang'a County Treasury*

During the period under review, the County experienced a number of challenges/issues that affected budget implementation. These included:

1. Intermittent use of the IFMIS to record accounting transactions which resulted in overdrawing of some votes when manual transactions were finally uploaded into

IFMIS.

2. Local revenue collection during the period under review was 52.5 per cent of the annual target. The low local revenue performance was attributed to lack of harmonized fees, and charges, and ineffective structures to handle land transactions which is the key source of revenue. This affected cash flows and consequently, the implementation of planned activities necessitating budget revisions during the year.

3. Failure to complete projects initiated by the defunct local authorities which would have gone a long way in cementing the gains of devolution.

In order to address the above challenges and enhance budget execution in FY 2014/15, Murang'a County should consider the following recommendations;

1. *Fully adopt and use IFMIS and other government recommended systems in financial management for accurate reporting and enhanced accountability.*

2. *Institute appropriate structures to implement the Finance Bill.*

3. *Prioritize completion of incomplete projects started by the defunct local authority to avoid wastage of public funds.*

Nairobi County

In the FY 2013/14, the County had an approved budget of Kshs.25.2 billion out of which Kshs.17.6 billion (69 per cent) was for recurrent expenditure and Kshs.7.6 billion (31per cent) for development expenditure. The County expected to finance the budget from Kshs.15.9 billion in local revenue collection, Kshs.9.9 billion from the National Government as equitable share and conditional grants, and Kshs.370 million that was carried forward from the FY 2012/13.

During the period under review, the County received Kshs.9.5 billion as the national equitable share and conditional grant, raised Kshs.10 billion from local sources, and had Kshs.370 million as balance brought forward from FY 2012/13. The local revenue raised during the period under review was **63 per cent** of the annual target. Figure 118 shows a summary of the cumulative local revenue by quarter.

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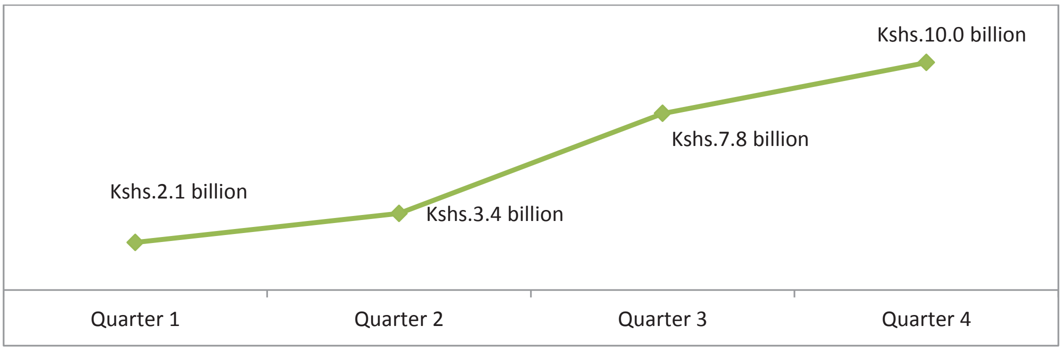
Figure 118: Local Revenue Collection by Quarter, Nairobi City County



Source*: Nairobi City County Treasury*

Funds released directly to the County during the period under review amounted to Kshs.9.6 billion of which Kshs.8.1 billion (84 per cent) was for recurrent expenditure and Kshs.1.5 billion (16 per cent) for development expenditure. An additional Kshs.967 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013.

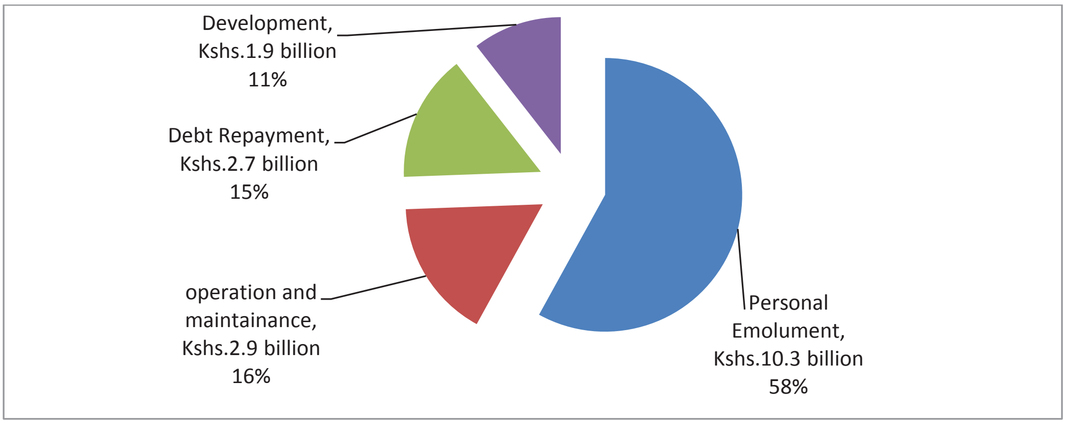
Total expenditure for the FY 2013/14 amounted to Kshs.17.8 billion, which was 168.7 per cent of the funds released. The difference between expenditure and exchequer issues is explained by the local revenue spent at source.

The County spent Kshs.15.9 billion (89 per cent) on recurrent activities and Kshs.1.9 billion (11 per cent) on development activities. Recurrent expenditure for the period under review represented an absorption rate of **90 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **25 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.10.3 billion on personnel emoluments or 65 per cent of the total recurrent expenditure, Kshs.2.9 billion on operations and maintenance expenditure, which was 18 per cent of the total recurrent expenditure, and Kshs.2.7 billion or 17 per cent on debt repayment. The County spent Kshs.148.5 million for payment of sitting allowances to members of the County Assembly against an annual budget of Kshs.160.0 million representing an absorption rate of 92 per cent. In the Third Quarter of FY 2013/14 County Budget Implementation

Review Report, it was reported that the County Assembly spent Kshs. 299.6 million on sitting allowances. This was based on expenditure report submitted by the Nairobi County Treasury which has since been clarified as erroneous.

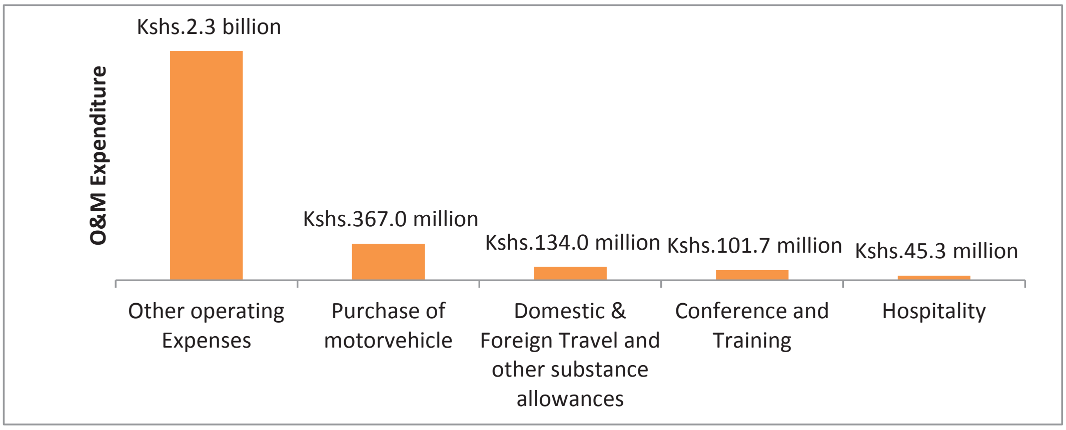
Figure 119: Analysis of Total Expenditure, Nairobi County



Source: *Nairobi County Treasury*

Analysis of the operations and maintenance expenditure of Kshs.2.9 billion for the period under review is shown in Figure 120.

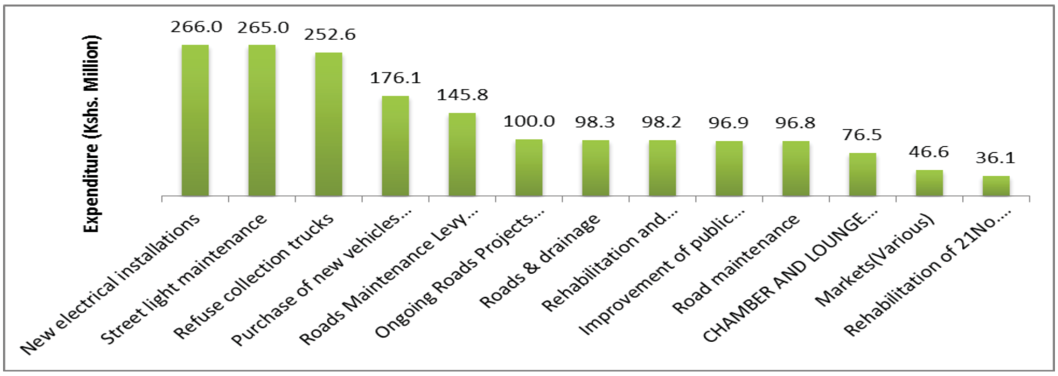
Figure 120: Analysis of Operations and Maintenance Expenditure, Nairobi County



Source: *Nairobi County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spend Kshs1.9 billion on development projects. The major activities are summarized in Figure 121.

Figure 121: Analysis of Development Expenditure, Nairobi County



Source: *Nairobi County Treasury*

The County experienced a number of challenges/issues that affected budget implementation during the FY 2013/14. They included:

1. Intermittent use of IFMIS and manual system to record accounting transactions.

2. Persistent use of local revenue at source in contravention of Article 207 of the Constitution. The total reported expenditure for the FY 2013/14 was Kshs. 17.8 billion against Kshs. 9.3 billion released by the COB.

3. Low absorption of development funds at 25 per cent of the annual development budget, which has been attributed to challenges in planning and the procurement process. Some planned activities were not implemented, hence affecting service delivery to the public.

In order to address the above challenges and enhance budget execution in FY 2014/15, Nairobi City County should consider the following recommendations:

1. *Fully adopt IFMIS in financial management for accurate reporting and enhanced accountability in the use of public funds.*

2. *Ensure that local revenue is paid into the CRF as required by Article 207 of the Constitution. In the Fourth Quarter of FY 2013/14, mechanisms were put in place to ensure that local revenue is deposited into the CRF.*

3. *Address challenges in the procurement process to improve on absorption rate of development funds and ensure efficient service delivery to the public.*

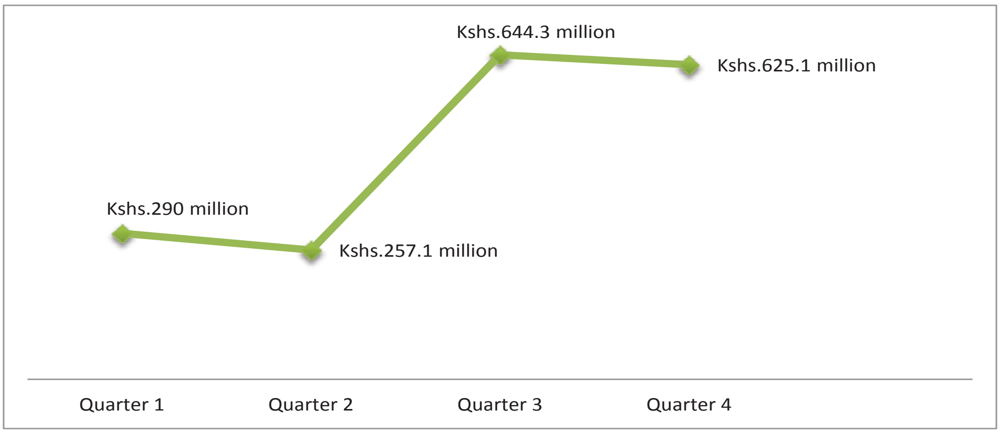
Nakuru County

In the FY 2013/14, the County had an approved budget of Kshs.10 billion comprising of Kshs.6.8 billion (71 per cent) for recurrent expenditure and Kshs.2.9 billion (29 per cent) for development expenditure. The budget was to be financed by Kshs.5.9 billion (59 per cent) from the national equitable share and a further conditional grant of Kshs.1 billion (1 per cent), Kshs.2.6 billion (25 per cent) from local revenue sources, Kshs.522 million Appropriation-In-Aid, and Kshs.68 million (0.7 per cent) being the balance brought forward from the FY 2012/13.

During the period under review, the County received Kshs.6.5 billion as the national equitable share, generated Kshs.1.8 billion from local sources, and had Kshs.68 million as balance brought forward from FY 2012/13. The County collected Kshs.557 million as A-I-A from the level 5 hospital, which was spent at source in line with regulations passed by the County Assembly.

The total local revenue raised during the period under review was **59 per cent** of the annual local revenue target. In the fourth quarter of the year, the County raised Kshs.625 million. Figure 122 shows a summary of local revenue collection by quarter.

Figure 122: Analysis of Local Revenue by Quarters, Nakuru County



***Source**: Nakuru County Treasury*

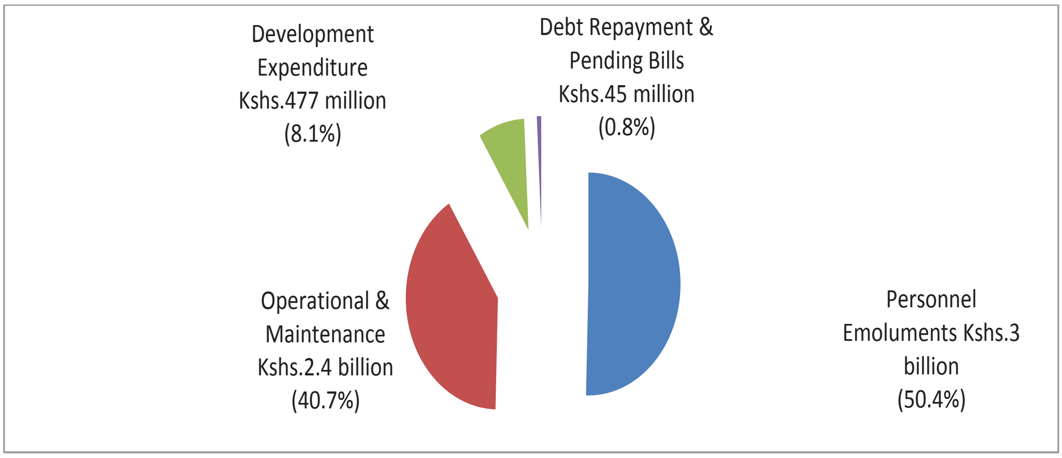
Funds released directly to the County during the period under review amounted to Kshs.6.2 billion of which Kshs.5.4 billion (86 per cent) was for recurrent expenditure and Kshs.841.4 million (14 per cent) for development expenditure. A total of Kshs.1.1 billion was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs.5.9 billion which was 80 per cent of the funds released. The County spent Kshs. 5.4 billion (92 per cent) on recurrent activities and Kshs.477 million (8 per cent) on development activities. Recurrent expenditure accounted for 100 per cent of the funds released for recurrent activities while development expenditure accounted for 69.1 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **75.4 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **16.5 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.3 billion on personnel emoluments which translates to 56 per cent of the total recurrent expenditure and Kshs.2.4 billion on operations and maintenance expenditure which is 44 per cent of the total recurrent expenditure in the FY 2013/14. The O&M expenditure includes debt repayment of Kshs.45 million. A total of Kshs.76.6 million was spent on sitting allowances to the 75 members of the County Assembly against an annual budget of Kshs.130 million representing an absorption rate of 59 per cent.

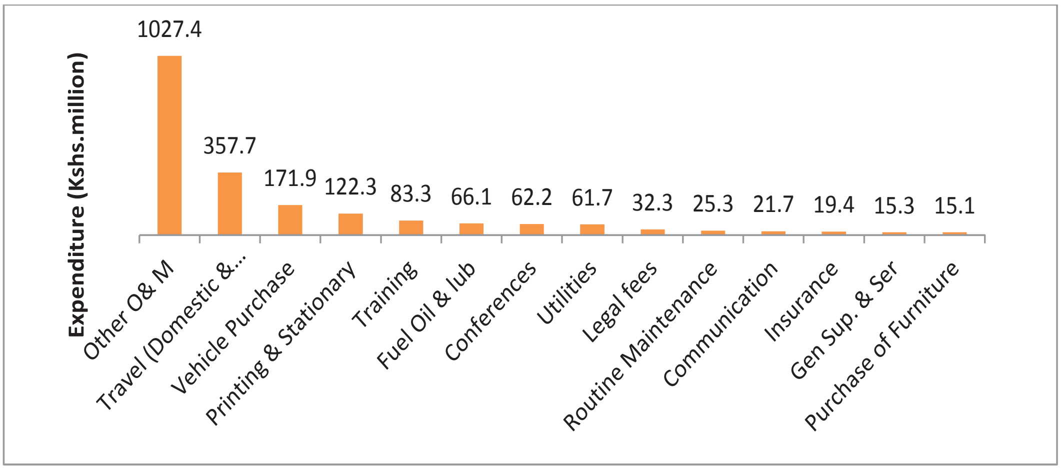
Figure 123: Analysis of Total Expenditure, Nakuru County



Source: *Nakuru County Treasury*

Analysis of operations and maintenance expenditure for the period under review is shown in Figure 124.

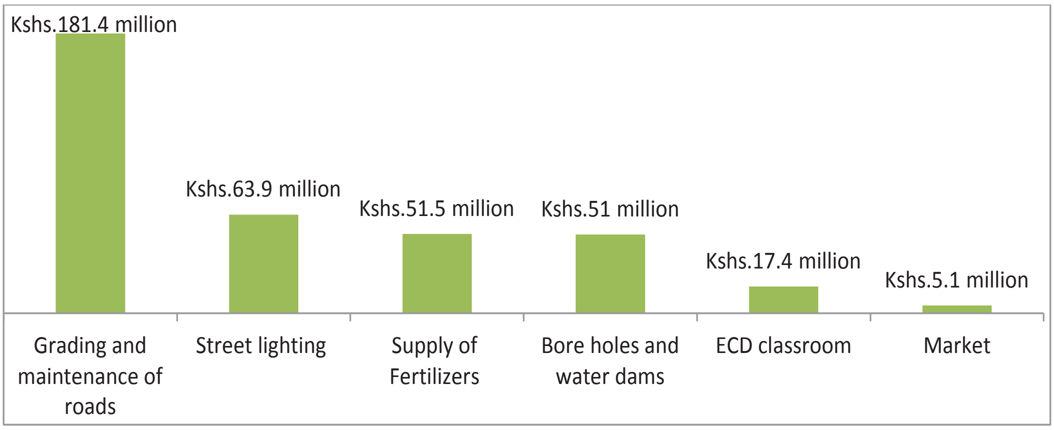
Figure 124: Analysis of Operations and Maintenance expenditure, Nakuru County



Source: *Nakuru County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent Kshs.51.5 million on Supply of Fertilizers and Agricultural related development, Kshs.17.4 million on construction of ECD classrooms, Kshs.51 million on construction of bore holes and water dams, Kshs.181.4 million on grading and maintenance of roads, Kshs.5.1 million on construction of market, Kshs.63.9 million on street lighting among others. (See figure 125).

Figure 125: Analysis of Development Expenditure, Nakuru County



Source: *Nakuru County Treasury*

The County experienced a number of challenges/issues that affected budget implementation during the FY2013/14. These include:

1. Low absorption of development funds of 16.5 per cent of the annual development budget. This low absorption of development funds is partly attributed to lack of staff capacity to implement projects, and inadequate procurement planning.

2. Failure to establish an internal audit committee to oversee operations of the internal audit department.

3. Low local revenue collection which was Kshs.1.8 billion against a target of Kshs.3.1 billion which was attributed to lack of sound enforcement mechanisms to implement the Finance Act, 2013.

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY2014/15:

1. *Build capacity of the procuring unit to fast-track procurement processes in order to improve absorption of development funds.*

2. *Establish an internal audit as required by Section 155 of the PFM Act, 2012.*

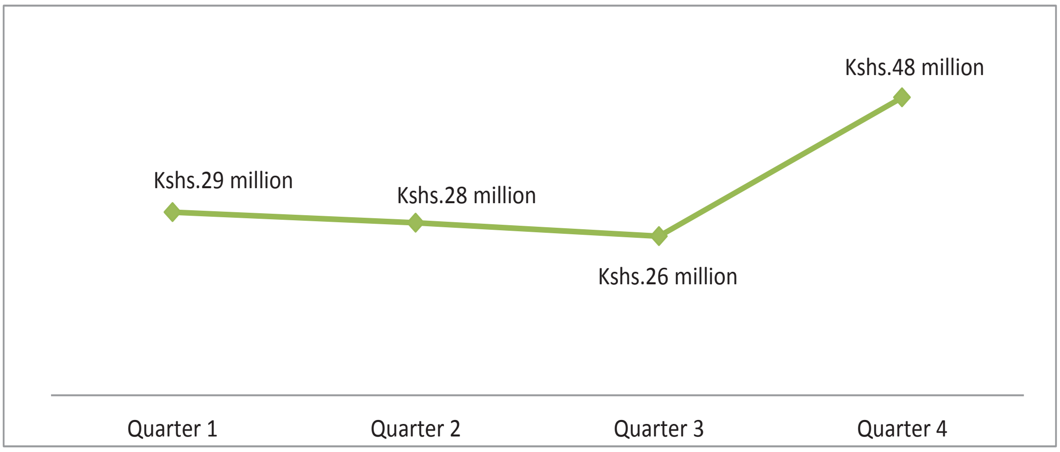
3. *Institute adequate enforcement mechanisms to ensure the County Finance Act is implemented effectively to improve revenue collection.*

Nandi County

In the FY 2013/14 the County had an approved budget of Kshs.3.9 billion comprising of Kshs.2.7 billion (68.1 per cent) for recurrent expenditure and Kshs.1.2 billion (31.9 per cent) for development expenditure. This budget was to be financed by Kshs.3.5 billion (88.6 per cent) from the national equitable share, Kshs.422.5 million (10.1 per cent) from local revenue sources, and the balance brought forward from FY 2012/13 of Kshs.55.2 million (1.3 per cent).

During the period under review, the County received Kshs.3.5 billion as the national equitable share, collected Kshs.130.5 million from local sources, and had Kshs.55.2 million as balance brought forward from the FY 2012/13. Total local revenue raised during the period under review represents **30.9 per cent** of the annual local revenue target. In the fourth quarter of the year, the County raised Kshs.48 million. Figure 126 shows a summary of local revenue collection per quarter.

Figure 126: Summary of Local Revenue Performance per Quarter, Nandi County



***Source**: Nandi County Treasury*

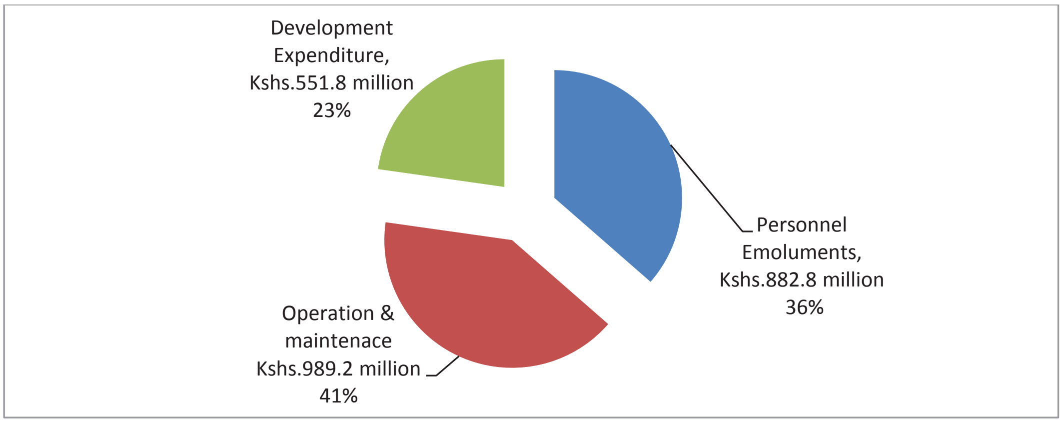
Funds released directly to the County in the FY2013/14 amounted to Kshs.2.9 billion of which Kshs.2 billion (70 per cent) was for recurrent expenditure and Kshs.875 million (30 per cent) for development expenditure. A total of Kshs.402 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs.2.4 billion which was 73.1 per cent of the funds released. The County spent Kshs.1.9 billion (77.9 per cent) on recurrent activities and Kshs.551.8 million (23.1 per cent) on development activities. Recurrent expenditure was 98.4 per cent of the funds released for recurrent activities while development expenditure accounted for 53.5 per cent of the funds released for development projects.

Recurrent expenditure for the period under review represented an absorption rate of **70.4 per cent** of the annual recurrent budget, while development expenditure was **44.4 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.882.8 million on personnel emoluments which translates to 47.2 per cent of the total recurrent expenditure and Kshs.989.2 million on operations and maintenance expenditure which is 52.9 per cent of the total recurrent expenditure for the FY 2013/14. A total of Kshs.46.2 million was spent on sitting allowances to the 48 Members of the County Assembly against an annual budget of Kshs.94.9 million representing an absorption rate of 48.7 per cent.

