



REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

**COUNTY BUDGET IMPLEMENTATION
REVIEW REPORT**

**FOURTH QUARTER
FY 2012 /2013**

JULY 2013



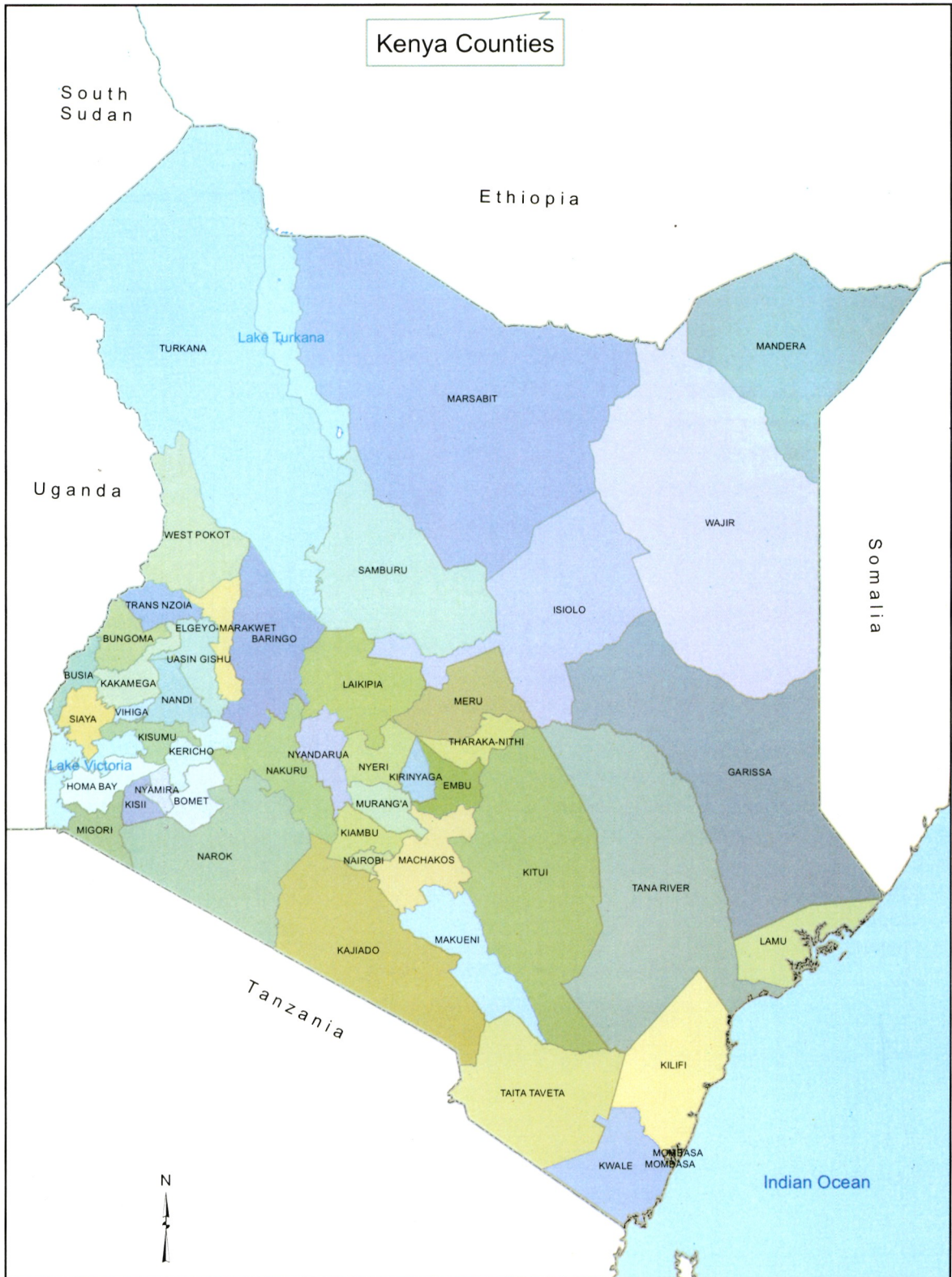
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FOREWORD

It is my great pleasure to present to you the first report on budget implementation review for the County Governments for the period March to June 2013. The report is a review of budget implementation of all the 47 counties. It is prepared pursuant to Article 228(6) of the Constitution that requires the Controller of Budget to submit to each house of Parliament a report on the implementation of budgets of national and county governments every four months.

Following the general elections held on 4th March 2013, all the 47 counties embarked on a process of establishing the County governments, creating structures to enable them discharge their mandates in compliance with the Constitution of Kenya, 2010. In order to discharge their mandates, the counties are expected to receive revenue from the National Government as well as collect revenue from local sources. The principles of public finance according to Article 201(a) of the Constitution of Kenya, 2010 prescribe openness and accountability in financial matters. County Governments which are entrusted with public funds are therefore expected to adhere to these principles as they deliver services to the public in their respective counties. During the period under review, each county government received exchequer issues as a share of the national revenue and also collected some revenue locally. The Controller of Budget (COB) has reviewed how these funds were applied, highlighting performance and challenges and also recommendations on the way forward.

The main objective of this report is to inform the Parliament and the general public on how public funds were utilised at the County level. The COB will continue to discharge her mandate to monitor and evaluate the use of public resources and keep the Parliament informed on county budget implementation. Consequently, Parliament is expected to use the report to legislate laws that will ensure that counties expend public funds in line with the principles of public finance as envisaged by the Constitution of Kenya, 2010 and the Public Finance Management Act, 2012 to ensure effective service delivery.



Mrs Agnes N. Odhiambo
Controller of Budget

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EXECUTIVE SUMMARY

The Office of the Controller of Budget (OCOB) is an independent office established under Article 228 of the Constitution of Kenya, 2010 with the core mandate to oversee implementation of the budgets of the national and county governments, authorize withdrawals from public funds and report on budget implementation to Parliament every four months. The Office is also required to prepare, publish and publicize statutory reports, conduct investigations based on its own initiative or on a complaint made by a member of the public, and conduct alternative dispute resolution mechanisms to resolve disputes. Furthermore, the Office is required to ensure that members of the public are given information on budget implementation both at national and county government level in accordance with Article 228 of the Constitution. Through the established county offices, the office oversaw budget implementation and received revenue and expenditure returns from all the 47 counties for the period between March–June 2013.

For the period between March–June 2013, the counties operated on a transitional budget which was designed to lay the foundation and guide the operations of the devolved governments. This report gives an account of the status of the budget implementation as required by the Constitution. It covers the four months the county governments were in operation, from March to June 2013 and is based on a review of the fiscal activities of the county governments during the period.

During this period, the National Government allocated Kshs. 9.8 billion as grants for use by the Counties as stated in section 2 of the Transition County Appropriation Act, 2013. A budget for the same amount was prepared and passed by the 10th Parliament for use by the County governments. The exchequer issues to the County governments amounted to Kshs. 9.7 billion, representing 99.2 per cent of the total net budgeted estimates. Locally collected revenue amounted to Kshs. 6.8 billion during the period under review. We note that the total locally collected revenues consistently declined from a high of Kshs 2.1 billion in March 2013 to a low of Kshs 1.5 billion in June 2013. This decline may be attributed mainly to revenue leakages, general apathy among the County residents and revenue collectors as a result of transitional uncertainties on the channels and modalities of payment of levies previously charged by defunct Local Authorities. Apart from the national grant, the counties received a total of Kshs. 2.9 billion from the Transition Authority for infrastructure development which was shared equally among the 47 counties, each receiving Kshs. 61.6 million. In addition, some counties received Local Authority Transfer Fund (LATF) amounting to Kshs. 3.8 billion in the period under review. In total Kshs.23.0 billion was available for spending by the counties during the four months under review.

Total expenditure for all the counties amounted to Kshs 16.2 billion. The main spending units were the County Assembly Services, County Executive Services and Financial Management Service. The counties spent a total of Kshs 6.5 billion on personnel emoluments, Kshs 6.7 billion on operation and maintenance and Kshs. 1.3 billion on development. As at 30th June, 2013 most counties had not utilized the infrastructure funds from Transition Authority while some counties spent funds meant for infrastructure development on recurrent activities.

The report established that lack of adequate human capacity and appropriate financial systems required to effectively implement prudent financial management remained a major challenge to the County governments. During the period under review, most counties used manual financial systems that were susceptible to malpractice, to manage their financial transactions. Though training on IFMIS and G-PAY systems was conducted by the National Treasury and Central Bank of Kenya in some counties, most of them experienced poor connectivity exacerbated by inadequate computer hardware to support the systems. Indeed, most counties reported high downtime for IFMIS.

Low absorption of development funds given to the counties by the Transition Authority is worth mentioning. Most counties were unable to spend the infrastructure grant advanced to them through the Transition Authority. This can be attributed to lack of capacity and lengthy procurement processes within the limited time in which the counties were expected to use the resources.

Diminished local revenue collections coupled with weak reporting frameworks posed a great challenge to the financial operations in the counties. Some counties spent locally collected revenues without first remitting the same into the County Revenue Fund as required by Article 207(1) of the Constitution of Kenya, 2010. Further, we noted that, other counties continued to operate the defunct local authority bank accounts despite a directive that all the Local Authorities' bank accounts be closed or be frozen by 28th February 2013.

The report recommends expeditious implementation of IFMIS, capacity building in budgeting, project management, adherence to procurement procedures, and development of requisite legal framework to support revenue growth. Further, the Office of the Controller of Budget recommends human resource assessment and job evaluation to ascertain labour requirements and align former local authority workers to the County structure. In the same light, there is need for an audit of former local authorities' bank accounts, assets and liabilities passed over to the County governments on 4th March 2013 after the general elections.