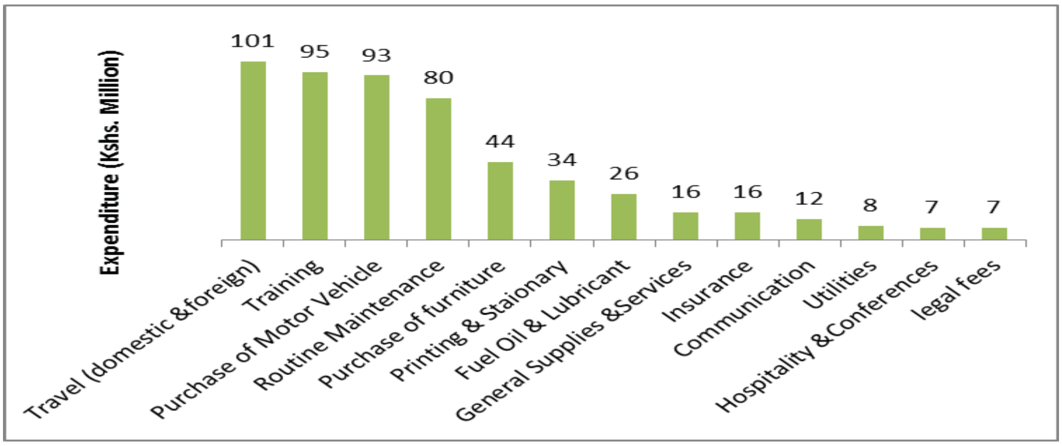
Figure 127: Analysis of Total Expenditure, Nandi County



Source: *Nandi County Treasury*

Analysis of operations and maintenance expenditure for the period under review is as shown in Figure 128.

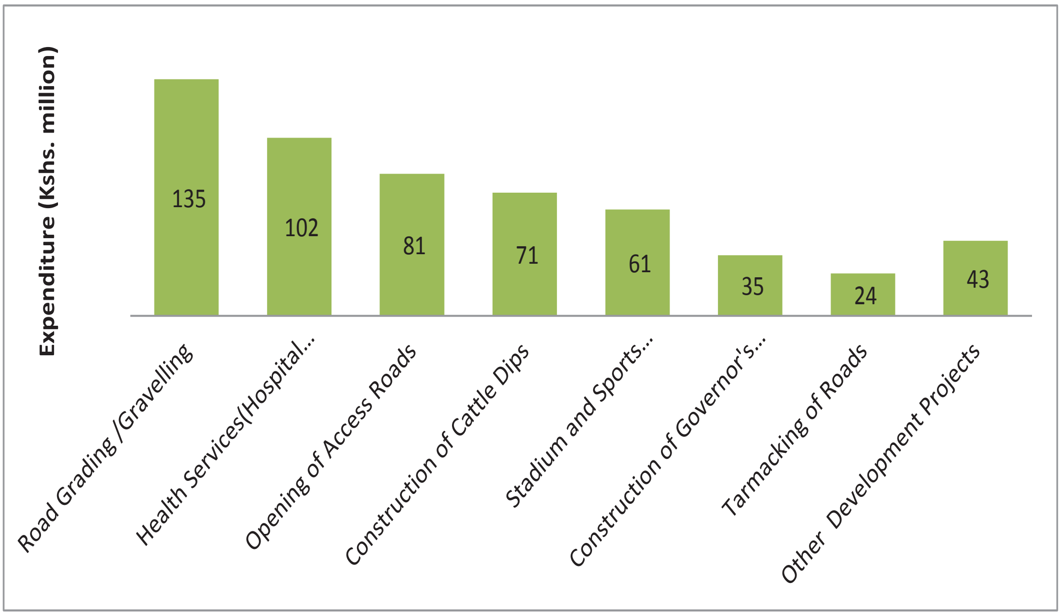
Figure 128: Analysis of Operations and Maintenance expenditure, Nandi County



Source: *Nandi County Treasury*

During the FY2013/14, the County spent Kshs.551.8 million on several development projects including road grading/gravelling, health services, opening of access roads, construction of cattle dips, construction of the Kapsabet-Kipchoge Stadium, and tarmacking of roads among other projects as summarized in Figure 129.

Figure 129: Analysis of Development Expenditure, Nandi County



Source: Nandi County Treasury

The County experienced a number of challenges/issues that affected budget implementation during the FY2013/14. These are:

1. The County projected to collect Kshs.422 million as local revenue in the FY2013/14 to fund activities but collected Kshs.130. million, which was 30.9 per cent of the target. The low local revenue collection has been attributed to delay in the implementation of the County Finance Act, 2013.
2. Lack of monitoring, evaluation reporting framework to guide monitoring of project implementation.
3. Low absorption of development funds at 44 per cent of the annual development budget

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY2014/15:

1. *Ensure that necessary bills to facilitate local revenue collection are passed on time and effectively implemented.*

2. *Develop an M&E framework in order to ensure projects are monitored and implemented within the specified period.*

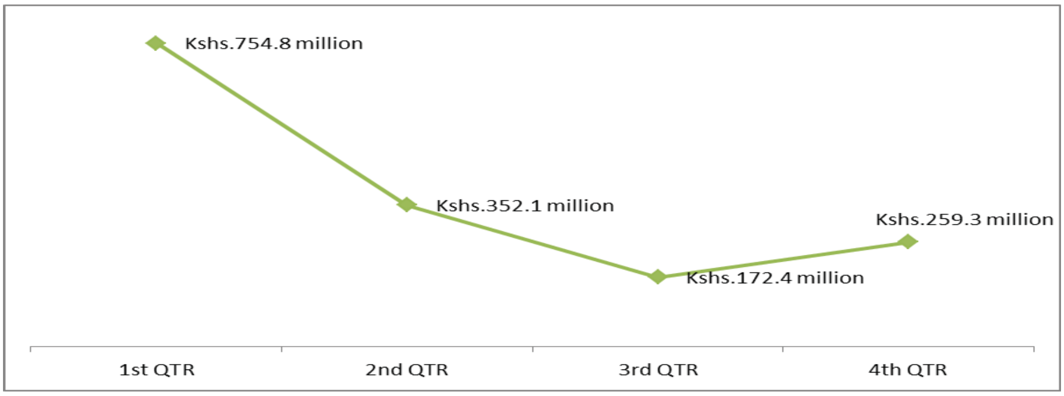
3. *Build capacity in the procurement department to improve skills and knowledge in procurement procedures..*

Narok County

In the FY 2013/14, the County had an approved budget of Kshs.7.3 billion comprising of Kshs.5.2 billion (72 per cent) for recurrent expenditure and Kshs.2.1 billion (28 per cent) for development expenditure. This budget was to be financed by Kshs.3.9 billion (51.0 per cent) from the national equitable share, Kshs.3.7 billion (48.8 per cent) from local revenue sources and Kshs.15.7 million being balance brought forward from FY 2012/13.

During the period under review, the County received Kshs.3.9 billion as the national equitable share, raised Kshs.1.5 billion from local sources, and had Kshs.15.7 million as balance brought forward from FY 2012/13. Total local revenue raised during the period under review was Kshs.1.6 billion representing **41.6 per cent** of the annual local revenue target. Figure 130 shows a summary of local revenue per quarter.

Figure 130: Summary of Local Revenue Performance per Quarter



Source: Narok County Treasury

Funds released directly to the County during the period under review amounted to Kshs.4.7 billion of which Kshs.3.88 billion (82 per cent) was for recurrent expenditure and Kshs.848.4 million (18 per cent) for development expenditure. A total of Kshs.181.6 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013.

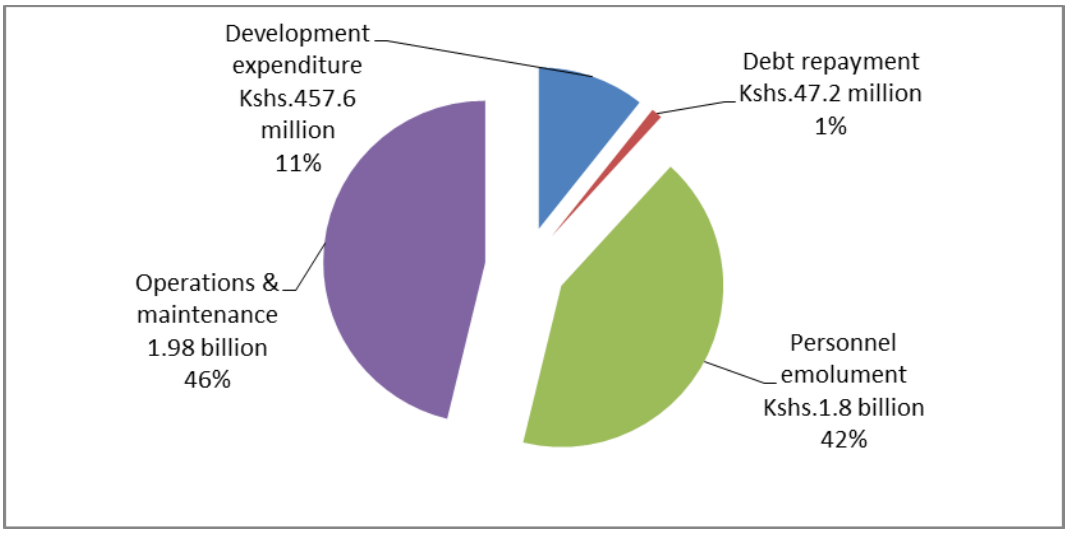
The total expenditure for the FY 2013/14 amounted to Kshs.4.2 billion which was 89.5 per cent of the funds released. The County spent Kshs.3.8 billion (89 per cent) on recurrent activities and Kshs.457.6 million (11 per cent) on development activities.

Recurrent expenditure was 94 per cent of the funds released for recurrent activities, while development expenditure accounted for 54 per cent of the funds released for development projects.

Recurrent expenditure represented an absorption rate of **72 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **22 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.8 billion on personnel emoluments which translates to 46.4 per cent of the total recurrent expenditure and Kshs.1.98 billion on operations and maintenance expenditure which is 53.6 per cent of the total recurrent expenditure for the FY 2013/14. The O&M expenditure includes loan repayment of Kshs.47.2 million. A total of Kshs.28.8 million was spent on sitting allowances to the 49 Members of the County Assembly against an annual budget of Kshs.50.3 million representing an absorption rate of 57.2 per cent.

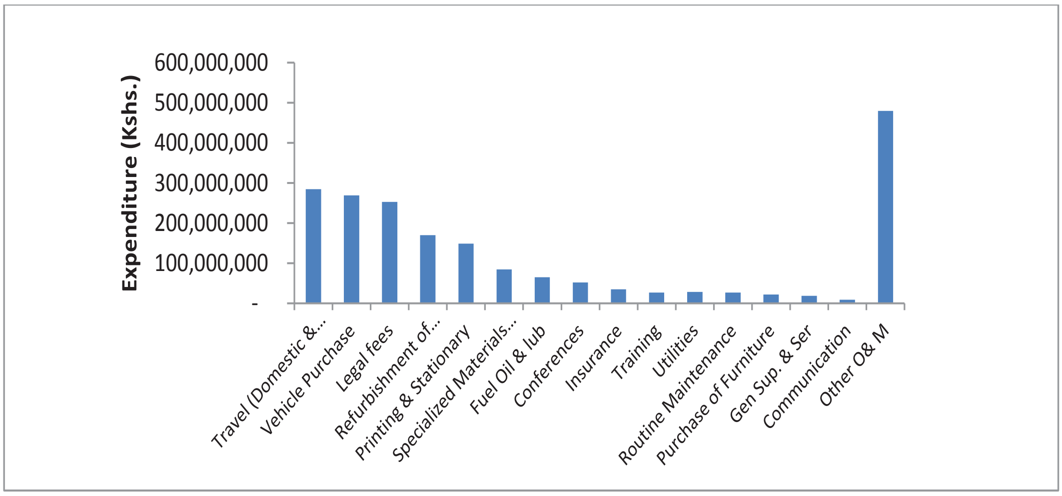
Figure 131: Analysis of Total Expenditure, Narok County



Source: *Narok County Treasury*

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 132.

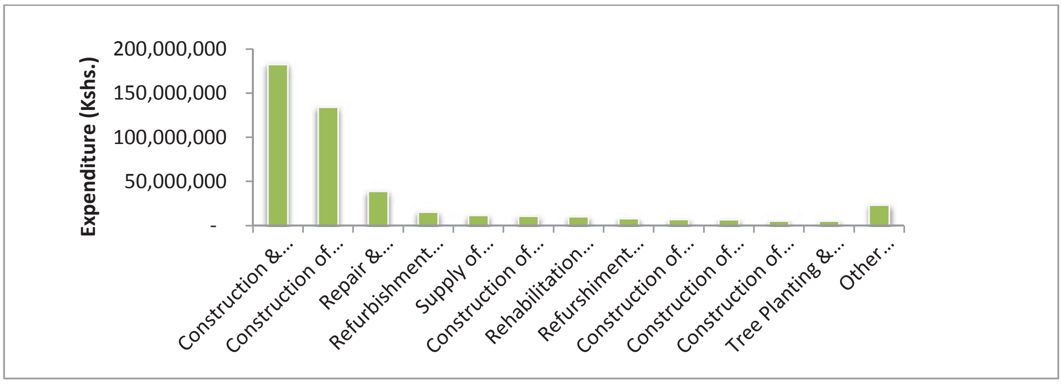
Figure 132: Analysis of Operations and Maintenance expenditure, Narok County



***Source:** Narok County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent Kshs.182.7 million on construction and grading of roads, Kshs.134.0 million on construction of classrooms and dormitories, Kshs.38.8 million on repairs and maintenance of markets, Kshs.15.3 million on refurbishment of offices, Kshs.11.5 million on supply of building materials, Kshs.10.5 million on construction of fences and security units, Kshs.9.9 million on rehabilitation of dips and sale yards, Kshs.7.9 million on refurbishment of staff houses, Kshs.6.9 million on water supply, Kshs.6.7 million on construction of offices, Kshs.5.2 million on construction of health centers and hospitals, Kshs.4.9 million on tree planting and beautification, and Kshs.23.3 million on other development projects. Figure 133 summarizes this development expenditure.

Figure 133: Analysis of Development Expenditure, Narok County



Source: Narok County Treasury

OCOB identifies a number of challenges/issues that affected budget implementation during the FY2013/14. These included:

1. Slow rollout of IFMIS resulted in intermittent use of IFMIS and manual accounting systems.

2. Inadequate physical infrastructure to accommodate staff affected delivery of services to the public.

3. Lack of an internal audit committee to provide advice and oversee operations of the internal audit department.

4. Low absorption of development budget. During the FY2013/14, the County spent Kshs.457.6 million on development activities against a budget of Kshs.2.1 billion representing an absorption rate of only 22 per cent of the annual development budget.

5. Low local revenue collection. The County projected to collect Kshs.3.7 billion from local sources to fund the budget but collected Kshs.1.6 billion which was 41.6 per cent of the local revenue target. Low revenue collection affected cash flows and the implementation of activities in the FY 2013/14 budget.

The County should consider the following recommendations to address the challenges/ issues identified above, and improve budget execution in the FY2014/15:

1. *Liaise with National Treasury to improve IFMIS connectivity.*

2. *Fast-track the refurbishment and/or construction of buildings to provide adequate working space to staff.*

3. *Establish an internal audit committee as per Section 155 (5) of the PFM Act, 2012, to enhance management control.*

4. *Ensure that all departmental cash flow projection, annual cash plans and procurement plans are prepared on time to improve implementation of development projects.*

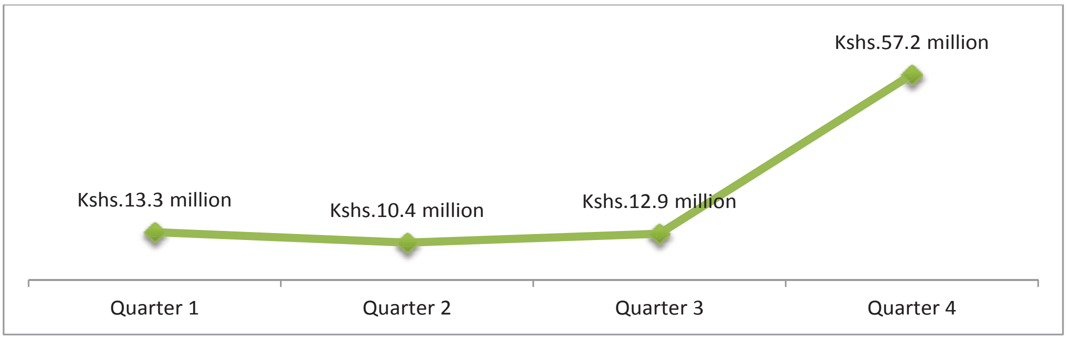
5. *Re-evaluate the local revenue collection systems in order to seal all leakages and/ or provide realistic revenue forecasts.*

Nyamira County

In the FY 2013/14, the County had an approved budget of Kshs.3.4 billion comprising of Kshs.1.8 billion (51.5 per cent) for recurrent expenditure and Kshs.1.6 billion (48.5 per cent) allocation for development activities. This budget was to be financed by Kshs.3.3 billion (97 per cent) from national equitable share, and Kshs. 100.0 million (3 per cent) from local revenue sources.

During the period under review, the County received Kshs.3 billion as the national equitable share and collected Kshs.94.0 million from local sources. The total local revenue raised during the period under review translates to 94 per cent of the annual local revenue target. In the fourth quarter, the County raised Kshs.57.2 from local revenue sources. Figure 134 shows a summary of local revenue by quarter.

Figure 134: Local Revenue Collection by Quarter, Nyamira County



***Source**: Nyamira County Treasury*

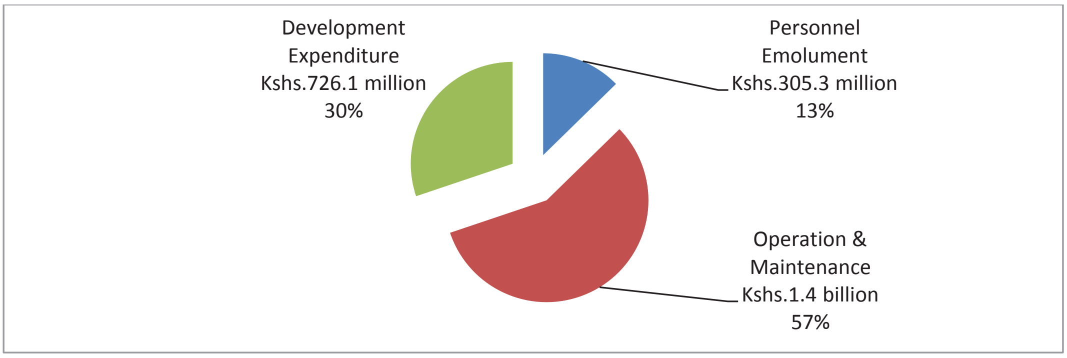
Funds released directly to the County during the period under review amounted to Kshs.2.7 billion of which Kshs.2.0 billion (76 per cent) was for recurrent expenditure and Kshs.639.2 million (24 per cent) for development expenditure. A total of Kshs.44.5 million was recovered by the National Treasury for salaries paid to staff performing devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs.2.4 billion which was 88 per cent of the funds released. The County spent Kshs.1.7 billion (70 per cent) on recurrent activities and Kshs.726.1million (30 per cent) on development activities. Recurrent expenditure was 81 per cent of the funds released for recurrent activities while development expenditure accounted for **114 per cent** of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **95 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **44 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.305.3 million on personnel emoluments which translates to 18 per cent of the total recurrent expenditure and Kshs.1.4 billion on operations and maintenance expenditure which is 82 per cent of the total recurrent expenditure for the FY 2013/14. A total of Kshs.38.8 million was spent on sitting allowances to the 33 Members of the County Assembly against an annual budget of Kshs.58 million representing an absorption rate of 67 per cent.

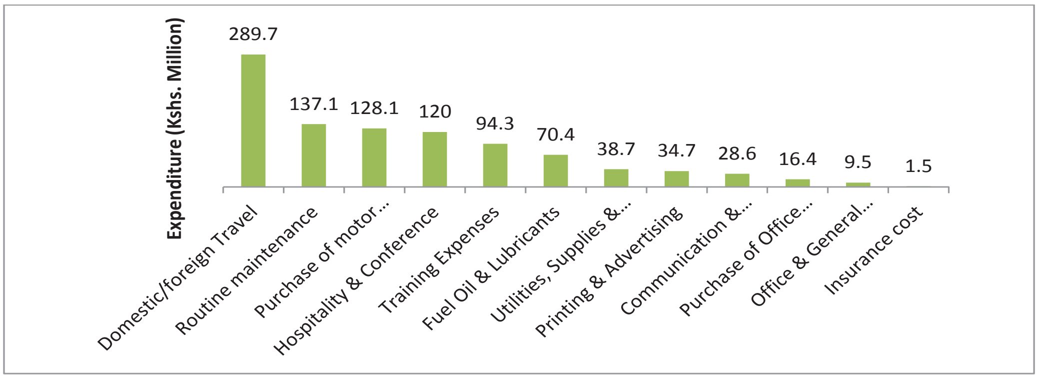
Figure 135: Analysis of Total Expenditure, Nyamira County



***Source: Nyamira** County Treasury*

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 136.

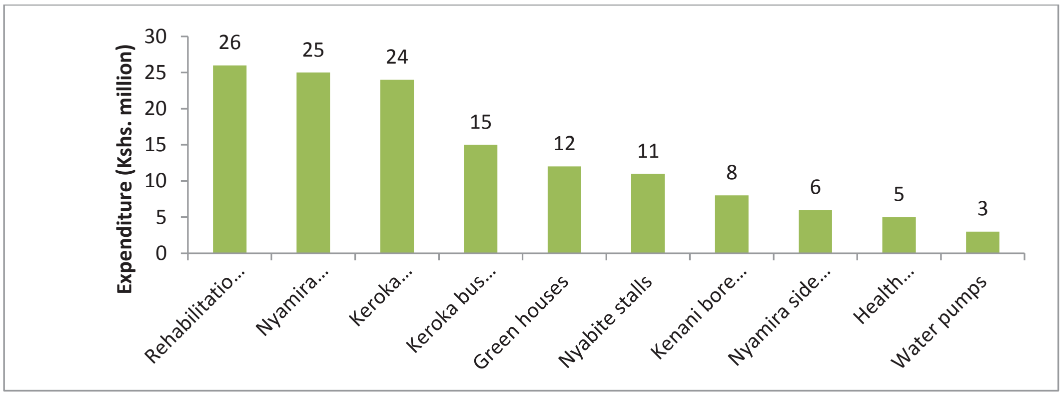
Figure 136 : Analysis of Operations and Maintenance expenditure, Nyamira County



***Source:** Nyamira County Treasury*

The County spent Kshs.726.1 million on various development projects during the FY2013/14. A summary of the development projects implemented during the period under review is presented in Figure 137.

Figure 137: Analysis of Development Expenditure, Nyamira County



Source: *Nyamira County Treasury*

The County experienced a number of challenges/issues that affected budget implementation during the FY2013/14. These included:

1. Inadequate capacity to implement infrastructure development especially in the public works and roads department.

2. Failure to bank all local revenue into the County Revenue Fund. Article 207 of the Constitution establishes a County Revenue Fund where all money raised by the county should be paid.

3. The County spent funds released for recurrent expenditures on development activities. Diversion of funds issued for recurrent to development activities would make it difficult to properly account and report on how the issued funds were spent.

County should consider the following recommendations to address these challenges/issues and improve budget execution in the FY2014/15:

1. *The County Public Service Board should undertake a staff and capacity needs assessment based on the functions already transferred to the County Government in order to develop an appropriate staffing structure.*

2. *Ensure all locally collected revenue is fully accounted for by receivers of revenue in*

the different departments and deposited to the CRF.

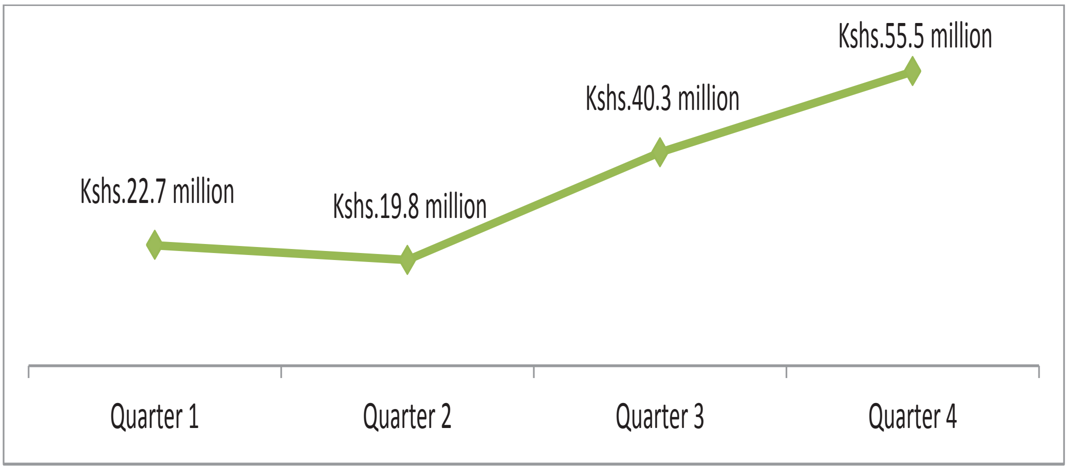
3. *Ensure that funds released are spent on activities for which they were meant for.*

Nyandarua County

In the FY 2013/14, the County had an approved budget of Kshs.3.4 billion comprising of Kshs.2.4 billion (69 per cent) as recurrent expenditure and Kshs.1.0 billion (31 per cent) for development expenditure. This budget was to be financed by Kshs 3.2 billion (93 per cent) from the national equitable share, Kshs.174.0 million (5 per cent) from local revenue sources, and Kshs.62 million (1.3 per cent) being the balance brought forward from FY 2012/13.

During the period under review, the County received Kshs.3.1 billion as the national equitable share, collected Kshs.138.4 million from local sources, and had Kshs.62 million as balance brought forward from FY 2012/13. The total local revenue raised during the period under review was **79 per cent** of the annual local revenue target. Figure 138 shows a summary of local revenue collection by quarter.