ACRONYMS

AIE	Authority to Incur Expenditure
CA	County Assembly
CE	County Executive
CEC	County Executive Committee
COK	Constitution of Kenya, 2010
FMS	Financial Management System
G-PAY	Government Payment System
IFMIS	Integrated Financial Management Information System
LATF	Local Authorities Transfer Fund
MTEF	Medium Term Expenditure Framework
OCOB	Office of the Controller of Budget
PBB	Program Based Budget
PFM	Public Finance Management
KNBS	Kenya National Bureau of Statistics
TA	Transition Authority

1.0 INTRODUCTION

The Office of Controller of Budget (OCOB) is an independent office, established by Article 228 of the Constitution of Kenya, 2010. Pursuant to Article 228 (4) of the Constitution, the office is mandated to oversee the implementation of the budgets of both levels of government, which entails regular monitoring and evaluation of government programmes and projects, with the approved budgets as the yardstick. In addition, this Office is mandated to prepare quarterly, annual and special reports on budget implementation and submit to the legislature and executive on budget implementation matters of national and county governments as provided in Article 228 (6) of the Constitution of Kenya, 2010.

Pursuant to the above constitutional mandates, the OCOB has prepared this consolidated report on the 47 counties. This report therefore highlights the performance on budget implementation; challenges and recommendations. It covers budget implementation by the 47 County Governments for the period, March to June 2013. This period was mainly a transition phase where the counties were expected to put up structures for the devolved governance system.

The report therefore seeks to objectively review and discuss budget implementation across counties, to ensure adherence to chapter 12 of the Constitution of Kenya, 2010. The Constitution outlines principles of public finance which include: openness, accountability and clear fiscal reporting among others. In line with PFM Act, 2012, all funds should be appropriated by the County Assembly and the County Executive should ensure adherence to fiscal responsibility in expending the same. In light of the aforementioned, this report endeavours to highlight issues on county revenues, expenditures and the general performance of the counties.

Generally, the counties operated in a stable macroeconomic environment. In the Kenya National Bureau of Statistics (KNBS) latest Gross Domestic Product (GDP) quarterly report, the country's economic outlook showed signs of improvement as it grew by 5.2 per cent during the period January to March 2013 compared to 3.9 per cent realized in the same period in the last financial year. This growth was attributed to peaceful elections conducted under the new Constitution and favourable weather conditions that resulted to better performance in the agricultural sector.

According to data released by KNBS in June 2013, the overall inflation stood at 4.36 per cent in the period March to June 2013 compared to 11.78 per cent recorded in the same period last year. This was associated to tightening of monetary policies and continued political stability coupled with favourable weather conditions. As stipulated in the Budget Policy Statement, 2012, the target for overall inflation was set at 5 per cent which was achieved in the medium term. Furthermore, the Kenyan Shilling exchange rate has remained relatively

stable against world major currencies in the period under review. The stable national macroeconomic parameters meant stable operating economic environment at the County level.



2.0 FINANCIAL ANALYSIS OF 2012/2013 COUNTY BUDGET IMPLEMENTATION

2.1 REVENUE ANALYSIS

The 47 Counties were allocated Kshs. 9,783,568,690 from the National Government, and collected Kshs. 6,756,063,084 from local sources amounting to Kshs. 16,539,631,774. In addition, the Counties received Kshs. 2,894,833,400 from the Transition Authority towards infrastructure development and civil works. A total of 18 counties received Kshs 3,762,711,595 as Local Authority Transfer Fund (LATF).

2.1.1 National Grant Allocation

The National Government allocated Kshs 9,783,568,690 to county governments for the period March to June 2013 through an appropriation by the National Assembly. This amount was shared equitably among the 47 counties based on a criterion developed by the Commission on Revenue Allocation that focused on: Population; Poverty Index; Land Area; Fiscal Responsibility and an Equal Share for each county. Nairobi, Turkana and Mandera received the highest allocation recording 5.0 per cent, 4.0 per cent and 3.4 per cent of the total allocation respectively; while Lamu, Isiolo and Tharaka Nithi received the least amount at 0.79 per cent, 1.18 per cent, and 1.21 per cent respectively.

2.1.2 County Exchequer Releases

Article 228(4) of the Constitution of Kenya, 2010 and Section 109(6) of the Public Finance Management Act, 2012, stipulate that withdrawals from public funds are to be authorized by the Controller of Budget in accordance with the law. In the period under review, a total of Kshs. 9,657,559,493 was released to the County governments from the County Revenue Funds being the funds allocated to the counties as national grant. Taita Taveta and Kwale received Kshs.17,000,000 and Kshs. 78,283,532 respectively being local revenue collected by these two counties and banked in the County revenue fund as stipulated in the PFM Act, 2012.

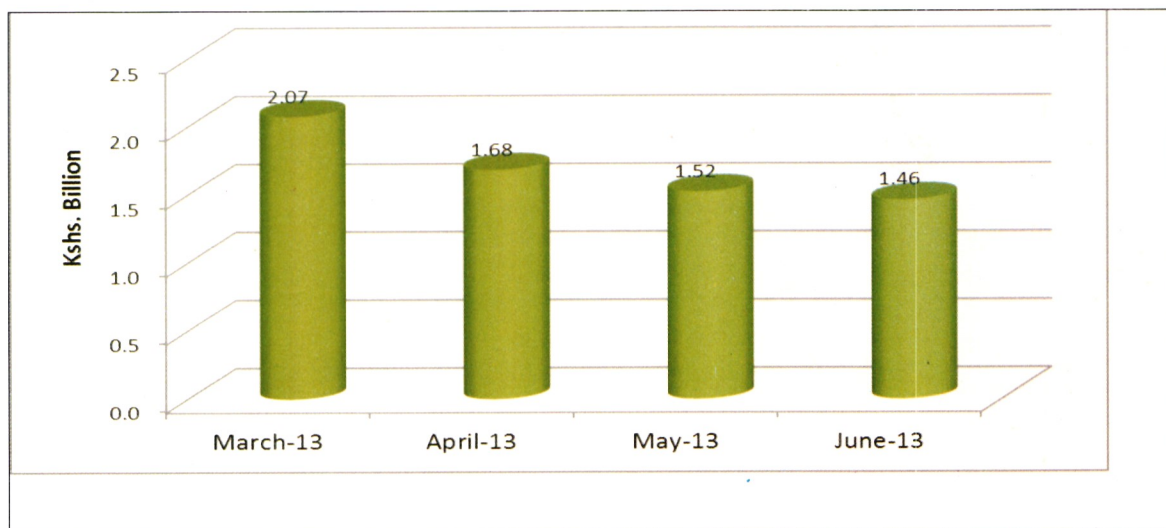
2.1.3 Locally Collected Revenue

A total of Kshs. 6,756,063,084 was raised locally among the County governments through various revenue streams. This varied across the counties with Nairobi City County collecting the highest amount of Kshs. 2,241,165,418 followed by; Nakuru, Kiambu and Mombasa Counties which collected Kshs. 466,275,412, Kshs. 442,709,560, and Kshs. 436,074,955

respectively. Marsabit, Mandera and Tana River Counties collected the lowest revenue recording Kshs 5,202,000, Kshs 7,053,062, and Kshs 7,907,234 respectively.

The figure below graphically presents the monthly local revenue levels for the period March to June 2013. There has been a downward trend in revenue collected for the four month that the County governments have been in operation. From Figure 1, cumulative revenue collections from all the Counties declined from Kshs. 2.07 billion to Kshs. 1.68 billion in the months of March and April 2013 respectively. This could be attributed to the change of administration from the former local authorities to the County governments, which may have been caused by revenue leakages and apathy by both the local residents and county staff entrusted to collect local revenue thus affecting the revenue growth.

Figure 1: Monthly Local Collected Revenue among Counties



Source: County Treasuries

2.1.4 Local Authorities Transfer Fund

Local Authority Transfer Fund (LATF) was established in 1999 through the LATF Act No. 8 of 1998, with the objective of improving service delivery, improving financial management, and reducing the outstanding debt of local authorities (LAs). Funds from LATF formed part of the LA's revenues together with locally collected revenues.

By March 2013, when the County governments were established, some local authorities had not received their full allocation of the fund for the Financial Year 2012/13. These funds were received by the defunct Local Authorities in the period under review, thus forming part of the County revenues. A total of 18 counties received LATF amounting to Kshs 3,762,711,595.