Figure 138: Analysis of Local Revenue Collection, Nyandarua County



***Source**: Nyandarua County Treasury*

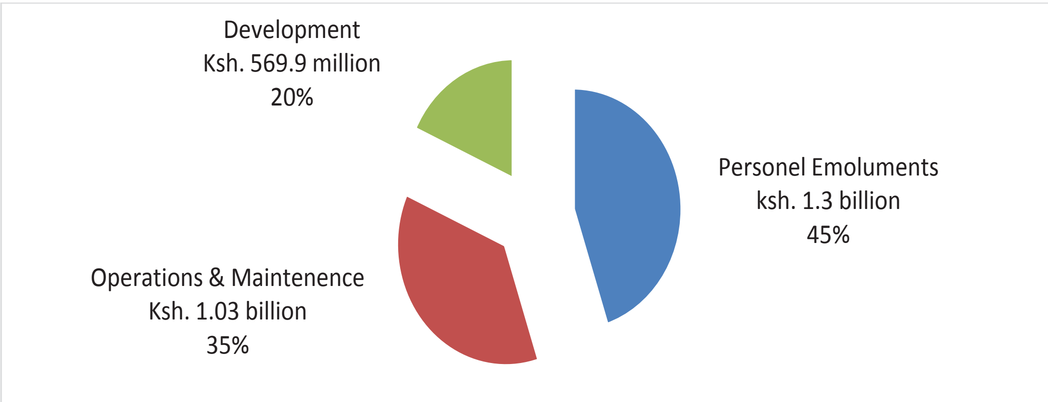
Funds released directly to the County during the period under review amounted to Kshs.2.7 billion of which Kshs.1.93 billion (72 per cent) was for recurrent expenditure and Kshs.757.3million (28 per cent) for development expenditure. A total of Kshs.388.8 million was deducted from the County's share of the national shareable revenue by the National Treasury for salaries paid to staff that performed devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs.2.9 billion which was 94 per cent of the funds released. The County spent Kshs.2.3 billion (80 per cent) on recurrent activities and Kshs.569.9 million (20 per cent) on development activities. The recurrent expenditure was approximately 100 per cent of the funds released for recurrent activities while development expenditure accounted for 75 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **99 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **55 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.3 billion on personnel emoluments which translates to 56 per cent of the total recurrent expenditure and Kshs.1.03 billion on operations and maintenance expenditure which is 44 per cent of the total recurrent expenditure for the FY 2013/14. The County spent Kshs.45.1 million for payment of sitting allowances to the 40 members of the County Assembly against an annual budget of Kshs.62 million representing an absorption rate of 75 per cent.

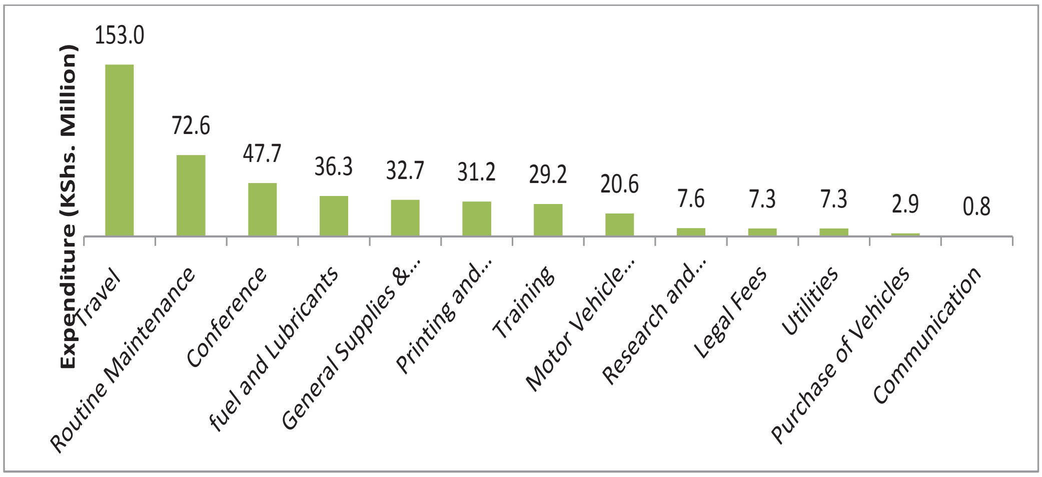
Figure 139: Analysis of Total Expenditure, Nyandarua County



Source: *Nyandarua County Treasury*

The breakdown of operations and maintenance expenditure of Kshs.1.03 billion for the period under review is shown in Figure 140.

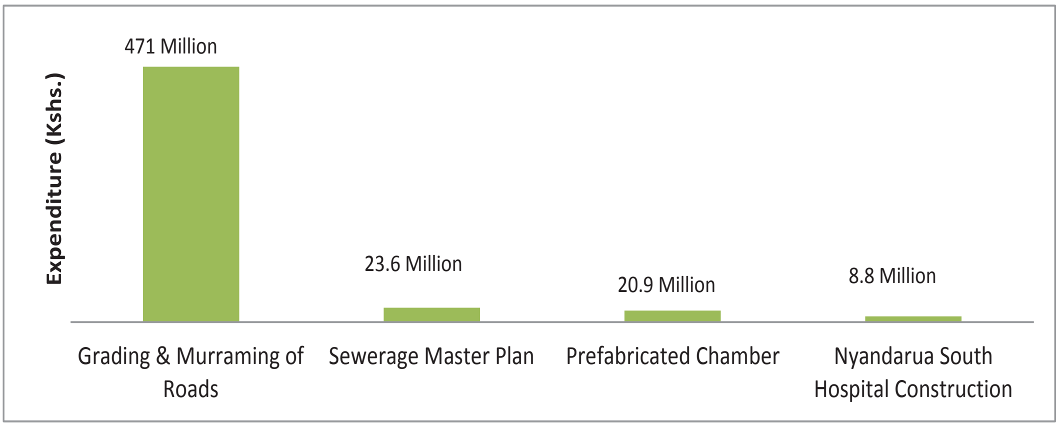
Figure 140: Analysis of Operations and Maintenance expenditure, Nyandarua County



Source: *Nyandarua County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent Kshs.471.0 million on grading of unclassified roads, Kshs.23.6 million on developing the Nyandarua Sewerage Master Plan, Kshs.20.9 million on building a prefabricated chamber for the County Assembly and Kshs.8.8 million on the construction of Nyandarua South district hospital as shown in Figure 141.

Figure 141: Analysis of Development Expenditure, Nyandarua County



Source: *Nyandarua County Treasury*

The County experienced some challenges/issues that affected budget implementation during the FY2013/14. These included:

1. Intermittent use of the IFMIS and manual systems in recording accounting transactions. The failure to use IFMIS affected efficiency and the timeliness in the management of public resources and accuracy in reporting.

2. Misclassification of recurrent and development expenditure. Some recurrent items such as; purchase of vehicles, office furniture, and furnishing of ward offices were classified as development items. Classifying recurrent items as development expenditure inflates the development share and provides inaccurate information.

3. Inadequate office space. Currently the County Government has rented a commercial building to accommodate its personnel, but office space remains inadequate.

In order to enhance smooth budget implementation in FY2014/15, the County should consider the following recommendation to address these challenges/issues identified:

1. *Liaise with the National Treasury to ensure that IFMIS is fully operational.*

2. *Classify budget items according to the GFS. Recurrent items should be limited to expenditure incurred in operating the services provided by the county government, while expenditure incurred in creating or renewing assets belonging to or managed by that government should be classified as development.*

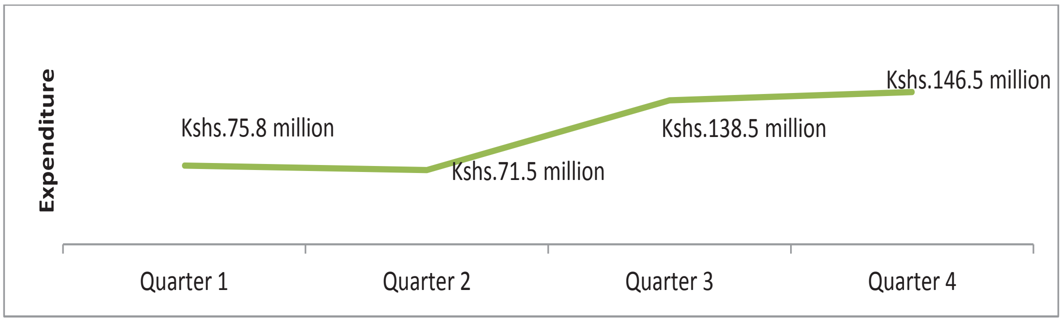
3. *Fast-track the refurbishment and/or construction of buildings in order to accommodate staff and ensure efficient service delivery.*

Nyeri County

In the FY 2013/14, the approved budget for Nyeri County was Kshs.4.5 billion out of which Kshs.3.1 billion (68 per cent) was for recurrent expenditure while Kshs.1.4 billion (32 per cent) was for development expenditure. The budget was to be financed by Kshs.4.1 billion (89 per cent) from national government transfers, and Kshs.479 million (11per cent) local revenue.

In the period under review, the County received Kshs.3.6 billion as the national equitable share, Kshs.432.2 million from local sources, and had Kshs.271.1 million as balance brought forward from FY 2012/13. The local revenue collected for the period under review was **90 per cent** of the annual local revenue target. In the fourth quarter, the County raised Kshs. 146.5 from local sources. The performance of local revenue by quarter is shown in Figure 142.

Figure 142: Local Revenue performance by Quarter, Nyeri County



Source: Nyeri County Treasury

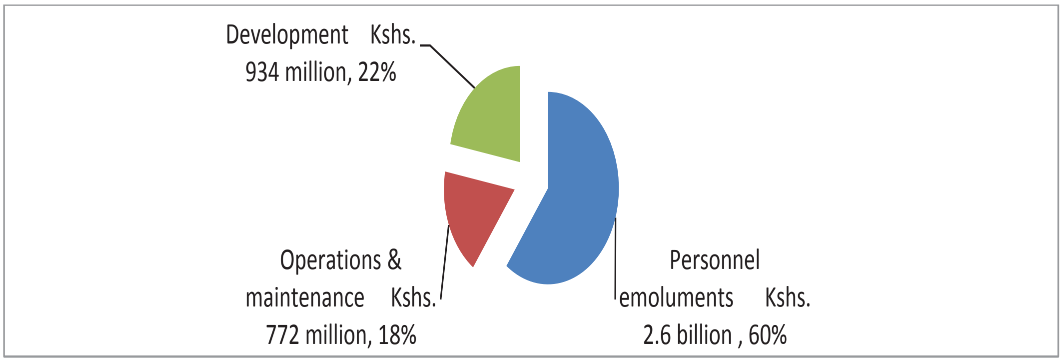
Funds released directly to the County during the period under review amounted to Kshs.3.4 billion of which Kshs. 2.45 billion (72 per cent) was for recurrent expenditure and Kshs.941 million (28 development) for development expenditure. A total of Kshs.938.8 million was deducted from the County's share of the national shareable revenue by the National Treasury for salaries paid to staff that performed devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs.4.27 billion which was 99 per cent of the funds released. The County spent Kshs.3.34 billion (78 per cent) on recurrent activities and Kshs.934 million (22 per cent) on development activities. The recurrent expenditure was 98 per cent of the funds released for recurrent activities while development expenditure accounted for 99 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **108 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **64 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs. 2.6 billion on personnel emoluments which translates to 77 per cent of the total recurrent expenditure and Kshs.772.8 million on operations and maintenance expenditure which is 23 per cent of the total recurrent expenditure for the financial year. The O&M expenditure includes debt repayment of Kshs.36.9 million. The County spent Kshs.69 million for payment of sitting allowances to the 47 members of the County Assembly against an annual budget of Kshs.34.5 million representing an absorption rate of 200 per cent. This implies the County Assembly spent Kshs. 34.5 million on MCAs sitting allowances without approval.

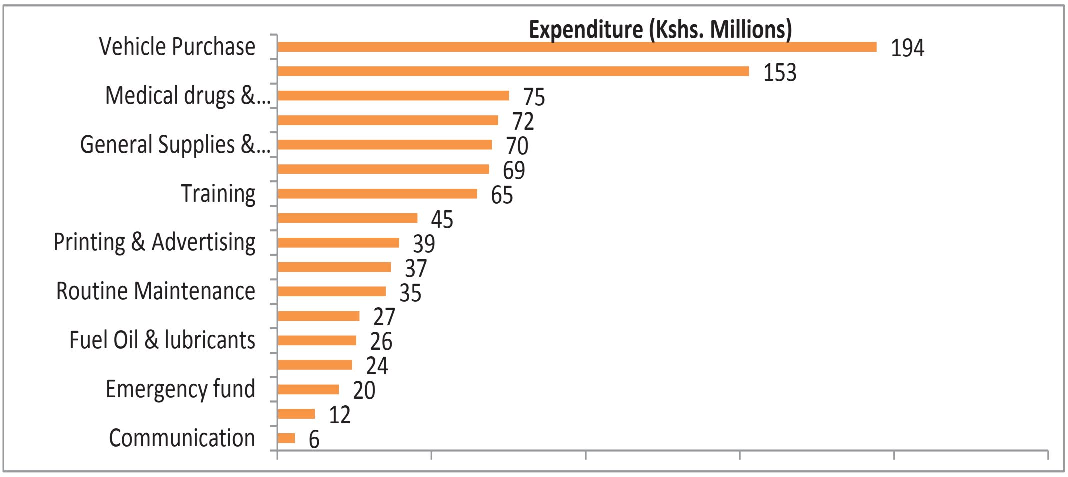
Figure 143: Analysis of Total Expenditure, Nyeri County



Source: *Nyeri County Treasury*

The analysis of operations and maintenance expenditure for the period under review is shown in Figure 144.

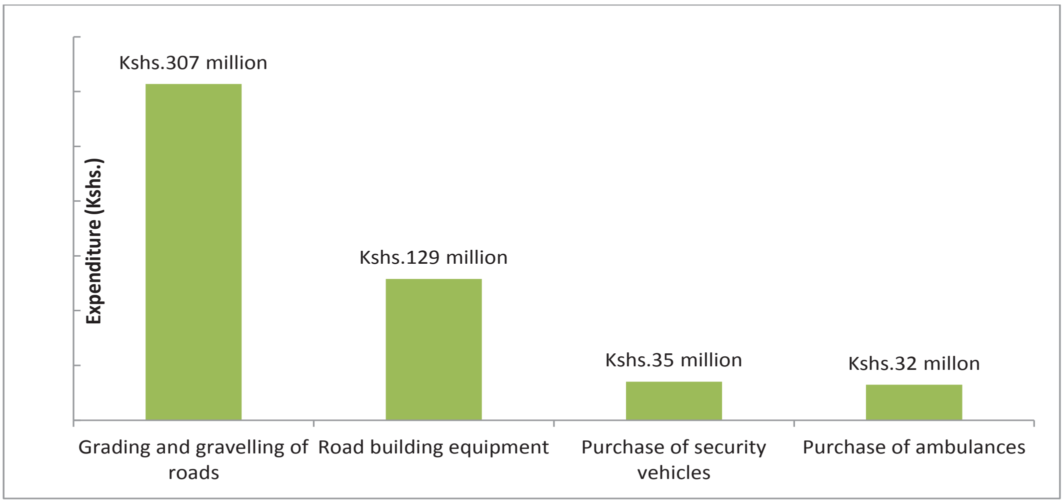
Figure 144: Analysis of Operations and Maintenance, Nyeri County



Source: *Nyeri County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent Kshs.306 million on grading and gravelling of various roads, Kshs.129 million on acquisition of road construction equipment, Kshs.35 million on purchase of security vehicles and Kshs.32 million on purchase of ambulances as depicted in Figure 145.

Figure 145: Analysis of Development Expenditure, Nyeri County



Source: *Nyeri County Treasury*

The County experienced some challenges/issues that affected budget implementation during the FY2013/14. They included:

1. Delay in enactment of key bills such as the Finance Bill, which should be passed within 90 days of assenting of the Appropriation Act. This delay affected revenue collection and thereby budget implementation.

2. Inadequate human resource capacity. In the FY 2013/14, there were delays in the appointment of key staff such as accounting officers which affected budget implementation at the departmental level.

3. Intermittent use of IFMIS and manual accounting systems. At the beginning of the financial year 2013/14, the National Treasury rolled out the IFMIS system to the County which has been intermittently used and thereby resulting in difficulties in accurate and timely reporting.
4. Weak internal audit systems.
5. Large amounts of unaccounted imprest, indicating poor financial management of public resources.

6. Creation of funds without the supporting regulations as required by Sections 110 and 116 of the PFM Act, 2012.

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY2014/15:

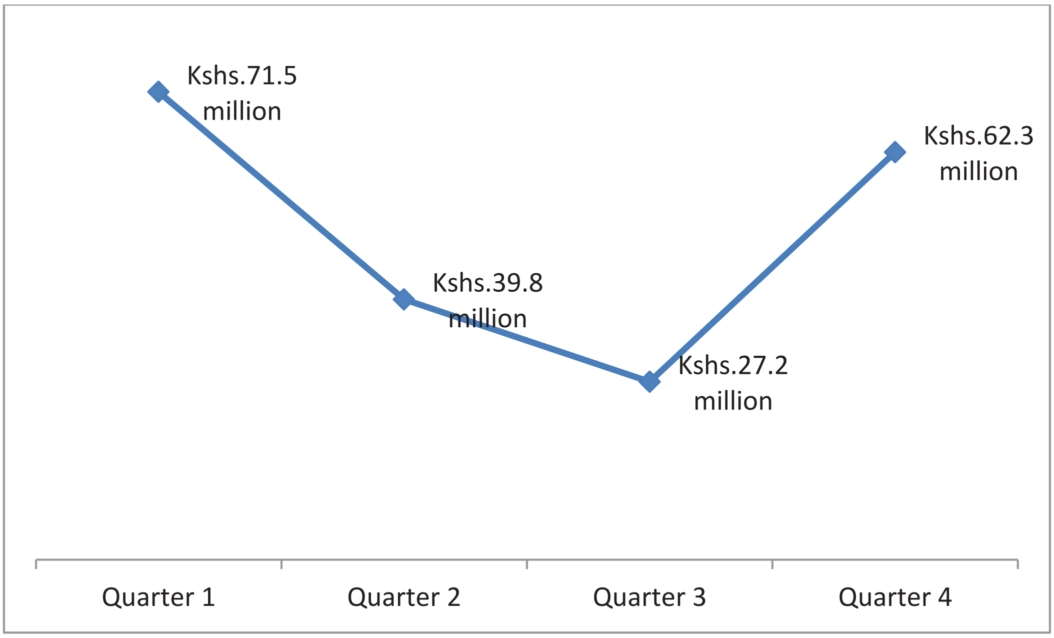
1. *The County Executive and Assembly should work harmoniously to ensure that the Finance Bill is approved in time.*
2. *Strengthen the County structure by filling critical positions and appoint accounting officers in all departments.*
3. *The County Treasury should ensure all accounting transactions are performed through IFMIS and G-Pay to enhance transparent financial management.*
4. *Strengthen the internal auditing function.*
5. *Enforce government financial regulations and procedures to improve imprest management.*
6. *Ensure the Emergency Fund and any other county public fund is established according to provisions of the law.*

Samburu County

The County had an approved budget for the FY 2013/14 of Kshs.2.9 billion comprising of Kshs.1.9 billion (67 per cent) for recurrent expenditure and Kshs.965.9 million (33 per cent) for development expenditure. This budget was to be financed by Kshs.2.6 billion **(90 per cent)** from national equitable share, Kshs.223.5 million (7.7 per cent) from local revenue sources and Kshs.66.6 million (2.3 per cent) being balance brought forward from FY 2012/13.

During the period under review, the County received Kshs.2.6 billion as the national equitable share, collected Kshs.201 million from local sources, and had Kshs.66.6 million as balance brought forward from FY 2012/13. Total local revenue raised during the period under review was **90 per cent** of the annual local revenue target. In the fourth quarter of the year, the County raised Kshs.62.3 million from local sources. A summary of local revenue by quarter is presented in Figure 146.

Figure 146: Local Revenue by Quarter, Samburu County



***Source**: Samburu County Treasury*

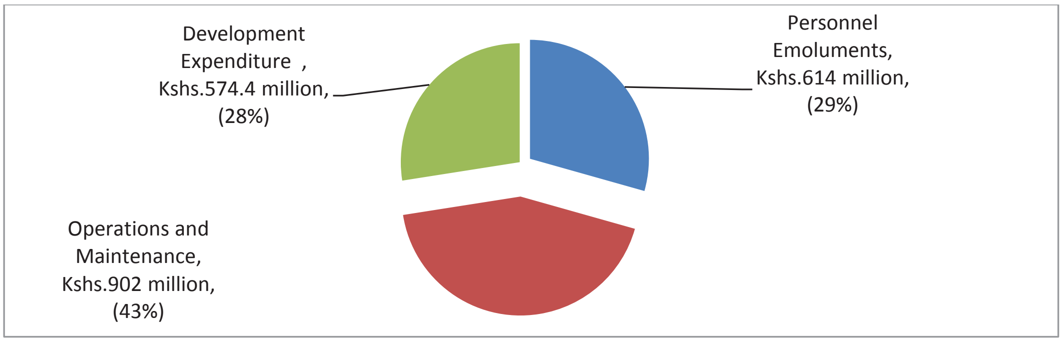
Funds released directly to the County during the period under review amounted to Kshs.2.1 billion of which Kshs.1.8 billion (82 per cent) was for recurrent expenditure and Kshs.385.7 million (18 per cent) for development expenditure. A total of Kshs.1.9 million was deducted from the County's share of the national shareable revenue by the National Treasury for salaries paid to staff that performed devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs.2.1 billion which was 96.2 per cent of the funds released. The County spent Kshs.1.5 billion (71.8 per cent) on recurrent activities and Kshs.574.4 million (28.2 per cent) on development activities. Recurrent expenditure was 84.7 per cent of the funds released for recurrent activities while development expenditure accounted for **148.9 per cent** of the funds released for development projects. The County spent some of the funds released for recurrent activities on development projects.

The recurrent expenditure for the period under review represented an absorption rate of **78.1 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **59.5 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.614 million on personnel emoluments which translates to 40.5 per cent of the total recurrent expenditure and Kshs.902 million on operations and maintenance expenditure which is 59.5 per cent of the total recurrent expenditure for the FY 2013/14. The County spent Kshs.15.3 million for payment of sitting allowances to the 26 (15 elected and 11 nominated) Members of the County Assembly against an annual budget of Kshs.23.9 million representing an absorption rate of 64 per cent.

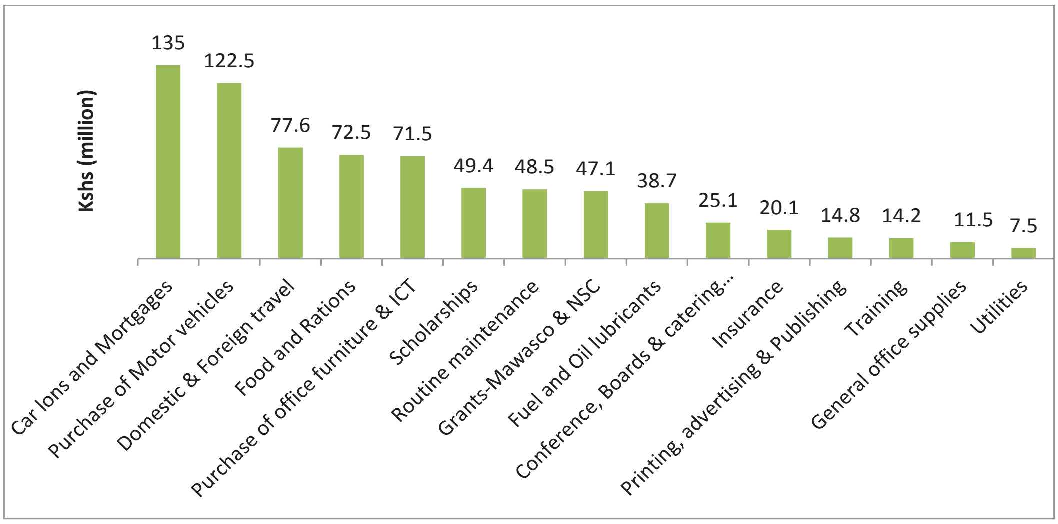
Figure 147: Analysis of Total Expenditure, Samburu County



Source: *Samburu County Treasury*

The analysis of operations and maintenance expenditure of Kshs.902 million for the period under review is shown in figure 148.

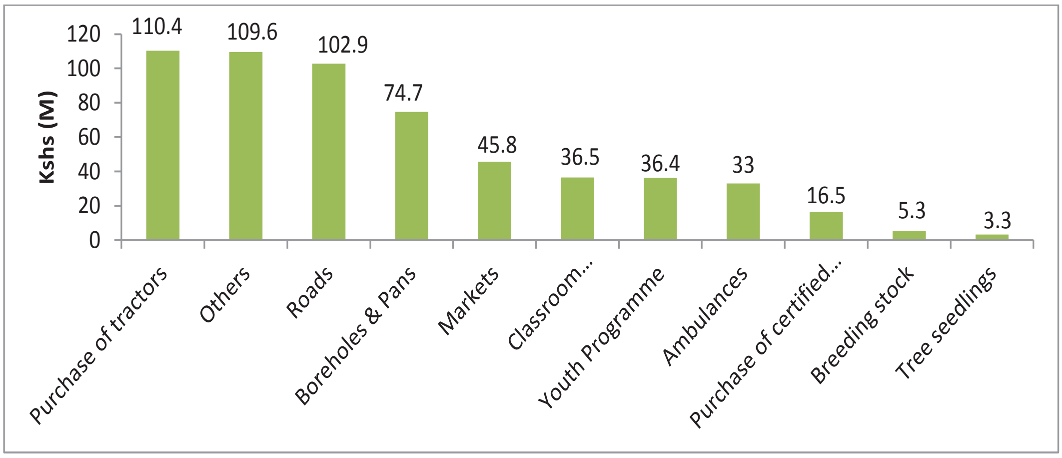
Figure 148: Analysis of Operations and Maintenance expenditure, Samburu County



Source: *Samburu County Treasury*

Analysis of the development expenditure for the FY 2013/14 shows that the County spent Kshs.574.4 million on various development projects as shown in figure 149.