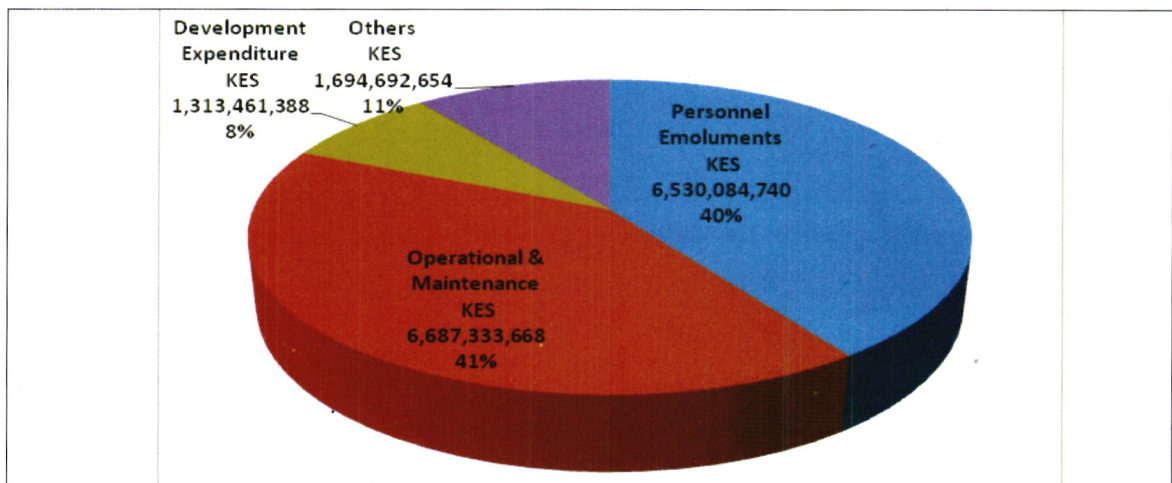
2.1.5 Transition Authority Grant

As part of the set-up of devolved government structures, the government through the Transition Authority disbursed a grant amounting to Kshs 2,894,833,400, which was shared equally amongst all the Counties. The purpose of this grant was to cater for infrastructural development for the new County Governments. The grant was not part of the exchequer issues by OCOB and was directly transferred to the County operation accounts from the Transition Authority as an Authority to Incur Expenditure (AIE).

2.2 EXPENDITURE ANALYSIS

For the period March to June 2013, the County governments were allocated funds to facilitate their operations according to the Transition County Appropriation Act, 2013, mainly for personnel emoluments, and operation and maintenance. The cumulative total expenditure for all the County governments for the period March to June 2013 was Kshs. 16,225,752,451. As shown in Figure 2-1, expenditure on personnel emolument and operations and maintenance accounted for 40 per cent and 41 per cent of the total expenditures respectively while expenditure on creation and renewal of assets (development activities) accounted for 8 per cent of all the resources spent in the counties. Kshs. 1,694,692,654 representing 11 per cent of the total expenditure was incurred by the counties on debt repayment and on clearing pending bills. Nairobi, Mombasa, Kiambu and Kisumu Counties had the highest expenditure recording Kshs 3,879,787,265, Kshs 894,549,935, Kshs 655,855,005 and Kshs 425,200,537 respectively. Conversely, Lamu, Tana River, Taita/Taveta, and Elgeyo Marakwet counties had the least expenditures recording Kshs 27,107,134, Kshs 101,334,343, Kshs 121,851,868 and Kshs 130,137,409 respectively. The county expenditure under the various spending areas for all County Governments is presented in Annex 2.

Figure 2-1: Expenditure by Spending Unit



Source: County Treasuries

2.2.1 Personnel Emoluments

Personnel Emoluments expenses include basic salaries paid to permanent and temporary employees and personal allowances paid as part of salary among other related costs. The total wage bill for all the counties for the period under review amounted to Kshs. 6,530,084,740. Counties that had high proportion expenditure on personnel emoluments to their total expenditure included Lamu (80.6 per cent), Kisumu (73.6 per cent), and Nyeri (64.4 per cent). Counties which spent less on personnel emoluments as a proportion of the total expenditure included Kiambu (6.3 per cent), Marsabit (11.1 per cent), Kilifi (13.2 per cent), West Pokot (14.9 per cent) and Kisii (15.9 per cent). According to Section 107(2c) of the PFM Act, 2012 the County Executive should prescribe a percentage of expenditure on wages and benefits as a percentage of total revenue which should be approved by County Assembly.

2.2.2 Operations and Maintenance

Operations and maintenance expenses include; domestic travel, subsistence and other transportation costs; training expenses; hospitality supplies and services; purchase of motor vehicles and routine maintenance among others. The cumulative expenditure on operations and maintenance for all the counties in the period under review amounted to Kshs 6,687,333,668. Marsabit, Nakuru and Tana River counties recorded the highest expenditure on operations and maintenance in comparison to their total expenditure of 88.9 per cent, 79.3 per cent and 76.5 per cent respectively. Counties that recorded the least expenditure on operations and maintenance compared to their total expenditure included Kiambu (10.9 per cent), Kakamega (14.6 per cent), Mandera (15.8 per cent), and Kisumu (17.5 per cent).

2.2.3 Development Expenditure

In the current analysis, development expenditure refers to the expenditure applied for creation or renewal of assets. For the period under review, the total development expenditure amounted to Kshs. 1,313,461,388. Counties that spent high amounts on development vote include Mandera (65.5 per cent), Makueni (35.1 per cent), West Pokot (28.6 per cent) and Bungoma (26.0 per cent). There were only two counties that had development expenditure above 30 per cent of the total expenditure while 12 counties did not incur any expenditure on development.

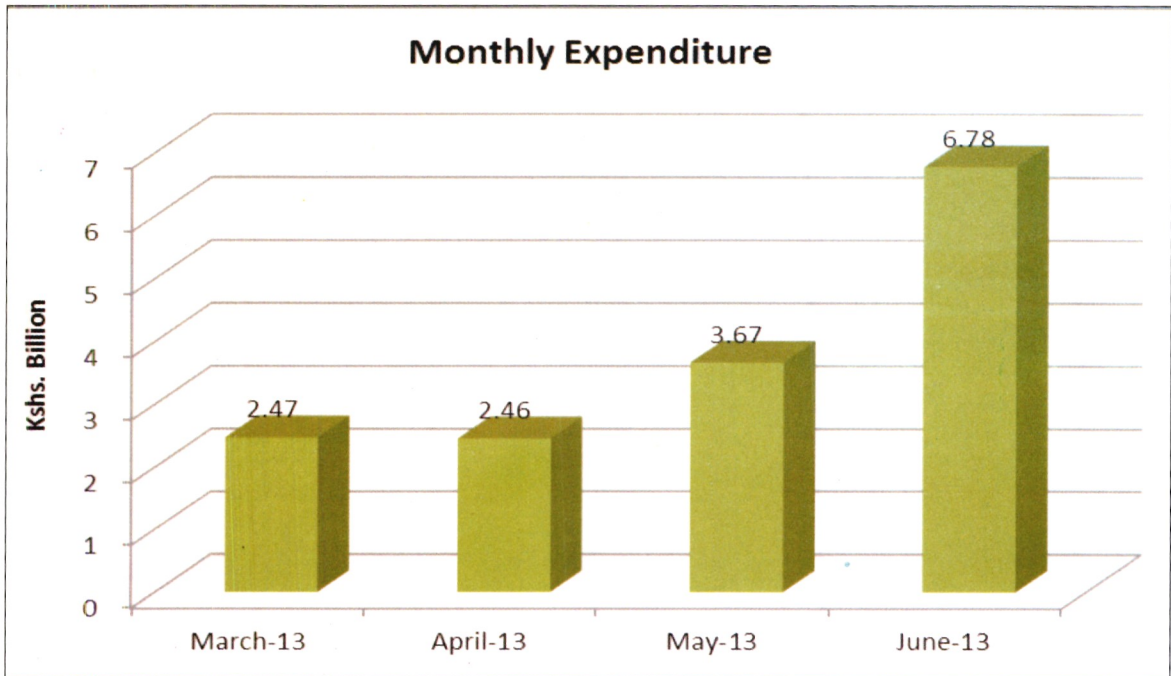
2.2.4 Other Expenditure

Other expenditures incurred by the County Governments included expenses on payment of pending bills/debt repayment, and interests among others. The total expenditure under this category for all the counties amounted to Kshs. 1,694,692,654. Nairobi County spent the highest amount on debt repayment recording Kshs 682,740,213 while Mombasa spent Kshs 189,958,307 on the same.

2.3 MONTHLY EXPENDITURE

Figure 2-2 shows monthly expenditure by the County Governments. It can be observed that total expenditure by the County Governments decreased in April but exhibits an upward trend in both May and June with the highest expenditure being incurred in the month of June 2013. Prudent budgeting and cash flow plans helps to spread the expenditures evenly throughout the year and reduce high expenditures towards the year end usually marred with widespread financial malpractices as the entities rush to utilize the funds.

Figure 2-2: Monthly Expenditure



Source: County Treasuries

3.0 COUNTY PERFORMANCE REPORTS

Article 179 of the Constitution of Kenya, 2010 empowers County Governments to establish the County Executive Committees whose membership should not exceed ten. The County Executive Committee members are accountable to the Governor for the performance of their functions and exercise of their powers since it entails spending of county finances. During the period under review each county had three spending units: County Assembly Services, County Executive Services and Financial Management Services. The Counties received Kshs. 9,783.6 million from national government and spent Kshs. 9,446.0 million mainly on personnel emoluments and operations. A number of counties reallocated their budgets according to their key priorities during the period under review. In addition, the defunct local authorities spent Kshs. 6,779.6 million in the same period contrary to Article 207 (1) of the Constitution of Kenya, 2010 and Section 109 (2) of the PFM Act, 2012 which requires that all revenue collected should be swept to the County Revenue Fund and releases are subject to an appropriation by legislation of the County and approval by the Controller of Budget.

Table 2 shows the revenues, expenditures and absorption rates by the counties in the period March to June 2013.