Figure 149: Analysis of Development Expenditure, Samburu County



Source: *Samburu County Treasury*

The County experienced a number of challenges that affected budget implementation during the FY2013/2014. These included:

1. IFMIS connectivity challenges especially during the first two quarters of the year affected budget monitoring and reporting.
2. Inadequate physical infrastructure/office space which affected effective service delivery.
3. Lack of experienced and adequate personnel in key areas such as budgeting, procurement and accounting during the first two quarters of 2013/14.
4. Failure to appoint accounting officers on time which affected departmental operations and resulted in partial implementation of planned activities.
5. Low absorption of development expenditure. The County budgeted for Kshs.1 billion on development expenditure. As at the end of the financial year Kshs.574.4 million had been spent.
6. Advance of large imprest to staff before surrender of previous outstanding imprest which increases the risk of misuse of public funds.

In order to enhance budget implementations in FY 2014/15, the County should consider the following recommendations:

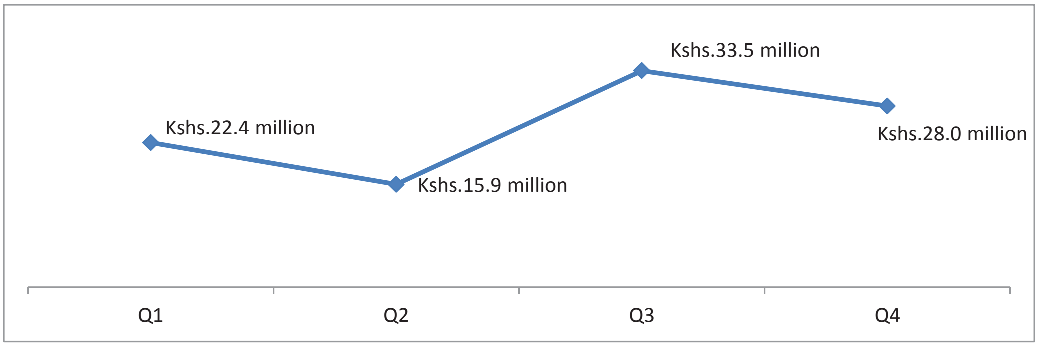
1. *Liaise with the National Treasury to address the IFMIS connectivity challenge.*
2. *Fast-track the refurbishment and/or construction of buildings in order to facilitate adequate working space.*
3. *Build staff capacity in key areas such as budgeting, procurement and accounting to enhance service delivery and support spending entities within the County.*
4. *Designate chief officers and accounting officers to improve implementation of planned activities at the department level.*
5. *Institute proper mechanisms to improve absorption of development fund.*
6. *Comply with regulations governing the issuance and surrendering of imprest.*

Siaya County

In FY 2013/14, the County had an approved budget for the FY 2013/14 of Kshs.4.3 billion comprising of Kshs.2.9 billion (69 per cent) for recurrent expenditure and Kshs.1.3 billion (30.1 per cent) for development expenditure. This budget was to be financed by Kshs.3.7 billion (86 per cent) from the national equitable share, Kshs.153 million (4 per cent) from local revenue sources and Kshs.138 million (3 per cent) being balance brought forward from FY 2012/13.

During the period under review, the County received Kshs.3.7 billion as the national equitable share, raised Kshs.100 million from local sources, and had Kshs.138 million as balance brought forward from FY 2012/13. Total local revenue raised during the period under review was **65 per cent** of the annual local revenue target. Local revenue collection per quarter is presented in figure 150.

Figure 150: Revenue Collection per Quarter, Siaya County



Source*: Siaya County Treasury*

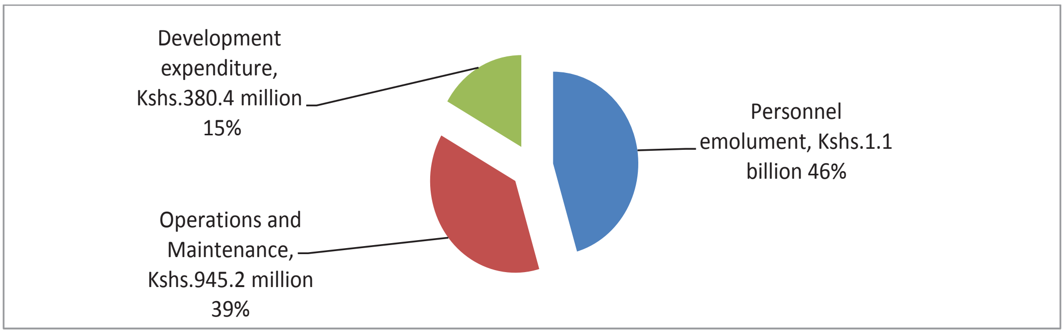
Funds released directly to the County during the period under review amounted to Kshs.3.5 billion of which Kshs.2.4 billion (69 per cent) was for recurrent expenditure and Kshs.1.1 billion (31 per cent) for development expenditure. A total of Kshs.359.5 million was deducted from the County's share of the national shareable revenue by the National Treasury for salaries paid to staff that performed devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs.2.5 billion which was 71 per cent of the funds released. The County spent Kshs.2.1 billion on recurrent activities and Kshs.380.4 million on development activities. Recurrent expenditure was 88 per cent of the funds released for recurrent activities while development expenditure accounted for 34 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **71 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **29 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.1 billion on personnel emoluments which translated to 54 per cent of the total recurrent expenditure and Kshs.945 million on operations and maintenance expenditure which is 46 per cent of the total recurrent expenditure for the FY 2013/14. The County spent Kshs.43 million for payment of sitting allowances to the 49 members of the County Assembly against an annual budget of Kshs.65 million representing an absorption rate of 66 per cent.

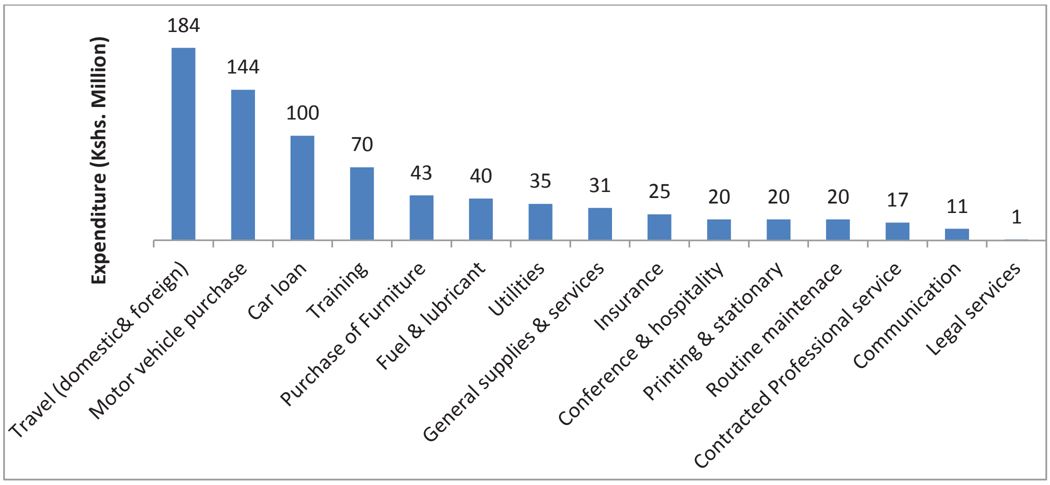
Figure 151: Analysis of Total Expenditure, Siaya County



***Source: Siaya** County Treasury*

The breakdown of operations and maintenance expenditure for the period under review is shown in figure 152.

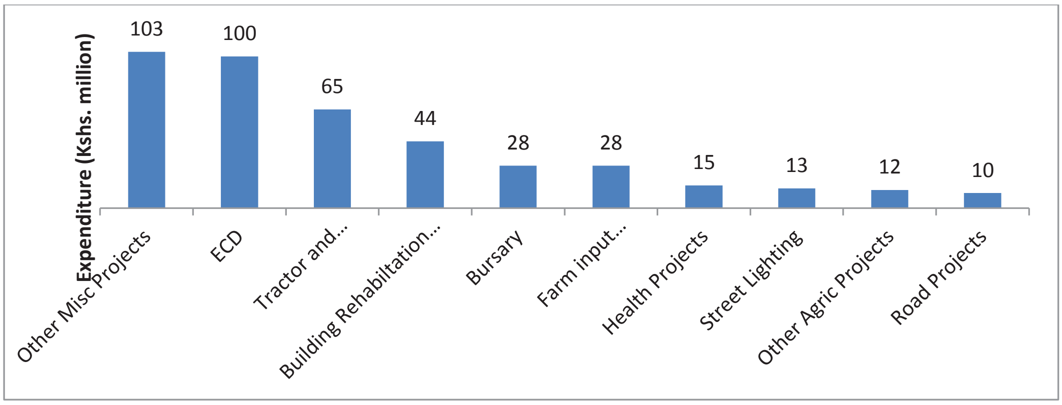
Figure 152: Analysis of Operations and Maintenance expenditure, Siaya County



Source: *Siaya County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent Kshs.100 million on ECD projects, Kshs.65 million on tractor and implement purchase/ lease project, and Kshs.44 million on rehabilitation works (see figure 153).

Figure 153: Analysis of Development Expenditure, Siaya County



Source: *Siaya County Treasury*

The county experienced a number of challenges while implementing the FY 2013/14 budget: These included:

1. Slow procurement processes that resulted to low absorption, especially for development funds.

2. Implementation of unplanned activities. For example, the County spent Kshs.4

million on three unplanned Early Childhood Development (ECD) projects.

The County should therefore consider the following recommendations to address these challenges/issues:

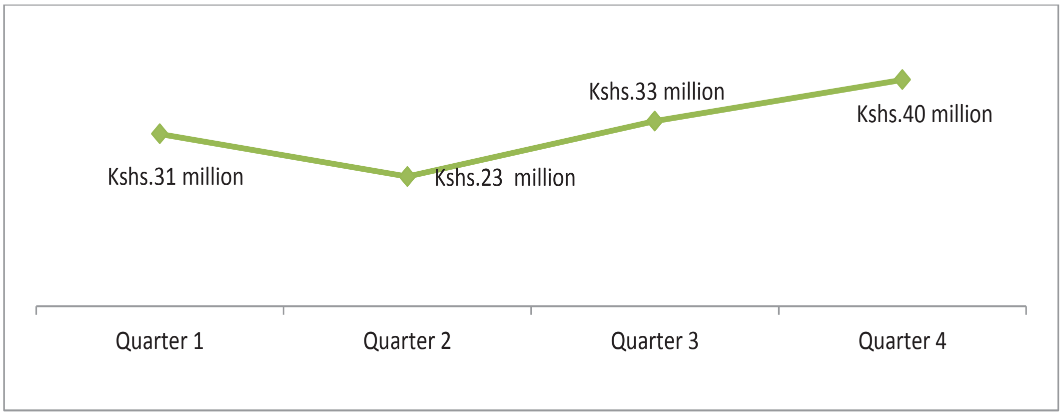
1. *Fast-track the procurement process by ensuring that all the departmental work plans and cash flow projections are prepared early.*
2. *Implement projects based on the approved budget and the appropriation Act.*

Taita Taveta County

In the FY 2013/14, the County had an approved budget of Kshs.2.9 billion comprising of Kshs.1.8 billion (63 per cent) for recurrent expenditure and Kshs.1.1 billion (37 per cent) for development expenditure. This budget was to be financed by Kshs.2.4 billion (83 per cent) from the national equitable share, Kshs.244 million (8 per cent) from local revenue sources, Kshs.194 million (7 per cent) from Equalization Fund and Kshs.61 million (2 per cent) being balance brought forward from FY 2012/13.

During the period under review, the County received Kshs.2.4 billion as the national equitable share, raised Kshs.126 million from local sources, and had Kshs.61 million as balance brought forward from FY 2012/13. The total local revenue raised during the period under review was **66 per cent** of the annual local revenue target. In the fourth quarter of the year, the County raised Kshs.40 million from local sources. Figure 154 shows a summary of local revenue by quarter.

Figure 154: Revenue collection per quarter, Taita Taveta County



***Source**: Taita Taveta County treasury*

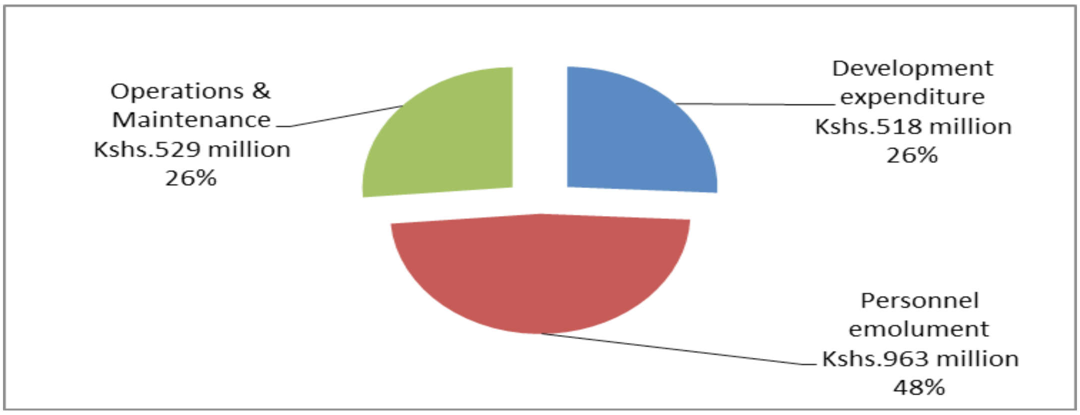
Funds released directly to the County during the period under review amounted to Kshs.2.1 billion of which Kshs.1.6 billion (74 per cent) was for recurrent expenditure and Kshs.530.6 million (26 per cent) for development expenditure. A total of Kshs.249.3 million was deducted from the County's share of the national shareable revenue by the National Treasury for salaries paid to staff that performed devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs. 2.0 billion which was 85 per cent of the funds released. The County spent Kshs.1.5 billion (75 per cent) on recurrent activities and Kshs.518.5 million (25 per cent) on development activities. Recurrent expenditure was 82 per cent of the funds released for recurrent activities while development expenditure accounted for 98 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **81per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **48 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.963 million on personnel emoluments which translates to 65 per cent of the total recurrent expenditure and Kshs.529 million on operations and maintenance expenditure which is 35 per cent of the total recurrent expenditure for the FY 2013/2014. The County spent Kshs.4 million for payment of sitting allowances to the 35 members of the County Assembly although no funds had been allocated for this purpose in the FY2013/14 budget.

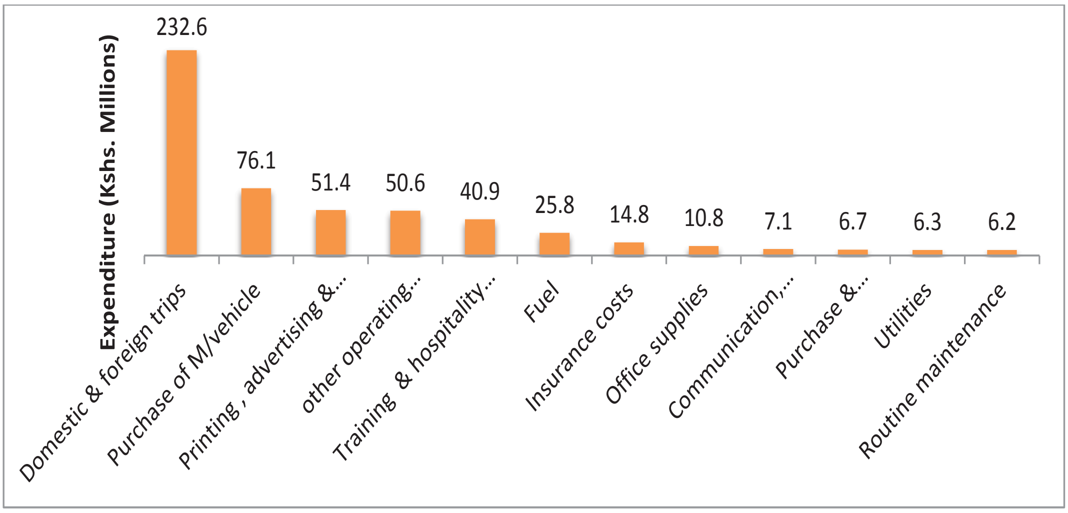
Figure 155: Analysis of Total Expenditure, Taita Taveta County



***Source: Taita Taveta** County Treasury*

The breakdown of operations and maintenance expenditure for the period under review is shown in figure 156.

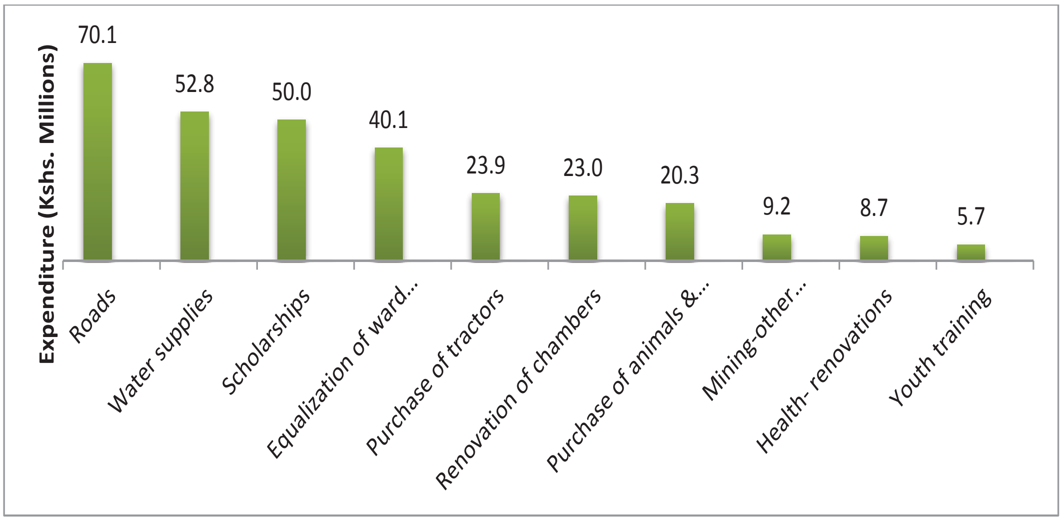
Figure 156: Analysis of Operations and Maintenance expenditure, Taita Taveta County



Source: *Taita Taveta County Treasury*

Analysis of the development expenditure for the FY2013/14 shows that the County spent Kshs.518 million on various programs. A breakdown of the expenditure projects is summarized in figure 157.

Figure 157: Analysis of Development Expenditure, Taita Taveta County



Source: *Taita Taveta County Treasury*

During the period under review, the County faced some challenges/issues that affected budget implementation. They included:

1. Inadequate staff capacity in the procurement unit.
2. Incidences of reallocation of development funds between votes without approval. For example, Kshs.40.1 million was spent on ward infrastructure against Kshs.11 million released for the same activity.

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY2014/15:

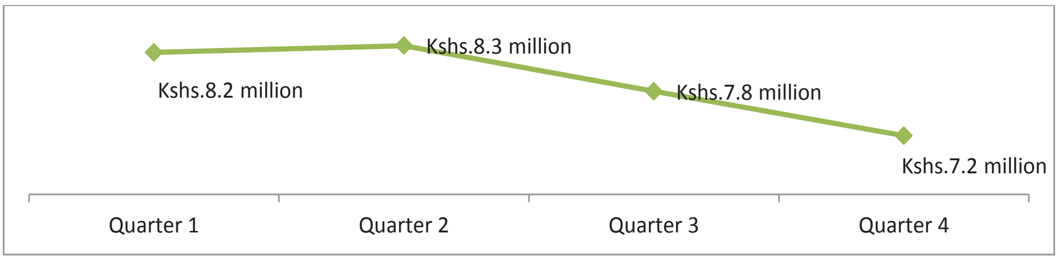
1. *Build the necessary capacity in the procurement unit to enable timely acquisition of goods and services and improve on absorption of development funds.*
2. *Adhere to work plans and ensure that funds released for specific activities are not diverted to other activities. .*

Tana River County

In the FY 2013/14, the County had an approved budget of Kshs.3.2 billion comprising of Kshs.2.2 billion (63 per cent) for recurrent expenditure and Kshs.1.2 billion (37 per cent) for development expenditure. This budget was to be financed by Kshs.2.9 billion (97 per cent) from the national equitable share, Kshs.87.3 million (3 per cent) from local revenue sources and Kshs.67 million (2 per cent) being balance brought forward from FY 2012/13.

During the period July 2013 to June 2014, the County received Kshs.2.9 billion as the national equitable share, collected Kshs.32 million from local sources, and had Kshs.67 million as balance brought forward from FY 2012/13. The total local revenue raised during the period was **37 per cent** of the annual local revenue target. In the fourth quarter of the year, the County realized Kshs.7.2 million. Figure 158 shows a summary of local revenue by quarter.

Figure 158: Revenue Collection by Quarter, Tana River County



***Source**: Tana River County Treasury*

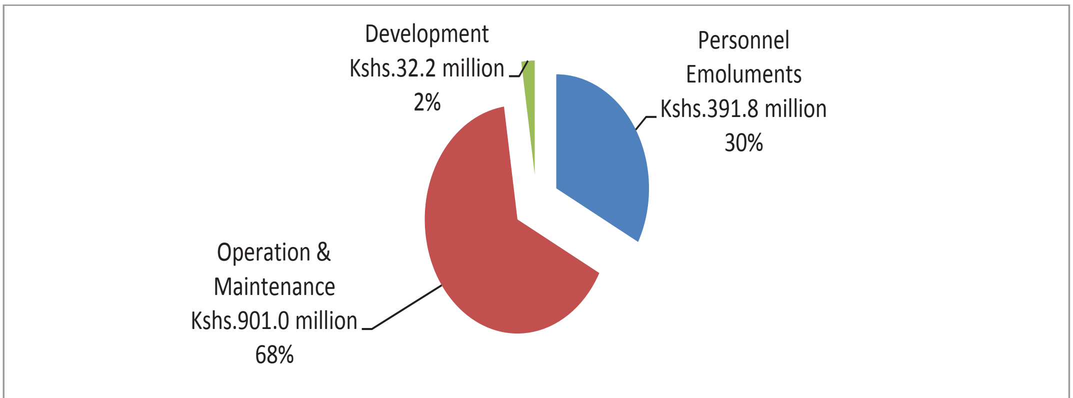
Funds released directly to the County during the period under review amounted to Kshs.2.6 billion of which Kshs.1.5 billion (58 per cent) was for recurrent expenditure and Kshs.1.1 billion (43 per cent) for development expenditure. A total of Kshs.109.8 million was deducted from the County's share of the national shareable revenue by the National Treasury for salaries paid to staff that performed devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs.1.32 billion which was 48 per cent of the funds released. The County spent Kshs.1.3 billion (98 per cent) on recurrent activities and Kshs.32 million (2 per cent) on development activities. Recurrent expenditure was 80 per cent of the funds released for recurrent activities while development expenditure accounted for 3 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **64 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **3 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.391.8 million on personnel emoluments which translates to 31 per cent of the total recurrent expenditure and Kshs.901 million on operations and maintenance expenditure which is 69 per cent of the total recurrent expenditure for the FY 2013/14. The County spent Kshs.23 million for payment of sitting allowances to the 26 members of the County Assembly against an annual budget of Kshs.33 million representing an absorption rate of 70 per cent.

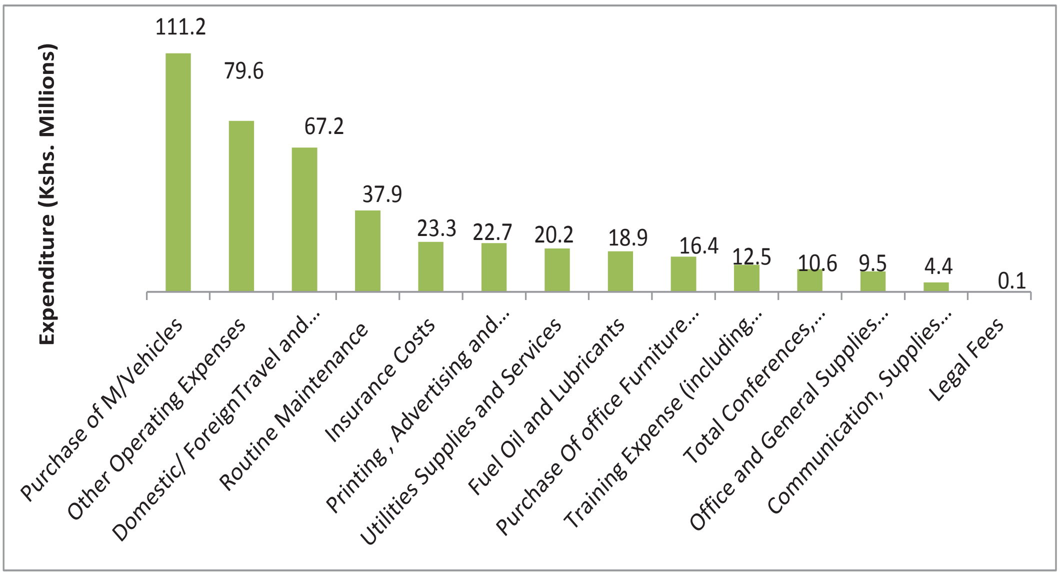
Figure 159: Analysis of Total Expenditure, Tana River County



Source: *Tana River County Treasury*

The breakdown of operations and maintenance expenditure for the period under review is shown in figure 160.