Table 1: Analysis of Expenditure by County (Kshs. million)

County Name	Revenue (Kshs. Millions)	Expenditure by spending units (Kshs. Millions)				Total Expenditure (Kshs. Millions)	Absorption
		County Executive	County Assembly	County Treasury	Former Councils		
Baringo	267.9	102.3	53.7	11.2	67.6	234.9	87.7
Bomet	270.0	119.8	24.4	0.0	55.9	200.1	74.1
Bungoma	434.0	81.2	98.7	176.6	0.0	356.5	82.1
Busia	338.3	221.5	46.9	39.2	0.0	307.6	90.9
Elgeyo Marakwet	203.5	18.5	54.8	17.6	39.2	130.1	64.0
Embu	287.0	115.0	10.6	54.7	0.0	180.3	62.8
Garissa	294.1	43.5	52.6	74.3	6.4	176.8	60.1
Homa Bay	303.4	90.9	45.9	51.8	0.0	188.6	62.1
Isiolo	212.3	16.8	38.1	79.3	0.0	134.2	63.2
Kajiado	352.5	35.3	101.4	84.5	53.7	274.9	78.0
Kakamega	487.1	207.0	69.5	76.3	1.9	354.6	72.8
Kericho	260.5	39.0	152.8	27.3	0.0	219.1	84.1

County Name	Revenue (Kshs. Millions)	Expenditure by spending units (Kshs. Millions)				Total Expenditure (Kshs. Millions)	Absorption
		County Executive	County Assembly	County Treasury	Former Councils		
Kiambu	950.0	87.8	54.3	0.0	513.8	655.9	69.0
Kilifi	515.5	54.1	102.2	40.6	0.0	196.9	38.2
Kirinyaga	300.3	115.7	85.0	19.1	0.0	219.8	73.2
Kisii	406.4	118.7	82.9	51.9	76.2	329.7	81.1
Kisumu	664.6	191.6	15.4	8.1	210.1	425.2	64.0
Kitui	493.4	61.6	101.9	26.1	121.1	310.7	63.0
Kwale	303.0	7.8	43.6	144.4	0.0	195.8	64.6
Laikipia	289.9	28.3	72.4	29.2	153.6	283.5	97.8
Lamu	157.9	5.2	14.6	5.0	2.3	27.1	17.2
Machakos	835.8	62.1	110.2	85.0	70.4	327.7	39.2
Makueni	515.4	129.7	62.2	43.1	0.0	235.0	45.6
Mandera	408.9	12.2	13.3	188.7	0.0	214.3	52.4
Marsabit	262.2	27.5	19.5	148.0	0.0	195.0	74.4
Meru	443.1	35.5	83.7	36.4	207.0	362.5	81.8
Migori	332.3	40.3	144.7	96.1	0.0	281.1	84.6
Mombasa	1,132.0	0.7	3.3	287.9	602.5	894.5	79.0
Muranga	477.5	134.0	39.0	164.6	0.0	337.5	70.7
Nairobi	4,360.4	35.0	162.1	270.7	3,411.9	3,879.8	89.0
Nakuru	1,004.2	88.8	102.1	21.9	86.0	298.8	29.8
Nandi	278.1	136.7	10.5	29.4	99.3	275.8	99.2
Narok	473.0	26.2	99.1	36.6	233.7	395.6	83.6
Nyamira	240.0	34.6	89.7	32.2	0.0	156.5	65.2
Nyandarua	271.9	39.1	46.0	60.5	34.7	180.2	66.3
Nyeri	562.6	23.8	84.3	23.4	210.4	342.0	60.8
Samburu	230.1	16.9	37.4	74.0	7.4	135.8	59.0
Siaya	287.0	30.5	95.1	24.2	0.0	149.9	52.2
Taita Taveta	206.4	49.3	14.1	30.7	27.8	121.9	59.0
Tana River	244.6	21.0	15.0	65.3	0.0	101.3	41.4
Tharaka Nithi	209.5	49.0	31.3	37.9	23.4	141.5	67.5
Trans Nzoia	541.2	42.0	105.1	36.4	49.4	232.9	43.0
Turkana	359.9	155.0	68.8	0.0	0.0	223.8	62.2
Uasin Gishu	615.3	42.5	98.2	84.9	339.9	565.5	91.9
Vihiga	242.3	47.2	77.4	28.5	0.0	153.0	63.2
Wajir	417.2	125.9	64.8	141.5	73.9	406.1	97.3
West Pokot	233.6	74.3	43.7	97.4	0.0	215.4	92.2

County Name	Revenue (Kshs. Millions)	Expenditure by spending units (Kshs. Millions)				Total Expenditure (Kshs. Millions)	Absorption
		County Executive	County Assembly	County Treasury	Former Councils		
Total	22,976.3	3,241.5	3,042.1	3,162.4	6,779.6	16,225.6	70.6

Source: County Analysis by OCoB

3.1 COUNTY ASSEMBLY

Article 185 of the Constitution of Kenya, 2010 and section 8 of the County Governments Act, 2012 mandates the County Assemblies to enact laws necessary for the effective performance of county functions listed under the fourth schedule of the Constitution. The mandate also includes budget approvals, appropriation of county funds and oversight roles over the activities of the County Executives.

3.1.1 Key Priorities

In respect to budget implementation, County Assemblies are obliged to ensure prudent use of public funds. County Assemblies are expected to approve budgets of County Governments in accordance with Article 207(2) (b) of the Constitution, and the legislation contemplated in Article 220(2) guided by the principles of public finance. Most County Assemblies prioritized refurbishment of offices and purchase of Hansard equipment during the period under review. Other expenses included payment of salaries, administrative expenses and capacity building related expenses.