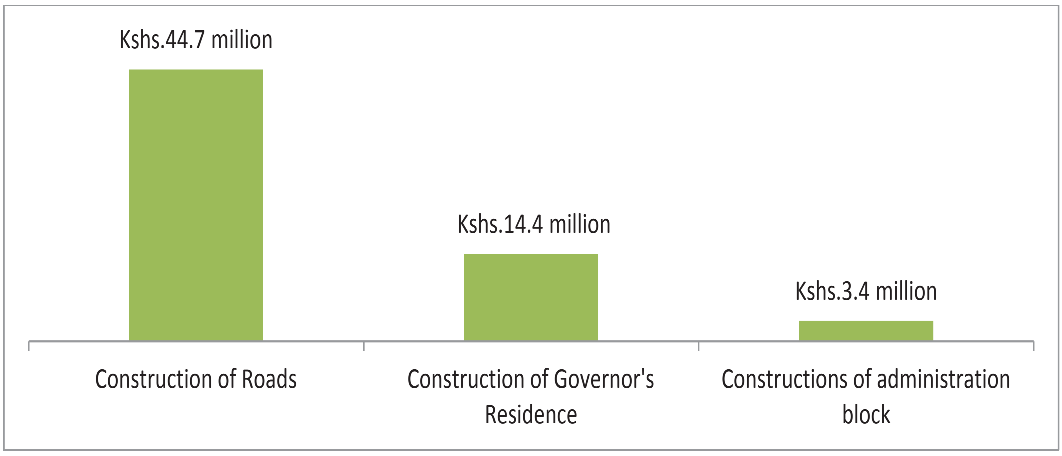
Figure 160: Analysis of Operations and Maintenance expenditure, Tana River County



Source: *The Tana River County Treasury*

Some of the development projects implemented during the FY2013/14 include Construction of governor's resident, construction of roads, and construction of administration block as shown in figure 161.

Figure 161: Analysis of Development Expenditure, Tana River County



Source: *Tana River County Treasury*

During the period under review, the County faced a number of challenges/issues that affected budget implementation during the FY 2013/14. These are:

1. Low absorption of development funds which was caused by delays in preparing procurement and work plans and limited technical capacity.

2. Delay in appointment of Chief Officers affected full operation of devolved functions in the first six months period of the financial year. This resulted in partial implementation of planned activities at the departmental level and the timely submission of expenditure reports to OCOB.
3. Low local revenue collection

The County should consider the following recommendations to address these challenges/issues and improve budget execution in the FY 2014/15:

1. *Work plans and procurement plans should be prepared on time to enable the county to improve on absorption of development funds.*

2. *Comply with the recommendations and advisories outlined by the Transition Authority regarding human resource deployment.*

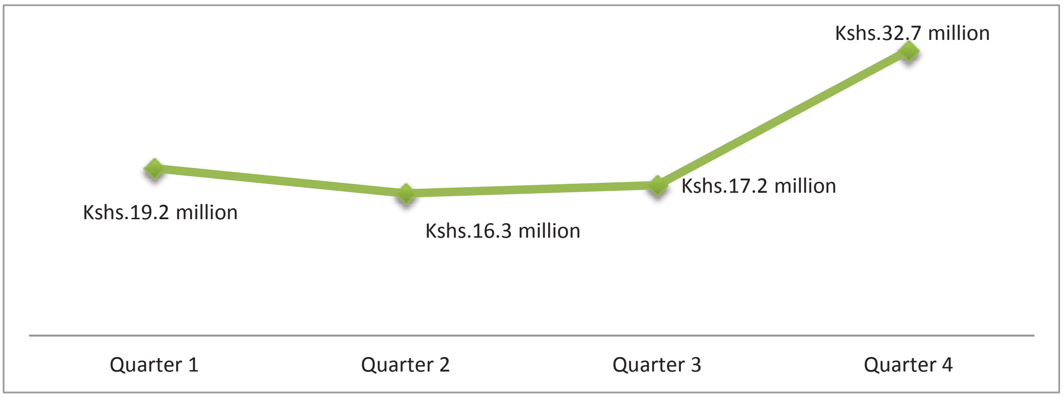
3. *Institute measures to enhance local revenue collection*

Tharaka Nithi County

In the FY 2013/14, the County had an approved budget of Kshs.2.6 billion comprising of Kshs.1.6 billion (61.6 per cent) for recurrent expenditure and Kshs.1.0 billion (38.4 per cent) for development expenditure. This budget was to be financed by Kshs.2.4 billion (94.3 per cent) from the national equitable share, Kshs.84 million (3.3 per cent) from local revenue sources and Kshs.61.6 million (2.4 per cent) being balance brought forward from FY 2012/13.

During the period under review, the County received Kshs.2.3 billion as the national equitable share, raised Kshs.85.4 million from local sources, and had Kshs.61.6 million as balance brought forward from FY 2012/13 which was not refunded to the CRF. Total local revenue raised during the period under review represents **101.6 per cent** of the annual local revenue target. In the fourth quarter of the year, the County raised Kshs.32.7 million. Figure 162 shows a summary of local revenue by quarter.

Figure 162: Local Revenue by Quarter, Tharaka Nithi



Source: *Tharaka Nithi County Treasury*

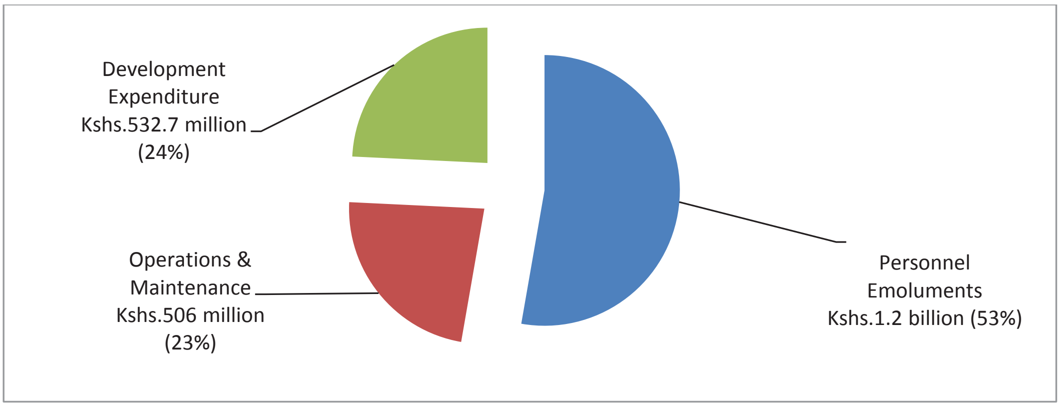
Funds released directly to the County during the period under review amounted to Kshs.1.8 billion of which Kshs.1.3 billion (74 per cent) was for recurrent expenditure and Kshs.473 million (26 per cent) for development expenditure. A total of Kshs.350 million was deducted from the County's national shareable revenue by the National Treasury to reimburse salaries paid to staff that performed devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs. 2.2 billion which was **102 per cent** of the funds released. The expenditure for the period under review was higher than funds released due to spending of local revenue at source and failure of the County Treasury to repay the unspent balance for FY 2012/13 to the CRF account. The County spent Kshs.1.7 billion (76 per cent) on recurrent activities and Kshs.532.7 million (24 per cent) on development activities. Recurrent expenditure was 99 per cent of the funds released for recurrent activities while development expenditure accounted for **113 per cent** of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **105 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **54 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.2 billion on personnel emoluments which translates to 69.6 per cent of the total recurrent expenditure and Kshs.506 million on operations and maintenance expenditure which is 30.4 per cent of the total recurrent expenditure for the FY 2013/2014. The County spent Kshs.29.6 million for payment of sitting allowances to the 25 members of the County Assembly against an annual budget of Kshs. 29.6 million representing an absorption rate of 100 per cent.

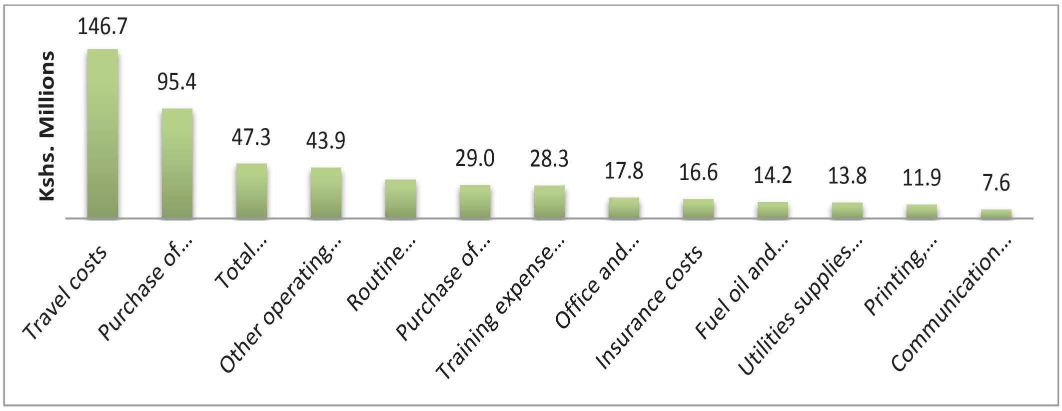
Figure 163: Analysis of Total Expenditure, Tharaka Nithi County



Source: *Tharaka Nithi County Treasury*

The breakdown of operations and maintenance expenditure for the period under review is shown in figure 164.

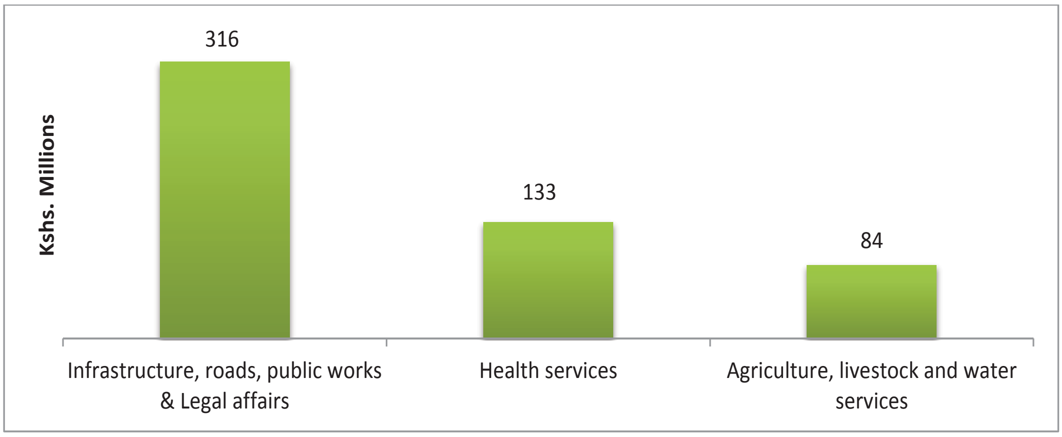
Figure 164: Analysis of Operations and Maintenance expenditure, Tharaka Nithi County



Source: *Tharaka Nithi County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.132.9 million grading of roads and bridges, and construction of bridges and office; Kshs.132.9 million on construction and renovation works on various health facilities and purchase of county ambulances while the other project was Agriculture, livestock and water services project which cost Kshs.83.7 million and involved spending on Sewage system, irrigation projects, purchase of water project pipes & water tanks as shown in figure 165.

Figure 165: Analysis of Development Expenditure, Tharaka Nithi County



Source: Tharaka Nithi County Treasury

The County faced some challenges/issues that affected budget implementation during the FY2013/14. These are:

1. Spending of local revenue at source.
2. Intermittent use of IFMIS and manual system exposed the County to accounting errors.
3. Centralized payment of staff salaries without considering departments that staff is assigned.
4. Low absorption of development funds during the period under review.

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY2014/15:

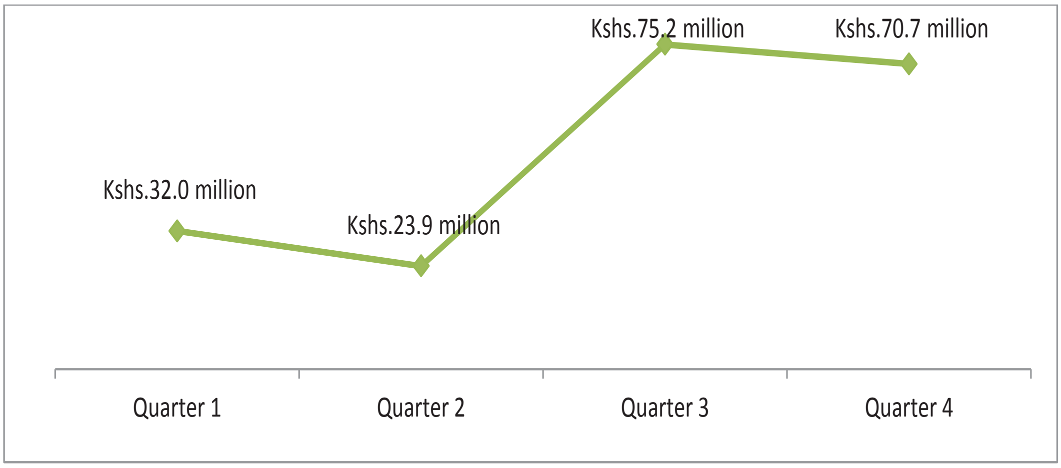
1. *Adhere to Article Section 109(2) of the PFM Act, 2012 that requires the County Treasury to ensure that all money raised or collected on behalf of the County is paid to the CRF account.*
2. *Liaise with the IFMIS Directorate to address the challenges facing IFMIS.*
3. *Match staff costs to departments where they belong.*
4. *The County Treasury should adopt approved procurement and cash flow plans to improve absorption of development funds.*

Trans Nzoia County

In the FY 2013/14, the County had an approved budget of Kshs.4.4 billion comprising of Kshs.3.1 billion (69 per cent) for recurrent expenditure and Kshs.1.3 billion (31 per cent) for development expenditure. This budget was to be financed by Kshs.3.9 billion (87.5 per cent) from the national equitable share, Kshs.501 million (11.2 per cent) from local revenue sources and Kshs.58.7 million (1.3 per cent) being balance brought forward from FY 2012/13.

During the period July 2013 to June 2014, the County received Kshs.3.7 billion as the national equitable share, raised Kshs.201.7 million from local sources, and had Kshs.58.7 million as balance brought forward from FY 2012/13. The local revenue raised during the fourth quarter of FY 2013/14 was Kshs.70.7 million while the total local revenue collected during the period under review was **40.2 per cent** of the annual local revenue target. Figure 166 shows a summary of local revenue by quarter.

Figure 166: Local Revenue Collection, Trans Nzoia County



Source: *Trans Nzoia County Treasury*

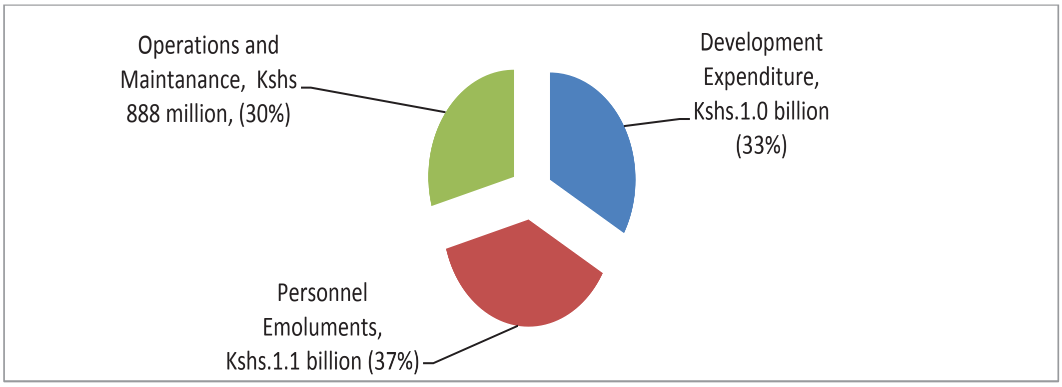
Funds released directly to the County during the period under review amounted to Kshs.3.47 billion of which Kshs.2.4 billion (69 per cent) was for recurrent expenditure and Kshs.1.07 billion (31 per cent) for development expenditure. A total of Kshs.103.7 million was deducted from the County's national shareable revenue by the National Treasury to reimburse salaries paid to staff that performed devolved functions for the period July to December 2013. This amount is included in the annual recurrent expenditure.

The total expenditure for the FY 2013/14 amounted to Kshs.3.02 billion which was 85 per cent of the funds released. The County spent Kshs.2.01 billion (67 per cent) on recurrent activities and Kshs.1.01 billion (33 per cent) on development activities. Recurrent expenditure was 94 per cent of the funds released for recurrent activities while development expenditure accounted for 80 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **65.8 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **74 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.12 billion on personnel emoluments which translates to 55.9 per cent of the total recurrent expenditure and Kshs.888 million on operations and maintenance expenditure which is 44.1 per cent of the total recurrent expenditure for the FY 2013/2014. The O&M expenditure includes debt repayment of Kshs.189 million. The personnel emoluments include Kshs.364.1 million reimbursed to the National Government for salaries paid to staff performing devolved functions. The County spent Kshs.82.8 million for payment of sitting allowances to the 39 members of the County Assembly against an annual budget of Kshs.161.2 million representing an absorption rate of 51.3 per cent.

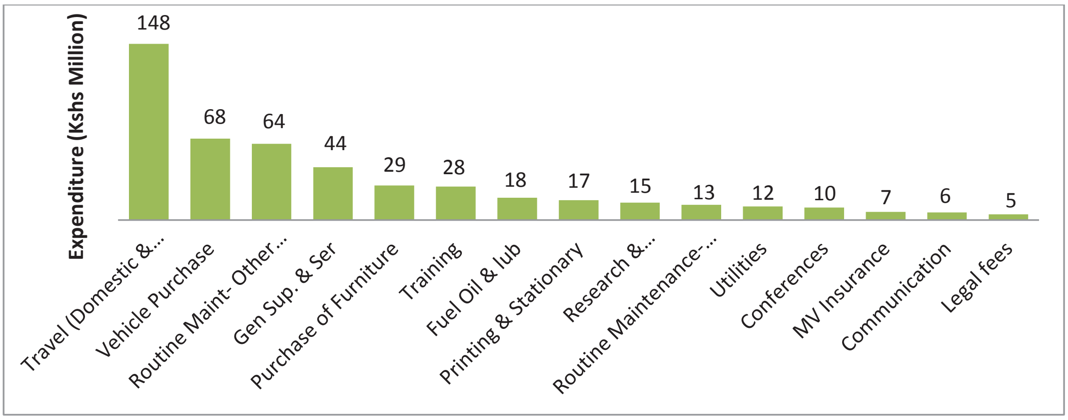
Figure 167: Analysis of Total Expenditure, Trans Nzoia County



Source: *Trans Nzoia County Treasury*

A breakdown of operations and maintenance expenditure for the period under review is shown in figure 168.

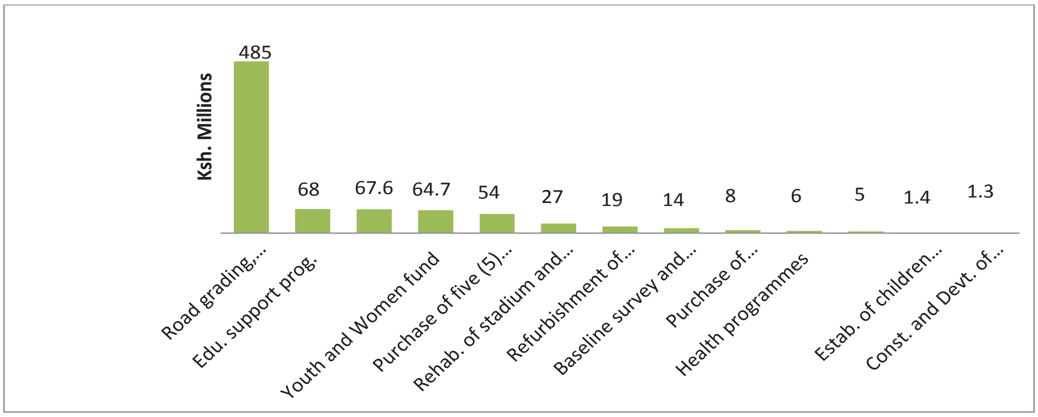
Figure 168: Analysis of Operations and Maintenance Expenditure, Trans Nzoia County



Source: *Trans Nzoia County Treasury*

Analysis of the development expenditure for the FY2013/2014 shows that the County spent Kshs.485.5 million on grading & gravelling of roads, marking and laying of culverts, Kshs.68 million on education support programme, Kshs.67.6 million on Agricultural and Livestock value addition programmes, Kshs.64.7 million on Youth and Women Fund, Kshs.54 million on purchase of five pool ambulances, Kshs.27 million on rehabilitation of stadium and establishment of sports academies, Kshs.23 million on refurbishment of offices, Kshs.19 million on baseline survey and branding activities, Kshs.14 million on purchase of fire fighting vehicle, Kshs.8 million on health related programmes, Kshs.6 million on construction of water supply and water related services, Kshs.5 million on establishment of children rescue center, Kshs.1.3 million on construction and development of markets and Kshs.162.6 million on other development projects as shown in figure 169.

Figure 169: Analysis of Development Expenditure, Trans Nzoia County



Source: *Trans Nzoia County Treasury*

During the period under review, the County experienced some challenges/issues that affected budget implementation. They included:

1. Underperformance in local revenue collection. At the end of the financial year, only Kshs 201.7 million had been realized, which translates to 40.2 per cent of annual target. The underperformance of local revenue implies that planned activities were not implemented due to budgetary constraints.

2. Delays in submission of expenditure reports which affected timeliness in monitoring and reporting on public expenditure.

The County should consider the following recommendations to address these challenges/issues and improve budget execution in the FY2014/15:

1. *Set realistic local revenue targets, review local revenue collection mechanisms and institute appropriate strategies to achieve the set targets.*

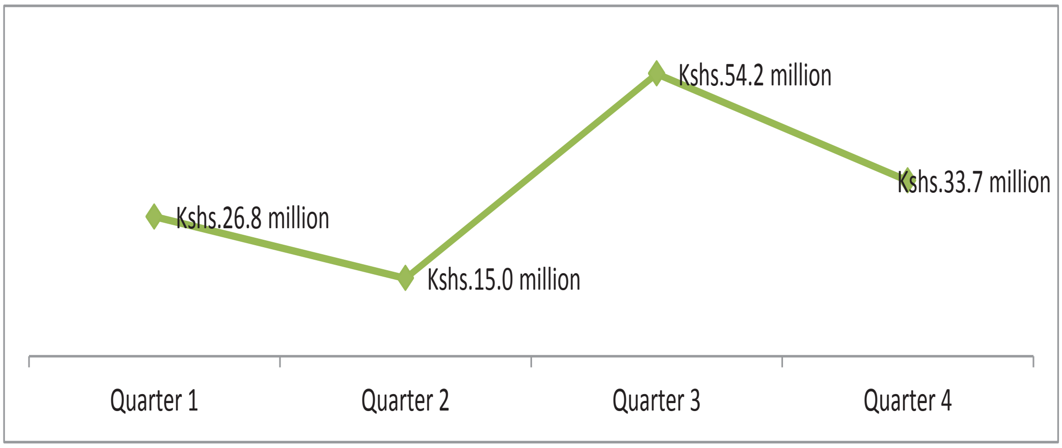
2. *Prepare and submit its expenditure and revenue reports a timely basis.*

Turkana County

In the FY 2013/14, the County had an approved budget of Kshs.8.1 billion comprising of Kshs.4.1 billion (51per cent) for recurrent expenditure and Kshs.4.0 billion (49 per cent) for development expenditure. This budget was to be financed by Kshs.7.7 billion (95 per cent) from national equitable share, Kshs.250 million (3 per cent) from local revenue sources and Kshs.230 million (2 per cent) being donor Funds.

During the period under review, the County received Kshs.7.7 billion as the national equitable share and collected Kshs.129.7 million from local sources, and had Kshs.28.9 million as balance brought forward from FY 2012/13. Total local revenue raised during the period under review represents **52 per cent** of the annual local revenue target. In the fourth quarter of the year, the County raised Kshs.33.7 million. Figure 170 shows a summary of local revenue by quarter.

Figure 170: Revenue Collection per Quarter, Turkana County



Source*: County Treasury*

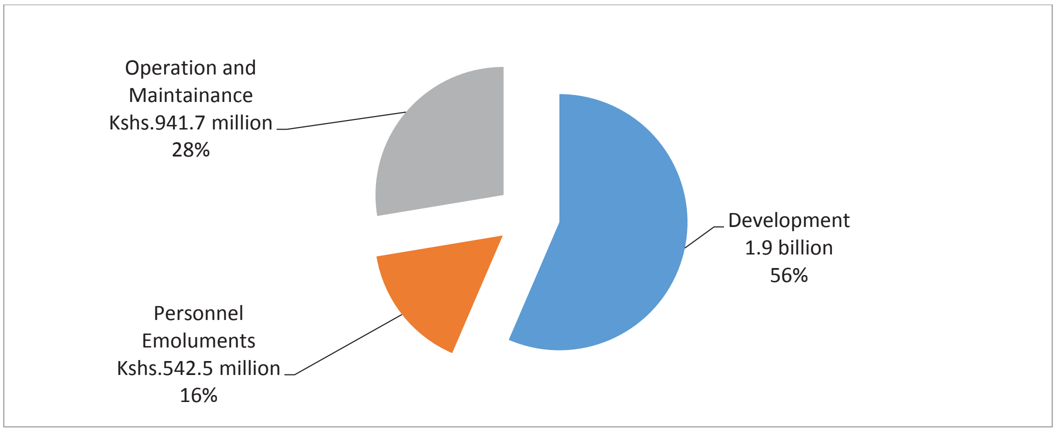
Funds released directly to the County during the period under review amounted to Kshs.4.6 billion of which Kshs.2.2 billion (48 per cent) was for recurrent expenditure and Kshs.2.4 billion (52 per cent) for development expenditure. A total of Kshs.106.4 million was deducted from the County's share of the national shareable revenue by the National Treasury for salaries paid to staff that performed devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs.3.4 billion which was 72.3 per cent of the funds released. The County spent Kshs.1.48 billion (44 per cent) on recurrent activities and Kshs.1.92 billion (56 per cent) on development activities. The recurrent expenditure was 64 per cent of the funds released for recurrent activities while development expenditure accounted for 81 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **38 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **48 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.542 million on personnel emoluments which translates to 16 per cent of the total expenditure and Kshs.942 million on operations and maintenance expenditure which is 28 per cent of the total expenditure.

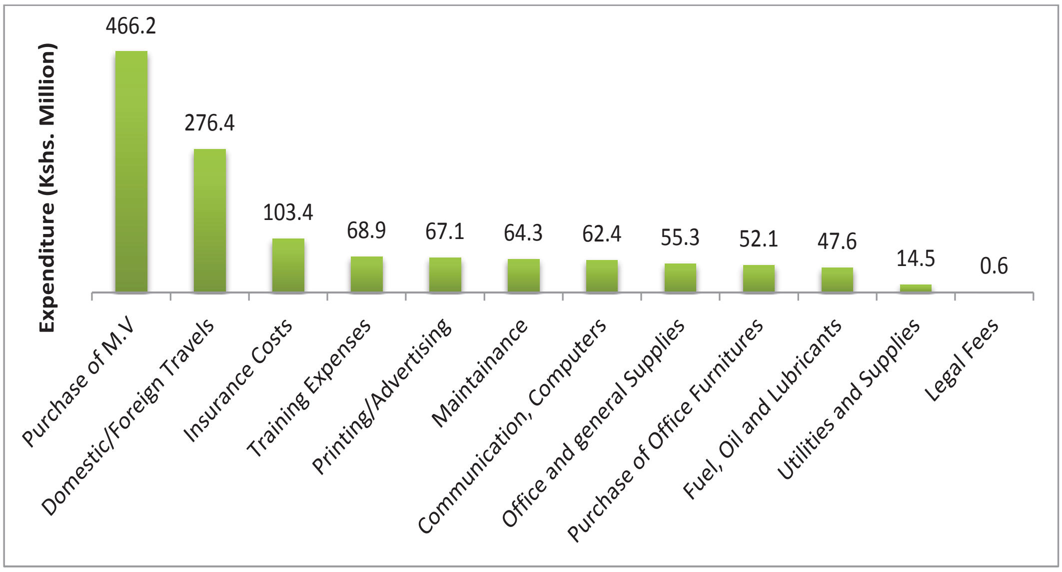
Figure 171: Analysis of Total Expenditure, Turkana County



Source: *Turkana County Treasury*

The breakdown of operations and maintenance expenditure of Kshs.658 million for the period under review is shown in figure 172.

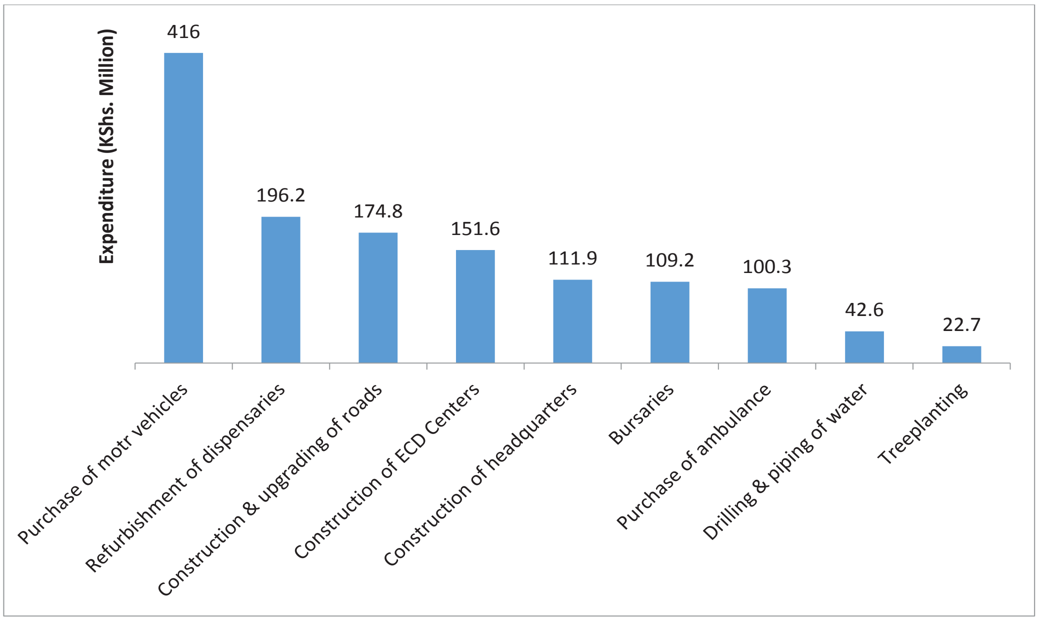
Figure 172: Analysis of Operations and Maintenance expenditure, Turkana County



Source: *Turkana County Treasury*

The County spent Kshs.1.9 billion on development expenditure. Figure 173 shows some of the development projects implemented during the FY2013/14.

Figure 173: Analysis of Development Expenditure, Turkana County



***Source**: Turkana County Treasury*

The County faced a number of challenges/issues that affected budget implementation during the FY2013/14. These are:

1. Inadequate staff capacity in the procurement unit which affected budget execution in other departments.

2. Lack of an M&E framework to guide monitoring of projects.

3. Low local revenue collection (52 per cent of the annual local revenue target) which was attributed to inadequate enforcement by the revenue collection department. This affected funding of planned activities.

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY2014/15:

1. *Build necessary capacity in all departments as well as ensure procurement plans and cash flow plans plan are prepared on time to facilitate timely implementation of planned activities.*

2. *Establish a M&E framework to guide monitoring of project implementation*

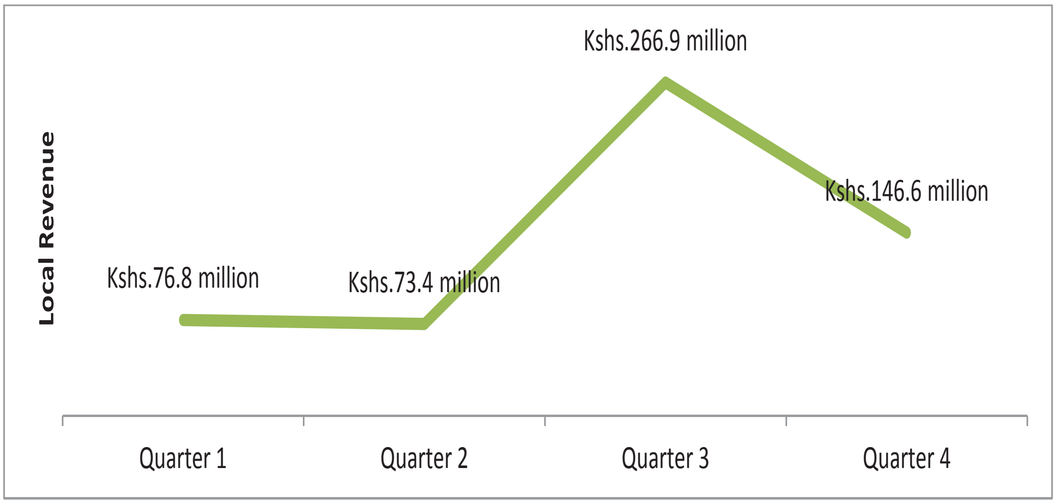
3. *Build the necessary capacity at the revenue collection department to achieve set revenue targets.*

Uasin Gishu County

In the FY 2013/14, the County had an approved budget of Kshs.4.6 billion comprising of Kshs.3.0 billion (65 per cent) for recurrent expenditure and Kshs.1.6 billion (35 per cent) for development expenditure. This budget was to be financed by Kshs.3.8 billion (79 per cent) from the national equitable share, Kshs.821.4 million (17 per cent) from local revenue sources and Kshs.188.2 million (4 per cent) being balance brought forward from FY 2012/13.

During the period under review, the County received Kshs.4 billion as the national equitable share, raised Kshs.563.7 million from local sources, and had Kshs.188.2 million as balance brought forward from FY 2012/13. Total local revenue raised during the period under review was **69 per cent** of the annual local revenue target. In the fourth quarter of the year, the county generated Kshs.146.6 million. A summary of local revenue by quarter is presented in Figure 174.

Figure 174: Local Revenue by Quarter, Uasin Gishu County



Source: Uasin Gishu County Treasury

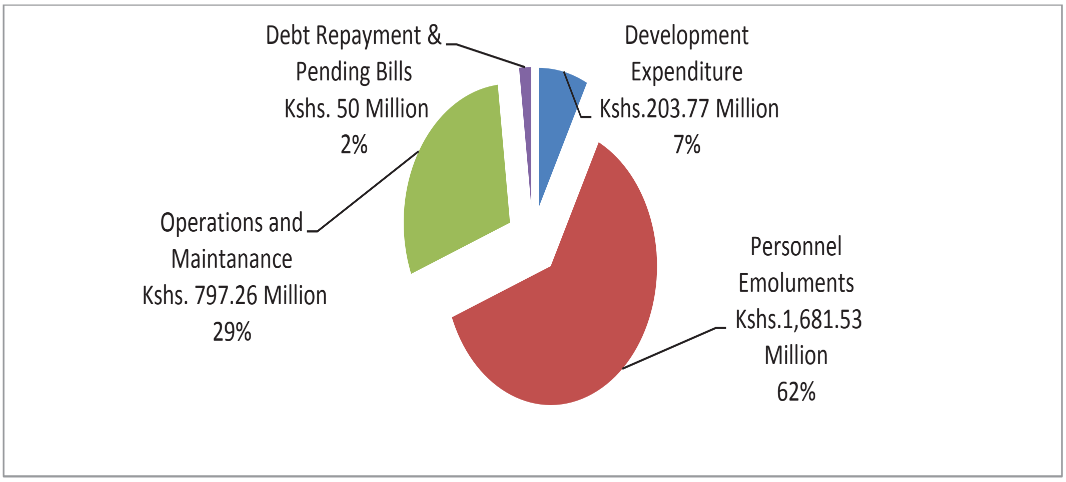
Funds released directly to the County during the period under review amounted to Kshs.4.1 billion of which Kshs.2.5 billion (61 per cent) was for recurrent expenditure and Kshs.1.6 billion (39 per cent) for development expenditure. A total of Kshs.150.8 million was deducted from the County's share of the national shareable revenue by the

National Treasury for salaries paid to staff that performed devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs.2.7 billion which was 62 per cent of the funds released. The County spent Kshs.2.5 billion (93 per cent) on recurrent activities and Kshs.203.8 million (7 per cent) on development activities. Recurrent expenditure for the period under review represented an absorption rate of **85 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **13 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.7 billion on personnel emoluments which translates to 66.5 per cent of the total recurrent expenditure and Kshs.847.3 million on operations and maintenance which was 33.5 per cent of the total recurrent expenditure for the year. The O&M expenditure includes debt repayment of Kshs.50 million. The County spent Kshs. 127.3 million for payment of sitting allowances for the 45 Members of the County Assembly against an annual budget of Kshs. 127.3 million representing an absorption rate of 100 per cent.

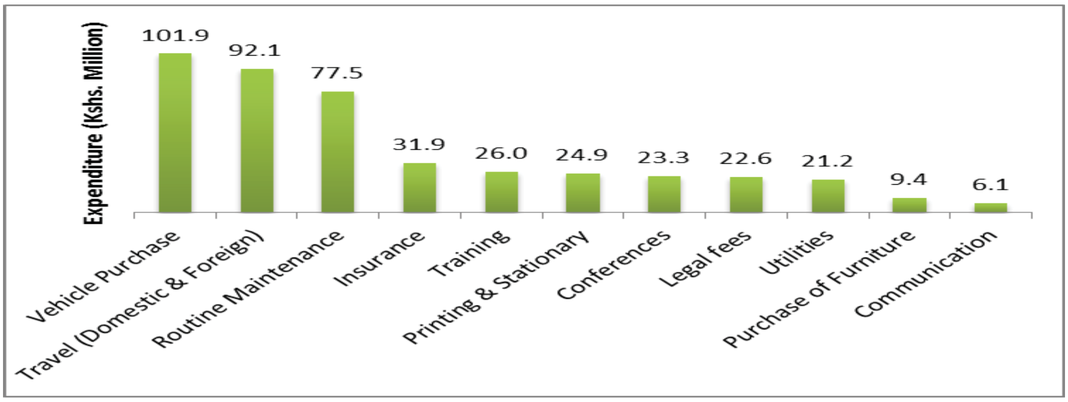
Figure 175: Analysis of Total Expenditure, Uasin Gishu County



Source: *Uasin Gishu County Treasury*

Analysis of the operations and maintenance expenditure of Kshs.797.26 million for the period under review is shown in Figure 176.

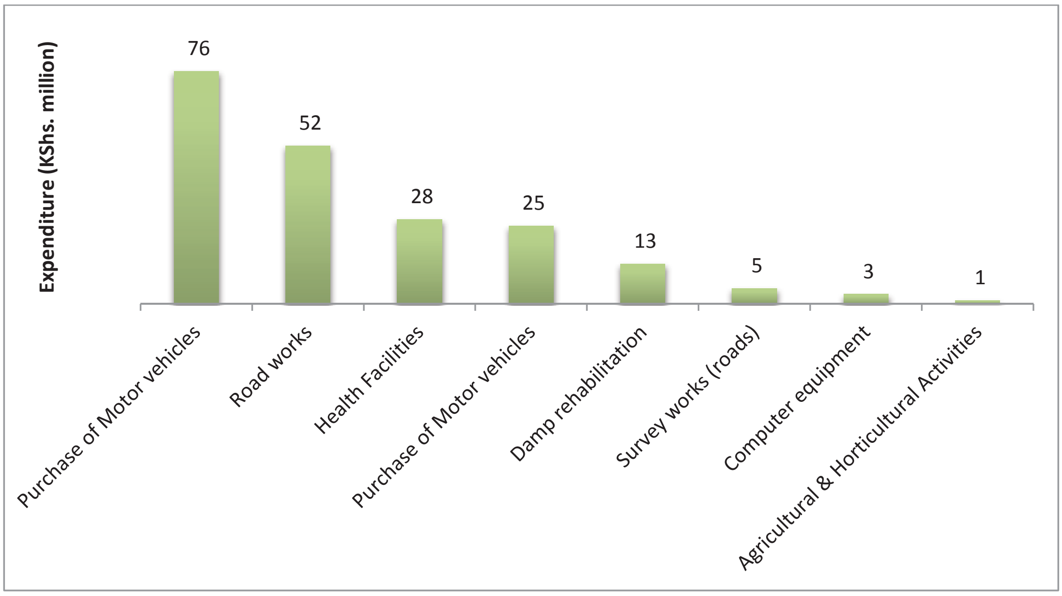
Figure 176: Analysis of Operations and Maintenance, Uasin Gishu County



Source: *Uasin Gishu County Treasury*

The County spent Kshs.203.8 million on development projects some of which are summarized in Figure 177.

Figure 177: Analysis of Development Expenditure, Uasin Gishu County



Source: *Uasin Gishu County Treasury, 2014*

The County experienced a number of challenges/issues that affected budget implementation during the FY2013/14. These included:

1. Inadequate human resource capacity in budgeting, accounting and procurement resulting in inaccurate reports and/or delayed preparation of budget documents

which affected timely budget monitoring and execution.

2. Huge amount of outstanding imprest. The County Treasury issued imprest of Kshs.26.5 million to staff while the County Assembly issued imprest amounting to Kshs.9.5million to staff who had not surrendered the imprest by the end of the financial year. The huge amounts of outstanding imprests denote lack of proper financial management of public resources.

3. Inadequate office space for staff which limited ability to perform assigned functions.

4. Lack of an Internal Audit Committee to oversee operations of the internal audit department.

5. Low absorption of development fund (13 per cent of the budget) which affected service delivery.

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY2014/2015:

1. *Build capacity of staff in all departments to improve budget execution.*

2. *The County Treasury should manage imprests according to the prevailing regulations.*

3. *Fast-track the refurbishment and/or construction of buildings in order to facilitate county staff with adequate office space*

4. *Establish an Internal Audit committee in order to enhance financial management oversight.*

5. *Regularly track and review its strategic plans, work plans, procurements plans and cash flow projections to improve absorption of development funds.*

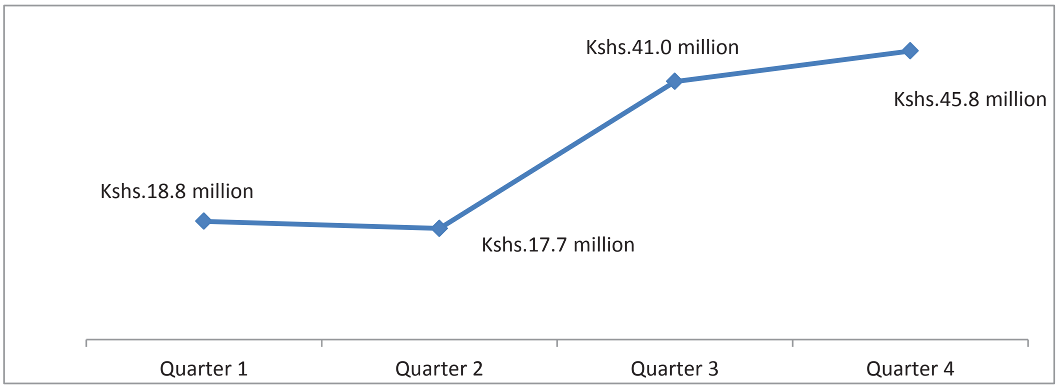
Vihiga County

In the FY 2013/14, the County had an approved budget of Kshs.3.3 billion comprising of Kshs.2.1 billion (65 per cent) for recurrent expenditure and Kshs.1.1 billion (35 per cent) for development expenditure. This budget was to be financed by Kshs.2.8 billion (87 per cent) from national equitable share, Kshs.204.3 million (6 per cent) from local revenue sources, Kshs.197 million (6 per cent) from donor loans and grants and Kshs.31.7 million

(1 per cent) being balance brought forward from FY 2012/13.

During the period under review, the County received Kshs.2.8 billion as the national equitable share, raised Kshs.123.3 million from local sources, and had Kshs.128.4 million as balance brought forward from FY 2012/13. Total local revenue raised during the period under review was 60.4 per cent of the annual local revenue target. In the fourth quarter of the year, the County generated Kshs.45.8 million. Figure 178 shows a summary of local revenue by quarter.

Figure 178: Analysis of local revenue by quarter, Vihiga County



Source: *Vihiga County Treasury*

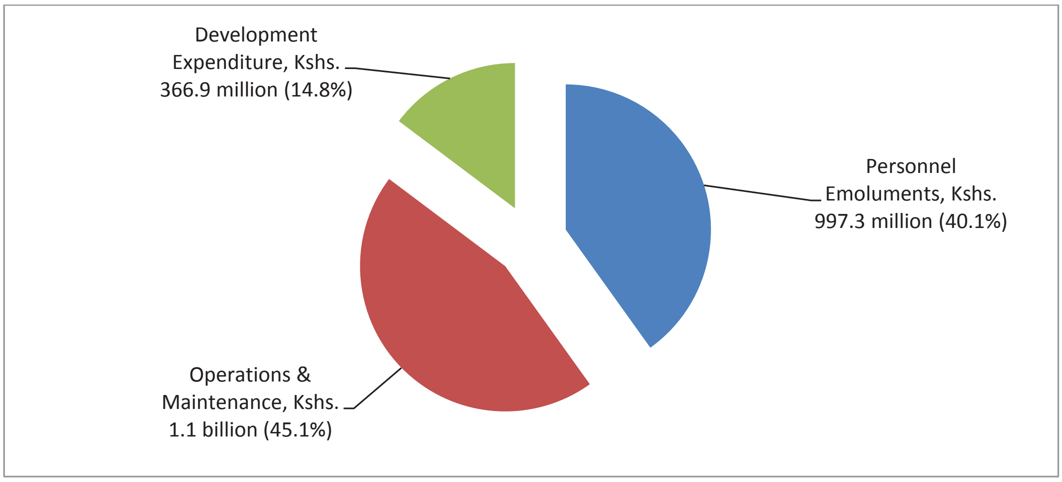
Funds released directly to the County during the period under review amounted to Kshs.2.6 billion of which Kshs.1.9 billion (72 per cent) was for recurrent expenditure and Kshs.725.9 million (28 per cent) for development expenditure. A total of Kshs.150.8 million was deducted from the County's share of the national shareable revenue by the National Treasury for salaries paid to staff that performed devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs.2.5 billion which was 89 per cent of the funds released. The County spent Kshs.2.1 billion (85 per cent) on recurrent activities and Kshs.366.9 million (15 per cent) on development activities. The recurrent expenditure was 103 per cent of the funds released for recurrent activities while development expenditure accounted for 51 per cent of the funds released for development projects.

Recurrent expenditure for the period under review represented an absorption rate of **100 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **32 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.997.3 million on personnel emoluments which translates to 47 per cent of the total recurrent expenditure and Kshs.1.1 billion on operations and maintenance expenditure which is 53 per cent of the total recurrent expenditure for the FY 2013/14. The County spent Kshs.36.0 million for payment of sitting allowances to the 39 members of the County Assembly against an annual budget of Kshs.83.2 million representing an absorption rate of 43.2 per cent.

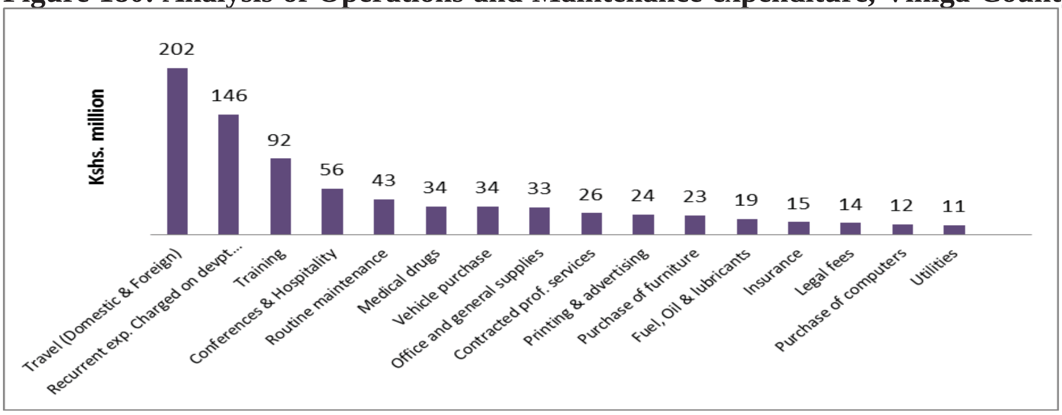
Figure 179: Analysis of Total Expenditure, Vihiga County



Source: *Vihiga County Treasury*

The breakdown of operations and maintenance expenditure of Kshs.1.1 billion for the period under review is shown in Figure 180.

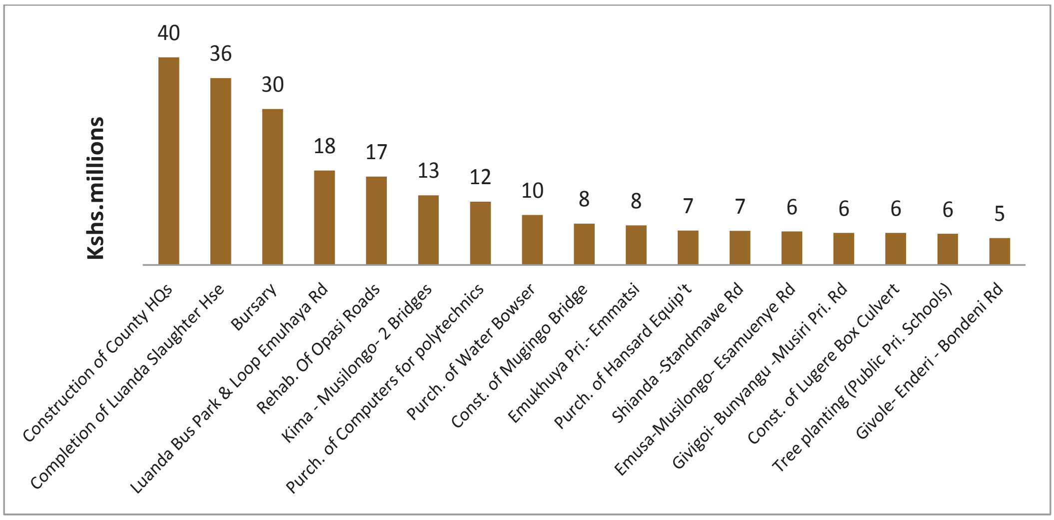
Figure 180: Analysis of Operations and Maintenance expenditure, Vihiga County



Source: *Vihiga County Treasury*

Analysis of the development expenditure for the year shows that the County spent Kshs.40.0 million on Construction of County Headquarters, Kshs.36.0 million on Completion of Luanda slaughter house, and Kshs.30.0 million on bursaries. Figure 181 shows the key expenditure items.

Figure 181: Analysis of Development Expenditure, Vihiga County



***Source**: Vihiga County Treasury*

The County faced a number of challenges/issues that affected budget implementation during the FY2013/14. They included:

1. Failure to pass the Finance Bill in time affected local revenue collection resulting in underfunding of some budgeted activities.

2. Spending of funds released for development projects on recurrent activities. In addition, the County also spent on foreign travel yet it was not in the budget.

3. Poor IFMIS connectivity which occasioned frequent travelling by the County Treasury staff to Kisumu City to process payments. This disruption affected budget execution in the FY 2013/14.

4. Failure by devolved units previously under the National Government to deposit collected revenue into the County Revenue fund in the first nine months of FY 2013/14. This affected performance of the local revenue hence affecting execution of planned activities.

5. Low absorption of development funds where 15 per cent of the development budget was implemented.

The County should consider the following recommendations to address these challenges/ issues and improve budget execution in the FY2014/2015:

1. *Fast track the enactment of requisite County legislations to optimise revenues collection.*

2. *Adhere to Section 154 (1) (b) of the PFM Act, 2012 which provide guidelines regarding transfer of funds between votes. Further, the County should adopt proper budgeting processes and adhere to the approved budget ceilings.*

3. *Liaise with the National Treasury to address the IFMIS connectivity problems.*

4. *Ensure that all revenue raised or received by or on behalf of the County is paid into County Revenue Fund as per Section 109 (2) of the PFM act, 2012. In addition regular reconciliation of the revenue receipts should be undertaken.*

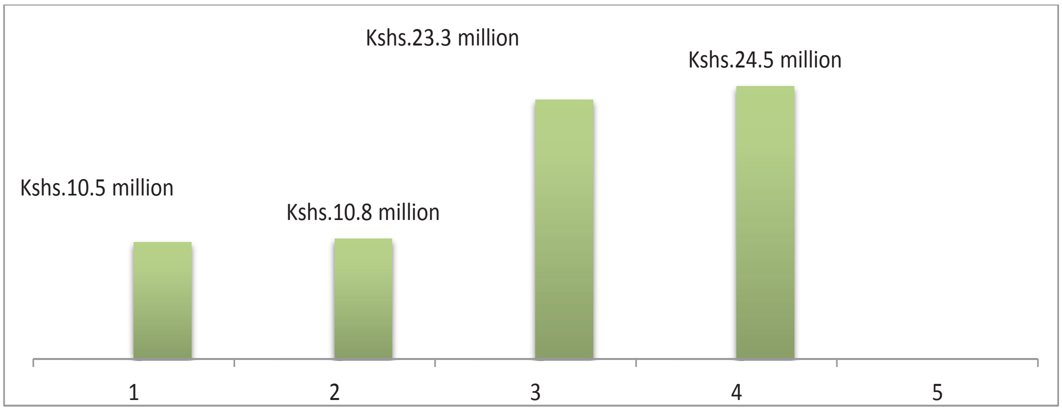
5. *Enhance capacity in procurement and project management to improve absorption of development funds.*

Wajir County

In the FY 2013/14 the County had an approved budget of Kshs.5.4 billion comprising of Kshs.2.1 billion (39 per cent) for recurrent expenditure and Kshs.3.3 billion (61 per cent) for development expenditure. The budget was to be financed by Kshs.5.3 billion (98 per cent) from the national equitable share, Kshs.119 million (2 per cent) from local revenue sources, and Kshs. 1 million being balance brought forward from FY 2012/13.

During the period under review, the County received Kshs.5.3 billion as the national equitable share, raised Kshs.61.0 million from local sources, and had Kshs.1 million as balance brought forward from FY 2012/13. The local revenue raised during the FY 2013/14 was **51.3 per cent** of the annual local revenue target. Figure 182 shows a summary of local revenue by quarter

Figure 182: Local Revenue by Quarter, Wajir County



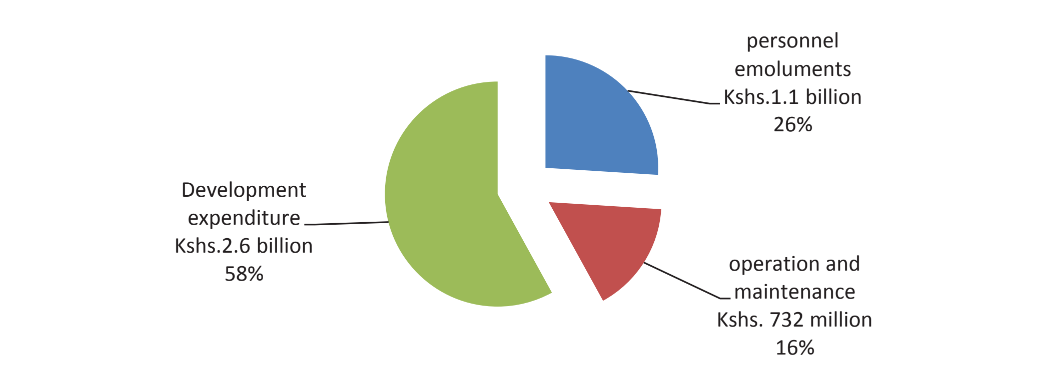
Source: *Wajir County Treasury*

Funds released during the period under review amounted to Kshs.4.8 billion of which Kshs.1.9 billion (38.8 per cent) was for recurrent expenditure and Kshs.2.9 billion (61.2 per cent) was for development expenditure. A total of Kshs.15.5 million was deducted from the County's share of the national shareable revenue by the National Treasury for salaries paid to staff that performed devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs.4.4 billion and was 92 per cent of the total funds released. The County spent Kshs.1.9 billion (42 per cent) on recurrent activities and Kshs.2.6 billion (58 per cent) development activities. The recurrent expenditure for the period under review represented an absorption rate of **89.4 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **78.2 per cent** of the annual development budget.

Analysis of the total recurrent expenditure of Kshs.1.9 billion shows that the County spent Kshs.1.1 billion on personnel emoluments which translates to 61.2 per cent of the total recurrent expenditure and Kshs.723 million on operations and maintenance which is 39.2 per cent of the total recurrent expenditure for the year. The County spent Kshs.76.1 million on sitting allowances for the 45 Members of the County Assembly against an annual budget of Kshs. 76.1 million representing an absorption rate of 100 per cent.

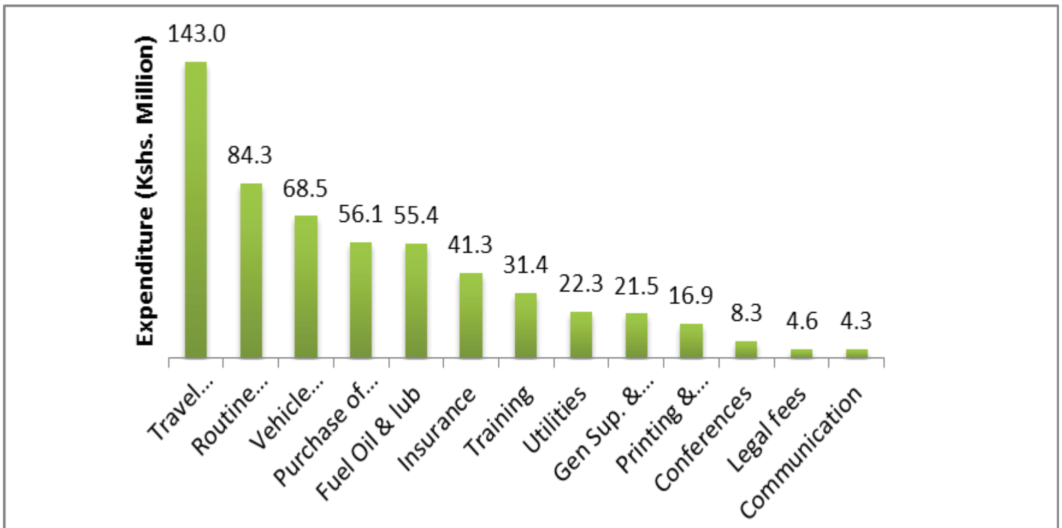
Figure 183: Analysis of Total Expenditure, Wajir County



Source: *Wajir County Treasury*

The breakdown of operations and maintenance expenditure of Kshs.732 million for the period under review is shown in Figure 184.

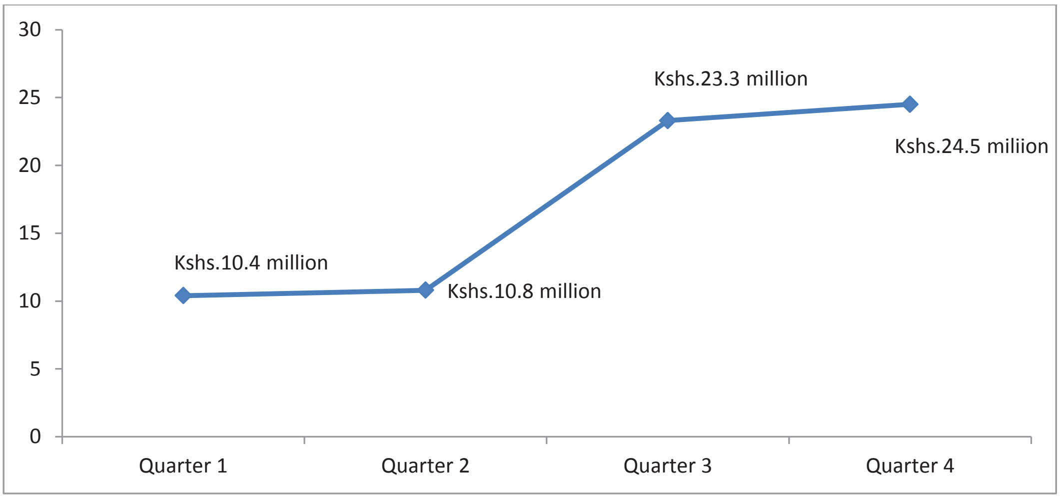
Figure 184: Analysis of Operations and Maintenance Expenditure, Wajir County



Source: *Wajir County Treasury*

The County spent Kshs.2.6 billion on various development projects during the period under review. Some of the projects implemented are summarized in Figure 185.

Figure 185: Analysis of Development Expenditure, Wajir County



Source: *Wajir County Treasury*

During the period under review, the County faced some challenges/issues that affected budget implementation during the FY2013/14. These included:

1. Lack of a monitoring, evaluation and reporting framework to guide monitoring of projects resulted in poor project implementation and delays in reporting on on-going projects.
2. Low performance on local revenue collection (51.3 per cent of the annual local revenue target) resulted in underfunding of some approved activities.
3. Frequent budget revisions affected budget execution

The County should consider the following recommendations to address these challenges/issues and improve budget execution in the FY2014/2015:

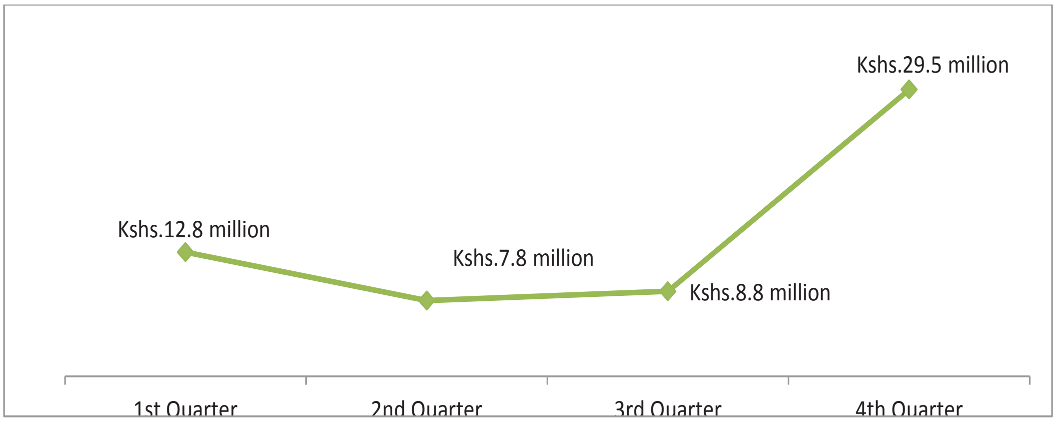
1. *Develop a monitoring, evaluation and reporting framework to guide project monitoring and management..*
2. *Put in place revenue enforcement team to improve local revenue collection and enhance its ability to meet revenue targets.*
3. *Ensure adequate advanced planning at the beginning of the financial year to reduce instances of budget revisions. All budget reallocations should comply with Section 154 of the PFM Act, 2012.*

West Pokot County

The County had an approved budget for the FY 2013/14 of Kshs.3.6 billion comprising of Kshs.1.98 billion (55 per cent) for recurrent expenditure and Kshs.1.65 billion (45 per cent) for development expenditure. This budget was to be financed by Kshs.3.6 billion (99 per cent) from the national equitable share and conditional grant, Kshs.38 million (1 per cent) from local revenue sources and Kshs.8.7 million (0.2 per cent) being balance brought forward from FY 2012/13.

During the period July 2013 to June 2014, the County received Kshs.3.2 billion as the national equitable share, raised Kshs.58.9 million from local sources, and had Kshs.8.7 million as balance brought forward from FY 2012/13. Total local revenue raised during the period under review was **155 per cent** of the annual local revenue target. In the fourth quarter, the County raised Kshs. 29.6 million. Figure 186 shows a summary of local revenue by quarter

Figure 186: Local Revenue Collection by Quarter, West Pokot County



Source: *West Pokot County Treasury*

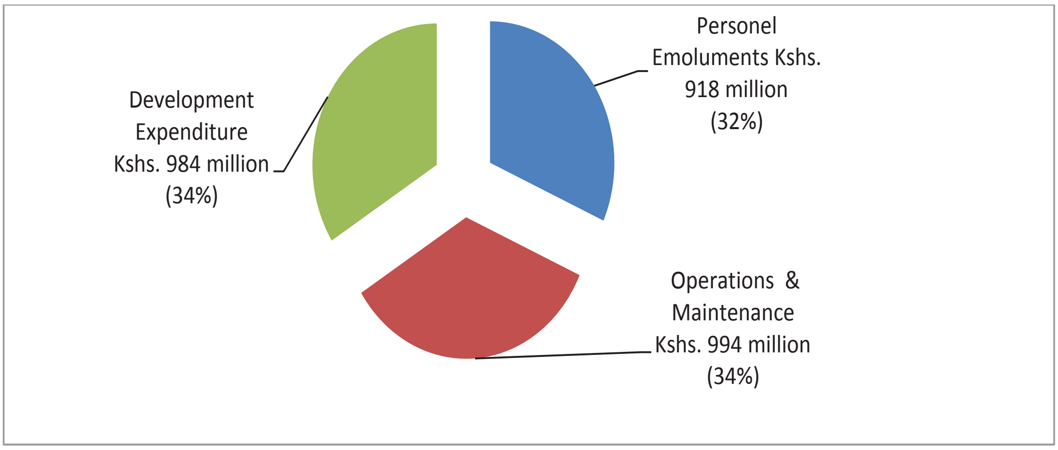
Funds released to the County during the period under review amounted to Kshs.2.9 billion of which Kshs.1.9 billion (69 per cent) was for recurrent expenditure and Kshs. 900 million (31 per cent) for development expenditure. A total of Kshs.101.8 million was deducted from the County's national equitable share of revenue by the National Treasury for salaries paid to staff that performed devolved functions for the period July to December 2013.

The total expenditure for the FY 2013/14 amounted to Kshs. 2.89 billion which was 97 per cent of the funds released. The County spent Kshs. 1.9 billion (66 per cent) on recurrent activities and Kshs. 984 million (34 per cent) on development activities. Recurrent expenditure was 92 per cent of the funds released for recurrent activities while development expenditure accounted for 109 per cent of the funds released for development projects.

The recurrent expenditure for the period under review represented an absorption rate of **97 per cent** of the annual recurrent budget while development expenditure translated to an absorption rate of **60 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows that the County spent Kshs.918 million on personnel emoluments which translates to 48 per cent of the total recurrent expenditure and Kshs.994 million on operations and maintenance expenditure which is 52 per cent of the total recurrent expenditure for the FY 2013/14. The County spent Kshs. 24 million for payment of sitting allowances to the 33 members of the County Assembly against an annual budget of Kshs.120.9 million representing an absorption rate of 20 per cent.

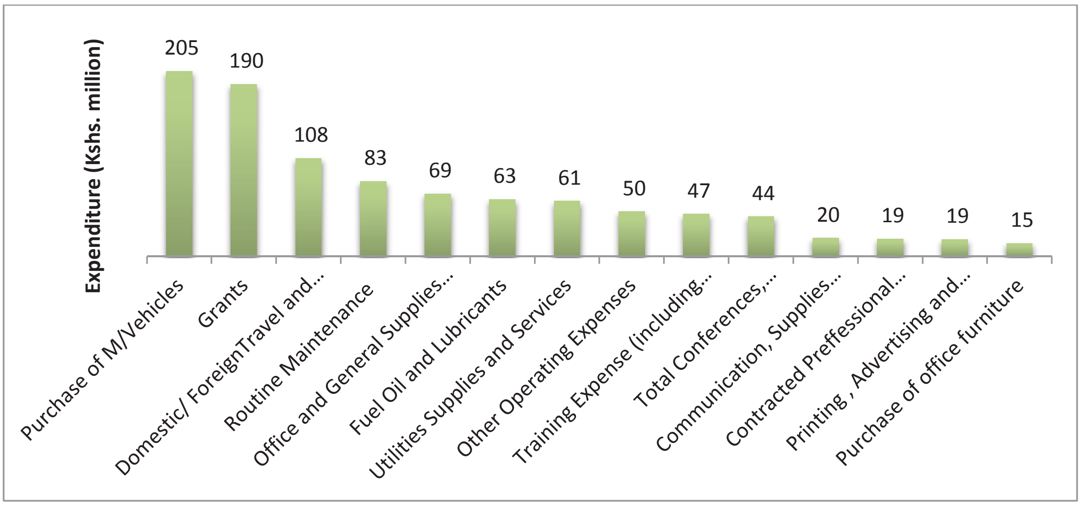
Figure 187: Analysis of Total Expenditure, West Pokot County



Source: *West Pokot County Treasury*

The breakdown of operations and maintenance expenditure of Kshs.994 million for the period under review is shown in figure 188.

Figure 188: Analysis of Operations and Maintenance expenditure, West Pokot County



Source: *West Pokot County Treasury*

The County spent Kshs.984 million on development programs during the period under review. However a breakdown of this expenditure was not provided for further analysis

During the period under review, the County experienced a number of challenges/issues that affected budget implementation during the FY2013/14. They included:

1. Inadequate staff capacity, especially at the County Treasury which has resulted in delays in submitting expenditure reports.
2. Lack of M&E framework which led to inadequate monitoring and reporting on the projects undertaken during the period.

The County should consider the following recommendation to address these challenges/ issues and improve budget execution in the FY2014/15:

1. *Build capacity of Treasury staff through training programs to enable them discharge their duties effectively.*
2. *Institute an effective M&E framework for enhanced project monitoring and reporting.*

4.0 KEY CHALLENGES AND RECOMMENDATIONS

This Section highlights the challenges faced by county governments in budget implementation during the FY 2013/14. Some of the challenges discussed had been reported in the previous OCOB reports but remain unresolved. The Section also provides recommendations that will improve budget implementation.

4.1 Intermittent use of IFMIS by County Governments

The National Treasury has prescribed the use of IFMIS and G-Pay to carry out financial transactions by all public entities including Counties as per Section 12 (1) (e) of the PFM Act, 2012. Use of IFMIS will enhance transparency in financial management and standardize financial reporting as contemplated by Article 226 of the Constitution.

At the beginning of the FY 2013/14, the National Treasury rolled out the IFMIS and G-Pay systems to all the 47 County Governments. This roll out was initially faced by poor internet connectivity and inadequacy of user capacity. The National Treasury has since instituted an IFMIS academy at the Kenya School of Government to offer continuous training in IFMIS and also made efforts to upgrade IFMIS infrastructure.

During the period under review, OCOB observed that some Counties did not fully adopt the IFMIS system and large transactions were processed manually, which were invariably uploaded into IFMIS. Failure to use IFMIS resulted in overdrawing of some votes that became apparent when manual transactions were finally uploaded. It also affected efficiency and accuracy in reporting.

All Counties should fully adopt IFMIS for transparency and standardize reporting.

4.2 Underperformance in Local Revenue Collection

In the FY 2013/14, Counties initially targeted to collect Kshs.67.8 billion from local sources in order to finance budgets. This target was revised to Kshs.61 billion and later to Kshs.54.2 billion in the fourth quarter of the year.

Actual local revenue was Kshs.26.3 billion for the year. This represented a performance of 48.5 per cent against the revised target of Kshs.54.2 billion resulting in a financing gap of Kshs.27.9 billion. This affected implementation of some planned activities.

OCOB recommends that Counties must set realistic local revenue targets and institute appropriate measures to ensure efficient and effective local revenue collection. This will enhance implementation of all planned activities and reduce cases of pending bills at year end.

4.3 Low Absorption of Development Funds

The total development expenditure by County Governments was Kshs.36.6 billion, or 21.6 per cent of the total expenditure by the counties. This represents 36.4 per cent of the total annual development budgets for the counties.

This low absorption of development funds is partly attributable to delays in release fo funds by the National Government. We recommend that the National Government should disburse funds on a timely basis.

4.4 Operationalization and financial independence of the County Departments

Section 148 of the PFM Act, 2012 gives the power of designating accounting officers for managing the finances of each of the County Government entities to the County Executive Committee Member for Finance. The responsibilities of an accounting officer are outlined in Section 149 of the Act.

During the period under review, some County Government entities did not have accounting officers due to delays in the appointment of chief officers. This forced Counties to adopt a centralized financial management system by the County Treasury. The arrangement affected budget implementation as some County Treasuries did not effectively implement and monitor activities of other departments.

In order to enhance budget execution, we recommend that accounting officers be designated for all County Government entities. This will enhance budget implementation.

4.5 Lack of Internal Audit Functions and Committees

OCOB observed that some County Governments failed to establish an internal audit function during the FY 2013/14. Section 155 of the PFM Act, 2012 requires that each County Government establishes an internal audit arrangement including the establishment of an internal audit committee so as to enhance transparency and accountability in the management of public resources.

Counties should establish effective internal audit departments and Audit Committees.

4.6 Frequent Budget Revisions

The Public Finance Management framework allows for in-year budget revisions. During the reporting period, Counties passed several supplementary budgets. OCOB observed that some revisions did not consider the status of budget execution by the spending units resulting in cases where votes were reduced beyond what had already been authorized by the OCOB and spent. In other instances; funds allocated to development expenditure and for personnel emoluments was transferred to recurrent expenditure against the provisions of Section 154 of the PFM Act, 2012.

OCOB recommends that Counties should institute adequate plans to ensure that instances of budget revisions are minimized. Where necessary such revisions should be informed by appropriate reconciliations of withdrawals and expenditures and should be undertaken in good time to allow time for budget execution.

4.7 Inadequate Budget Monitoring, Evaluation and Reporting Framework

Section 104 of the PFM Act, 2012 requires the County Treasury to monitor, evaluate and oversee the management of public finances and economic affairs of the County Government. During the period under review, most Counties did not have a monitoring and evaluation (M&E) framework to enable effective monitoring and evaluation of projects. This led to poor reporting on the status of on-going projects. A monitoring framework ensures all on-going and new projects are monitored effectively to ensure they are implemented as per the budget and timeframe.

All counties should develop M&E frameworks to ensure effective implementation of development projects.

4.8 Failure to Deposit Local Revenue into the County Exchequer Accounts

During the period under review, some Counties did not deposit all money raised or received by or on their behalf to the County Revenue Funds as required by Article 207 of the Constitution. In addition, some Counties did not appoint receivers of revenue as detailed in Section 157 of the PFM Act, 2012.The receivers of revenue are required to account for all revenue collections.

Counties should ensure that all local revenue is deposited into the CRF.

4.9 Delay in Submission of Expenditure Reports

Article 228 (6) of the Constitution requires the OCOB to report on budget implementation every four months. Timely preparation of quarterly budget implementation reports is dependent upon the prompt submission of financial returns by County Governments. The OCOB requires that financial returns be submitted by 10th of the month following end of each quarter.

During the period under review, OCOB experienced delays in the submission of financial returns that occasioned late publication of the BIRRs for review by Parliament and other stakeholders.

We recommend that all County Governments should submit their financial returns on a timely basis in order to ensure timely preparation of the BIRR

4.10 Inadequate staffing and Staff Capacity

For any institution to fully implement its functions and deliver on its mandate there is need to ensure optimal human resource capacity. In the period under review, Counties were faced with inadequate staffing and low levels of staff capacity especially in public procurement and financial management. This affected budget implementation, resulting in low absorption of funds.

The County Governments should initiate resource mapping of the available human resource and build the capacity of the existing staff in order to enhance performance. Where there is inadequate capacity, counties should liaise with the Ministry of Devolution and Planning for possible staff secondment.

4.11 High expenditure on domestic and foreign travel

During the reporting period, County Governments spent Kshs.7.75 billion or about 5 per cent of total expenditure on domestic and foreign travel. A significant amount related to foreign travel by MCAs on study tours to foreign countries. The Ministry of Foreign Affairs and International Trade (MoFA&IT) has received letters from Missions abroad regarding foreign travel by Counties. The main issues are: (i) many and frequent visits to a state, (ii) large size of delegations, sometimes with over 50 delegates, (iii) visits on the same subject matter by different Counties, (iv) delegates travelling without informing the ministry nor the Mission, and (v) travelling without appropriate appointments.

We recommend that foreign travel be minimized and coordinated by the MoFA&IT to facilitate proper planning and enhance prudent use of public funds.

5.0 CONCLUSION

This report has been prepared pursuant to Article 228 of the Constitution requiring the Controller of Budget to submit to Parliament a report on the implementation of the budgets of both national and county governments every four months. The report analyses both aggregate and individual County Government revenue and expenditure for the financial year ending June 2014. It also presents the key challenges encountered by County Governments in budget implementation and makes recommendations aimed at addressing the challenges.

The flow of funds to Counties from the national equitable share was a challenge in the FY 2013/13. The national government did not comply with the fund disbursement schedule contained in the CARA, 2013. In addition, low local revenue collection was a key challenge in financing County Government budgets.

In this first year of operation, County Governments were expected to spend Kshs.254.1 billion. Cumulatively, the Counties spend Kshs.151.6 billion or, 58.1per cent of the aggregate budget. This performance can be attributed to several factors that include: (i) infrastructural challenges, particularly, in IFMIS, (ii) inadequate staff capacity (ii) budget execution gaps, (ii) budgetary constraints owing to delays in release of funds by the National Government and underperformance in local revenue collection, (iii) inadequate management controls including the lack of internal audit arrangements, and (iv) role conflict between the County Executive and the County Assembly.

It is recommended that County Governments should consolidate and build on the gains made in the first year of operation. They should enhance staff capacity, consistently use IFMIS and G-pay, institute internal audit arrangements, and enhance efforts in budget execution. It is hoped that as County Governments usher the second year of devolution, more focus will be placed on development expenditure to enhance service delivery to Kenyans.

ANNEXURES

Annex 1: Funds Available To the Counties in the Period July 2013 to June, 2014

COUNTY	FUNDS RELEASED FROM CONSOLIDATED FUND TO COUNTY REVENUE FUND	LOCAL REVENUE COLLECTION	FUNDS DEDUCTED BY NATIONAL TREASURY	OPENING BALANCE/ BALANCE B/F	TOTAL REVENUE FOR THE QUARTER	FUNDS RELEASED FROM COUNTY REVENUE FUND TO COUNTY OPERATIONAL ACCOUNTS
Baringo	3,247,853,214	201,519,606	288,881,626	137,359,041	3,586,731,861	2,662,412,869.3
Bomet	3,442,638,623	200,949,332	41,933,138	133,500,000	3,777,087,955	3,570,024,283.2
Bungoma	6,180,666,881	182,702,280	451,005,088	20,000,006	6,383,369,167	4,893,334,064.0
Busia	3,412,404,160	328,993,569	338,350,632	51,109,995	3,792,507,724	2,913,033,762.0
Elgeyo/Marakwet	2,392,011,591	61,001,213	66,680,741	126,635,585	2,579,648,389	2,130,708,845.0
Embu	3,066,970,128	168,486,515	697,972,744	68,265,374	3,303,722,017	2,348,616,750.0
Garissa	4,405,661,289	35,892,845	273,905,925	108,000,000	4,549,554,134	2,711,546,279.0
Homa Bay	4,121,429,825	134,985,390	334,310,923	2,500,000.00	4,258,915,215	4,082,423,709.0
Isiolo	2,235,583,336	125,064,066	79,364,623	5,906,049	2,366,553,451	2,175,852,030.0
Kajiado	3,227,409,858	453,371,648	212,712,152	38,290,000	3,719,071,506	3,143,854,541.2
Kakamega	6,826,813,934	325,216,300	468,941,021	75,236,444	7,227,266,678	6,726,872,912.0
Kericho	3,295,019,652	371,395,186	365,360,258	27,000,000	3,693,414,838	2,903,107,624.8

COUNTY	FUNDS RELEASED FROM CONSOLIDATED FUND TO COUNTY REVENUE FUND	LOCAL REVENUE COLLECTION	FUNDS DEDUCTED BY NATIONAL TREASURY	OPENING BALANCE/ BALANCE B/F	TOTAL REVENUE FOR THE QUARTER	FUNDS RELEASED FROM COUNTY REVENUE FUND TO COUNTY OPERATIONAL ACCOUNTS
Kiambu	5,826,748,611	1,246,683,890	461,041,306	290,875,336	7,364,307,837	6,619,840,456.0
Kilifi	5,442,533,482	459,575,703	206,146,105	144,917,631	6,047,026,816	4,949,500,974.0
Kirinyaga	2,587,865,089	200,373,963	442,386,010	56,782,338	2,845,021,390	2,151,057,648.0
Kisii	5,399,459,638	250,147,453	332,595,294	22,897,709	5,672,504,800	4,847,032,286.0
Kisumu	4,550,934,547	621,861,798	446,633,678	179,520,796	5,352,317,141	4,482,593,378.0
Kitui	5,315,309,832	255,241,581	11,307,594	176,554,186	5,747,105,599	4,258,392,579.0
Kwale	3,748,952,670	208,454,345	171,045,610	215,726,100	4,173,133,115	3,024,350,937.3
Laikipia	2,523,013,037	347,118,457	490,513,865	78,117,438	2,948,248,932	2,349,830,058.0
Lamu	1,500,755,101	35,566,589	100,043,370	125,211,907	1,661,533,597	998,568,137.0
Machakos	5,059,146,344	1,175,227,171	219,166,450	77,444,107	6,311,817,622	5,990,051,158.0
Makueni	4,366,239,078	189,187,741	364,861,396	72,549,269	4,627,976,088	3,693,757,411.0
Mandera	6,550,232,929	90,068,630	54,063,677	107,884,677	6,748,186,236	3,509,522,651.0
Marsabit	3,795,591,041	46,032,691	28,702,435	0	3,841,623,732	3,513,860,373.0

COUNTY	FUNDS RELEASED FROM CONSOLIDATED FUND TO COUNTY REVENUE FUND	LOCAL REVENUE COLLECTION	FUNDS DEDUCTED BY NATIONAL TREASURY	OPENING BALANCE/ BALANCE B/F	TOTAL REVENUE FOR THE QUARTER	FUNDS RELEASED FROM COUNTY REVENUE FUND TO COUNTY OPERATIONAL ACCOUNTS
Meru	4,932,595,725	343,805,963	581,379,113	226,116,639	5,502,518,327	4,441,964,840.0
Migori	4,269,095,295	238,630,499	206,917,692	5,696,471	4,513,422,265	4,338,000,000.0
Mombasa	4,216,139,970	1,716,054,436	785,799,136	199,891,249	6,132,085,655	4,622,249,768.5
Murang'a	3,917,395,470	419,989,717	440,406,559	112,669,383	4,450,054,570	3,674,446,502.0
Nairobi City	9,505,766,405	10,026,171,804	967,164,969	188,000,000.00	19,719,938,209	9,566,556,929.0
Nakuru	6,536,750,748	1,816,532,538	1,134,042,051	68,402,269	8,421,685,555	6,205,580,514.0
Nandi	3,477,901,826	130,536,752	402,038,407	55,200,000	3,663,638,578	2,914,780,807.0
Narok	3,867,590,331	1,538,560,899	181,663,465	15,743,447.65	5,421,894,678	4,727,710,991.0
Nyamira	3,038,643,767	94,025,895	44,475,308		3,132,669,662	2,680,276,805.6
Nyandarua	3,150,207,289	138,439,331	388,803,939	62,000,000	3,350,646,620	2,693,720,698.0
Nyeri	3,636,303,976	432,229,360	638,869,514	271,117,559	4,339,650,895	3,400,775,973.0
Samburu	2,598,153,222	201,001,447	1,882,505	66,607,633	2,865,762,302	2,173,843,128.0
Siaya	3,653,579,334	99,771,315	359,526,290	138,797,574	3,892,148,223	3,181,902,906.7

COUNTY	FUNDS RELEASED FROM CONSOLIDATED FUND TO COUNTY REVENUE FUND	LOCAL REVENUE COLLECTION	FUNDS DEDUCTED BY NATIONAL TREASURY	OPENING BALANCE/ BALANCE B/F	TOTAL REVENUE FOR THE QUARTER	FUNDS RELEASED FROM COUNTY REVENUE FUND TO COUNTY OPERATIONAL ACCOUNTS
Taita/Taveta	2,420,630,003	126,861,698	249,376,562	36,014,567	2,583,506,268	2,110,990,573.0
Tana River	2,914,328,550	31,556,087	109,809,692	67,107,637	3,012,992,274	2,648,594,498.5
Tharaka -Nithi	2,294,827,946	85,372,943	350,327,783	61,592,200	2,441,793,089	1,803,936,780.0
Trans Nzoia	3,729,874,627	201,655,713	103,666,145	58,691,027	3,990,221,367	3,473,522,974.0
Turkana	7,664,402,593	132,882,771	106,415,367	28,918,615	7,985,524,364	4,606,655,178.6
Uasin Gishu	3,796,628,687	563,669,444	285,800,813	188,239,000	4,548,537,131	4,149,629,269.0
Vihiga	2,831,564,441	123,302,433	150,840,953	128,400,535	3,083,267,409	2,636,690,152.0
Wajir	5,290,052,179	61,032,930	15,588,301.00	960,683.90	5,352,045,793	4,809,170,495.0
West Pokot	3,155,049,726	58,887,573	101,778,623	8,679,917	3,222,617,216	2,880,053,821.2
Total	**193,418,726,003**	**26,296,089,510**	**14,554,498,850**	**4,331,130,394**	**224,045,945,907**	**174,391,199,319.7**

Annex 2: Annual County Revenue FY 2013/2014 and Local Revenue for July 2013 to March 2014

County name	Equitable share	Conditional Grant*	Annual Local Revenue Target	Total Budgeted Revenue	Actual Local Revenue for FY 2013/14	% of Local Revenue To Annual Local Revenue Target
Baringo	3,247,853,214	382,555,501	260,000,000	3,890,408,715	201,519,606	77.5%
Bomet	3,442,638,623	272,582,727	235,948,424	3,960,221,350	200,949,332	85.2%
Bungoma	6,180,666,881	334,595,329	2,753,780,000	9,269,042,210	182,702,280	6.6%
Busia	3,412,404,160	266,369,417	366,327,150	4,311,177,834	328,993,569	89.8%
Elgeyo/Marakwet	2,392,011,591	744,501,814	85,000,000	3,221,513,405	61,001,213	71.8%
Embu	2,807,082,690	557,198,402	659,165,345	4,023,446,437	168,486,515	25.6%
Garissa	4,221,433,714	475,032,960	150,533,326	4,847,000,000	35,892,845	23.8%
Homa Bay	4,121,429,825	1,604,785,613	140,678,820	5,866,894,258	134,985,390	96.0%
Isiolo	2,235,583,336	187,893,545	360,000,000	2,783,476,881	125,064,066	34.7%
Kajiado	3,227,409,858	284,382,199	517,000,000	4,028,792,057	453,371,648	87.7%
Kakamega	6,515,510,757	840,702,017	2,813,435,319	10,856,212,774	325,216,300	11.6%
Kericho	3,295,019,652	317,792,977	338,692,707	3,951,505,336	371,395,186	109.7%
Kiambu	5,458,860,859	805,578,808	3,058,567,275	9,323,002,942	1,246,683,890	40.8%
Kilifi	5,442,533,482	377,885,641	735,819,493	7,884,504,394	459,575,703	62.5%
Kirinyaga	2,587,865,089	242,055,751	437,993,243	3,267,914,083	200,373,963	45.7%
Kisii	5,188,303,957	635,954,331	729,194,738	7,053,453,026	250,147,453	34.3%
Kisumu	4,155,298,066	711,380,679	1,739,539,231	8,283,800,000	621,861,798	35.7%
Kitui	5,315,309,832	519,086,118	713,850,291	6,548,246,241	255,241,581	35.8%
Kwale	3,748,952,670	280,447,997	642,361,019	4,671,761,686	208,454,345	32.5%
Laikipia	2,523,013,037	234,821,897	557,173,528	3,315,008,462	347,118,457	62.3%
Lamu	1,500,755,101	99,237,004	86,124,909	1,686,117,014	35,566,589	41.3%
Machakos	4,950,617,060	523,080,848	2,541,819,152	8,015,517,060	1,175,227,171	46.2%
Makueni	4,366,239,078	354,912,725	350,000,000	5,071,201,931	189,187,741	54.1%
Mandera	6,550,232,929	230,310,408	437,400,000	7,217,943,337	90,068,630	20.6%
Marsabit	3,795,591,041	272,856,567	44,000,000	4,112,447,608	46,032,691	104.6%

County name	Equitable share	Conditional Grant*	Annual Local Revenue Target	Total Budgeted Revenue	Actual Local Revenue for FY 2013/14	% of Local Revenue To Annual Local Revenue Target
Meru	4,749,444,426	758,421,849	658,000,000	6,165,866,275	343,805,963	52.3%
Migori	4,269,095,295	490,967,787	795,374,867	5,555,437,949	238,630,499	30.0%
Mombasa	3,801,758,312	545,817,618	5,074,615,602	9,422,191,532	1,716,054,436	33.8%
Murang'a	3,917,395,470	404,431,503	800,000,000	5,621,826,973	419,989,717	52.5%
Nairobi City	9,505,766,405	390,470,421	15,448,045,417	25,344,282,243	10,026,171,804	64.9%
Nakuru	5,936,313,837	1,024,998,693	3,076,738,273	10,038,050,803	1,816,532,538	59.0%
Nandi	3,477,901,826	408,946,759	422,472,914	4,309,321,499	130,536,752	30.9%
Narok	3,867,590,331	278,791,611	3,698,917,020	8,362,644,922	1,538,560,899	41.6%
Nyamira	3,038,643,767	278,440,754	100,000,000	3,417,084,521	94,025,895	94.0%
Nyandarua	3,150,207,289	284,911,755	174,000,000	3,639,819,083	138,439,331	79.6%
Nyeri	3,254,175,229	817,147,697	479,050,914	4,550,373,840	432,229,360	90.2%
Samburu	2,598,153,222	206,938,875	223,550,000	3,028,642,097	201,001,447	89.9%
Siaya	3,653,579,334	318,012,871	153,000,000	4,124,592,205	99,771,315	65.2%
Taita/Taveta	2,420,630,003	205,852,212	244,119,909	2,870,602,124	126,861,698	52.0%
Tana River	2,914,328,550	204,478,573	87,290,000	3,206,097,123	31,556,087	36.2%
Tharaka -Nithi	2,294,827,946	139,762,124	84,000,000	2,518,754,963	85,372,943	101.6%
Trans Nzoia	3,729,874,627	193,134,230	501,503,926	4,424,512,783	201,655,713	40.2%
Turkana	7,664,402,593	229,995,474	250,000,000	8,144,398,067	132,882,771	53.2%
Uasin Gishu	3,796,628,687	270,261,206	821,410,003	6,013,689,893	563,669,444	68.6%
Vihiga	2,831,564,441	196,974,298	204,274,739	3,232,813,478	123,302,433	60.4%
Wajir	5,290,052,179	357,469,372	119,030,873	5,766,552,424	61,032,930	51.3%
West Pokot	3,155,049,726	437,777,043	38,000,000	3,630,826,769	58,887,573	155.0%
Total	**190,000,000,000**	**20,000,000,000**	**54,207,798,427**	**270,948,990,610**	**26,296,089,510**	**48.5%**

*Amount includes Kshs16.6 billion for ongoing projects which was invariably included in County government budgets.

Annex 3: Analysis of County Budgets, Funds Released, Expenditure and Absorption Rates

County	Gross Estimates			Funds Released*			Expenditure			% of Expenditure to Gross Estimates			% of Expenditure to Exchequer Issues		
	Recurrent Estimates	Dev. Estimates	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total
Baringo	2,451.2	1,193.7	3,644.9	2,467.7	483.6	2,951.29	2,444.2	366.5	2,810.7	99.7	30.7	77.1	99.0	75.8	95.2
Bomet	1,940.8	1,859.2	3,799.9	1,912.6	1,699.3	3,611.96	1,834.4	1,718.5	3,552.9	94.5	92.4	93.5	95.9	101.1	98.4
Bungoma	5,178.5	3,675.4	8,853.9	3,851.2	1,493.1	5,344.34	3,598.8	562.1	4,160.9	69.5	15.3	47.0	93.4	37.6	77.9
Busia	2,534.9	1,770.5	4,305.4	2,516.4	735.0	3,251.38	2,161.1	311.8	2,472.9	85.3	17.6	57.4	85.9	42.4	76.1
Elgeyo/ Marakwet	1,818.4	785.2	2,603.7	1,588.4	609.0	2,197.39	1,321.9	391.8	1,713.6	72.7	49.9	65.8	83.2	64.3	78.0
Embu	2,814.6	1,208.8	4,023.4	2,571.2	475.4	3,046.59	2,597.4	148.0	2,745.5	92.3	12.2	68.2	101.0	31.1	90.1
Garissa	3,275.7	1,571.3	4,847.0	2,562.7	422.7	2,985.45	1,682.6	486.8	2,169.3	51.4	31.0	44.8	65.7	115.2	72.7
Homa Bay	3,183.5	2,131.2	5,314.7	3,037.0	1,379.8	4,416.73	2,661.0	1,371.5	4,032.5	83.6	64.4	75.9	87.6	99.4	91.3
Isiolo	1,740.7	1,043.9	2,784.6	1,541.2	714.0	2,255.22	1,535.8	532.3	2,068.0	88.2	51.0	74.3	99.6	74.5	91.7
Kajiado	2,515.6	1,242.6	3,758.2	2,348.5	1,008.0	3,356.57	2,249.5	576.5	2,826.0	89.4	46.4	75.2	95.8	57.2	84.2
Kakamega	4,063.9	5,576.3	9,640.2	4,089.6	3,106.2	7,195.81	3,699.8	1,518.9	5,218.6	91.0	27.2	54.1	90.5	48.9	72.5
Kericho	2,448.6	1,184.0	3,632.6	2,406.5	862.0	3,268.47	2,168.8	642.4	2,811.2	88.6	54.3	77.4	90.1	74.5	86.0
Kiambu	6,511.9	2,811.1	9,323.0	5,607.9	1,473.0	7,080.88	5,527.6	1,155.1	6,682.8	84.9	41.1	71.7	98.6	78.4	94.4
Kilifi	4,641.6	2,059.5	6,701.2	4,181.1	974.6	5,155.65	3,586.9	426.2	4,013.2	77.3	20.7	59.9	85.8	43.7	77.8
Kirinyaga	2,118.2	907.8	3,026.0	1,966.3	627.2	2,593.44	1,493.0	308.8	1,801.9	70.5	34.0	59.5	75.9	49.2	69.5

County	Gross Estimates			Funds Released*			Expenditure			% of Expenditure to Gross Estimates			% of Expenditure to Exchequer Issues		
	Recurrent Estimates	Dev. Estimates	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total
Kisii	3,710.0	2,843.2	6,553.2	3,357.6	1,822.0	5,179.63	3,193.2	1,575.7	4,768.8	86.1	55.4	72.8	95.1	86.5	92.1
Kisumu	4,849.8	2,470.8	7,320.6	4,248.0	681.3	4,929.23	4,427.5	98.9	4,526.5	91.3	4.0	61.8	104.2	14.5	91.8
Kitui	3,618.3	2,870.8	6,489.0	3,374.0	895.7	4,269.70	2,935.6	506.3	3,441.9	81.1	17.6	53.0	87.0	56.5	80.6
Kwale	2,869.6	1,521.7	4,391.4	2,231.9	963.5	3,195.40	2,064.0	865.3	2,929.3	71.9	56.9	66.7	92.5	89.8	91.7
Laikipia	2,375.1	942.7	3,317.8	2,311.9	528.4	2,840.34	2,311.9	316.8	2,628.7	97.3	33.6	79.2	100.0	60.0	92.5
Lamu	1,148.1	500.5	1,648.5	898.9	199.8	1,098.61	609.2	119.9	729.0	53.1	24.0	44.2	67.8	60.0	66.4
Machakos	3,856.1	4,159.5	8,015.7	3,642.7	2,566.5	6,209.22	3,387.8	2,681.2	6,069.1	87.9	64.5	75.7	93.0	104.5	97.7
Makueni	3,105.1	1,966.1	5,071.2	2,713.2	1,345.5	4,058.62	2,536.5	603.4	3,139.9	81.7	30.7	61.9	93.5	44.8	77.4
Mandera	3,009.1	3,978.6	6,987.6	2,578.4	985.2	3,563.59	2,522.6	941.5	3,464.1	83.8	23.7	49.6	97.8	95.6	97.2
Marsabit	2,152.6	1,687.4	3,840.0	2,188.0	1,354.6	3,542.56	1,923.8	584.3	2,508.1	89.4	34.6	65.3	87.9	43.1	70.8
Meru	2,810.8	2,870.8	5,681.7	3,904.0	1,119.3	5,023.34	3,256.6	566.1	3,822.7	115.9	19.7	67.3	83.4	50.6	76.1
Migori	3,874.7	1,656.0	5,530.7	3,028.9	1,516.0	4,544.92	3,238.7	1,008.7	4,247.3	83.6	60.9	76.8	106.9	66.5	93.5
Mombasa	6,975.7	4,710.3	11,686.0	5,196.6	211.4	5,408.05	5,097.8	112.0	5,209.8	73.1	2.4	44.6	98.1	53.0	96.3
Murang'a	2,427.7	2,694.2	5,121.9	2,403.2	1,711.7	4,114.85	2,474.2	1,381.1	3,855.3	101.9	51.3	75.3	103.0	80.7	93.7
Nairobi City	17,625.7	7,599.5	25,225.2	9,057.8	1,475.9	10,533.72	15,901.5	1,873.4	17,774.9	90.2	24.7	70.5	175.6	126.9	168.7

County	Gross Estimates			Funds Released*			Expenditure			% of Expenditure to Gross Estimates			% of Expenditure to Exchequer Issues		
	Recurrent Estimates	Dev. Estimates	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total
Nakuru	7,141.6	2,896.5	10,038.0	6,498.2	841.4	7,339.62	5,386.4	477.6	5,864.0	75.4	16.5	58.4	82.9	56.8	79.9
Nandi	2,657.4	1,242.4	3,899.8	2,441.1	875.7	3,316.82	1,872.0	551.8	2,423.8	70.4	44.4	62.2	76.7	63.0	73.1
Narok	5,245.0	2,080.2	7,325.2	4,061.0	848.4	4,909.37	3,775.1	457.6	4,232.7	72.0	22.0	57.8	93.0	53.9	86.2
Nyamira	1,763.1	1,652.6	3,415.7	2,085.6	639.2	2,724.75	1,680.8	726.1	2,406.9	95.3	43.9	70.5	80.6	113.6	88.3
Nyandarua	2,352.2	1,034.7	3,386.9	2,325.2	757.3	3,082.52	2,319.9	569.9	2,889.8	98.6	55.1	85.3	99.8	75.2	93.7
Nyeri	3,098.1	1,452.3	4,550.4	3,098.4	941.2	4,039.65	3,340.5	934.1	4,274.6	107.8	64.3	93.9	98.3	99.2	98.5
Samburu	1,940.5	965.9	2,906.5	1,790.0	385.7	2,175.73	1,516.1	574.4	2,090.6	78.1	59.5	71.9	84.7	148.9	96.1
Siaya	2,944.9	1,319.2	4,264.1	2,435.7	1,105.8	3,541.43	2,082.5	380.4	2,462.9	70.7	28.8	57.8	85.5	34.4	69.5
Taita/ Taveta	1,833.1	1,087.3	2,920.4	1,829.7	530.6	2,360.37	1,492.4	518.5	2,010.9	81.4	47.7	68.9	81.6	97.7	85.2
Tana River	2,026.6	1,179.5	3,206.1	1,612.9	1,145.5	2,758.40	1,292.8	32.2	1,325.0	63.8	2.7	41.3	80.2	2.8	48.0
Tharaka -Nithi	1,589.5	990.7	2,580.2	1,681.3	473.0	2,154.26	1,665.4	532.7	2,198.1	104.8	53.8	85.2	99.1	112.6	102.0
Trans Nzoia	3,062.6	1,361.9	4,424.5	2,504.9	1,072.3	3,577.19	2,014.2	1,007.5	3,021.6	65.8	74.0	68.3	80.4	94.0	84.5
Turkana	4,157.9	3,987.2	8,145.1	2,322.2	2,390.8	4,713.07	1,484.2	1,925.1	3,409.3	35.7	48.3	41.9	63.9	80.5	72.3
Uasin Gishu	2,993.7	1,624.3	4,618.0	2,816.2	1,619.3	4,435.43	2,528.8	203.8	2,732.6	84.5	12.5	59.2	89.8	12.6	61.6
Vihiga	2,121.1	1,142.8	3,263.9	2,061.6	725.9	2,787.53	2,120.1	366.9	2,486.9	99.9	32.1	76.2	102.8	50.5	89.2

County	Gross Estimates			Funds Released*			Expenditure			% of Expenditure to Gross Estimates			% of Expenditure to Exchequer Issues		
	Recurrent Estimates	Dev. Estimates	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total
Wajir	2,089.2	3,276.3	5,365.5	1,883.0	2,941.8	4,824.76	1,866.9	2,562.1	4,429.0	89.4	78.2	82.5	99.1	87.1	91.8
West Pokot	1,982.1	1,649.1	3,631.3	2,081.9	899.9	2,981.83	1,913.4	984.8	2,898.2	96.5	59.7	79.8	91.9	109.4	97.2
Total	**160,645.1**	**100,435.8**	**261,080.8**	**137,312.3**	**51,633.4**	**188,945.70**	**132,795.1**	**36,557.2**	**169,352.4**	**82.7**	**36.4**	**64.9**	**96.5**	**70.8**	**89.5**

*Funds released include Kshs.14.5 billion deducted by the National Treasury for salaries paid to staff performing devolved functions for the period July 2013 t0o December 2013.

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