3.1.2 Expenditure

The total expenditure for all County Assemblies for the period under review was Kshs. 3,042.1 million which represents 18.8 per cent of the total expenditure by the counties. Nairobi County Assembly had the highest expenditure of Kshs. 162.1 million while Mombasa County Assembly had the lowest expenditure of Kshs. 3.3 million.

3.2 COUNTY EXECUTIVE SERVICES

Article 179 of the Constitution stipulates that the executive authority of the County is vested in the County Executive Committee comprising of the Governor, Deputy Governor and members of the County Executive Committees. The Governor is empowered by section 35 of the County Governments Act 2012, to appoint County Executive Committee members to head various departments subject to the approval by County Assemblies.

3.2.1 Key priorities for the County Executive Services Department

The mandate of the County Executive Service department is to supervise administration and delivery of services in the counties and in all decentralized units (sub counties, wards and villages). In exercising their functions, the County Executive should adhere to the principles of public finance as set out in Chapter Twelve of the Constitution and maintain fiscal responsibility principles as provided in section 107 of PFM Act, 2012. The County Executive should promote national values and observe the principles of collective responsibility. As the executive arm of the County government, the County Executive priority is to ensure that the budget is executed as approved by the County Assembly.

3.2.2 Expenditure

The total expenditure for all County Executive departments was Kshs.3,241.5 million which represents 20.0 per cent of the total expenditure by all counties. Busia County Executive Services had the highest expenditure which stood at Kshs. 221.5 million whereas Mombasa had the least expenditure of Kshs. 0.7 million.

3.3 FINANCE MANAGEMENT SERVICES

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

3.3.1 Expenditure

The Finance Management Services department spent Kshs 3,162.30 million representing 19.5 per cent of the total expenditure by all counties. Mombasa County Finance Management Services had the highest expenditure of Kshs. 287.9 million whereas Lamu County Finance Management Services had the lowest expenditure of Kshs. 5.0 million.

3.4 SPENDING BY DEFUNCT LOCAL AUTHORITIES DEPARTMENTS

The Local Government Act (Cap 265) which anchored the spending and revenue raising powers of the Local Authorities was repealed after the first election under the Constitution of Kenya, 2010 as provided by section 134 of the County Government Act of 2012. Though the County Government Public Finance Management Transition Act of 2013 has continued the revenue raising powers of the counties under section 22, the authority to spend has not been continued.

The OCoB noted that the defunct Local Authorities departments spent a total of Kshs. 6,779.6 million in disregard of the law out of which only Kshs. 95.3 million had been appropriated by the respective County Assemblies and authorised by the OCoB. The bank accounts under the defunct Local Authorities were to be frozen and then closed by 28th February 2013 as

per the directive issued by the Transition Authority. This directive was ignored and public funds were deposited and expended directly at source in total disregard of the law.

3.5 INDIVIDUAL COUNTY SUMMARIES

This chapter summarizes budget implementation activities by highlighting budgets, realized revenues and incurred expenditures in each County. Expenditure analysis is discussed with respect to the three operational units; County Executive, County Assembly and Finance Management Service. The counties have been discussed in an alphabetical order.

Baringo County

The County was allocated Kshs. 167,256,975 from the national government and collected Kshs. 39,048,640 from local sources bringing the revenue to Kshs. 206,305,615. In addition, the County also received Kshs. 61,592,200 from the Transition Authority (TA) towards infrastructure development. During the period under review, the County's recurrent budget was estimated at Kshs. 167,256,975.

The Office of Controller of Budget (OCoB) authorised exchequer issues worth Kshs 167,256,975 while the Transition Authority (TA) gave out an Authority to Incur Expenditure (AIE) on the Kshs. 61,592,200 grant. County expenses for the four months amounted to Kshs. 234,886,294. The County Executive spent Kshs. 102,301,867 the County Assembly spent Kshs. 53,732,386 while the County Treasury spent Kshs. 11,222,722. The OCoB has noted that the County Treasury spent Kshs. 67,629,320 out of Kshs. 78,852,041 without an approved supplementary budget from the County Assembly.

The TA's AIE remained unspent as at end of the financial year and the County did not undertake any development program during this period.

Bomet County

The County received Kshs. 177,291,444 from the national government and collected Kshs. 31,152,044 from local sources amounting to a total of Kshs. 208,443,488. In addition, the County received Kshs. 61,592,200 from the Transition Authority (TA) towards infrastructure development. The OCoB authorised exchequer issues worth Kshs. 177,291,444 to cater for recurrent activities.

Total expenditure by the County was Kshs. 200,050,792 of which Kshs 24,398,283 (12 per cent) was spent by the County Assembly Service, Kshs 119,791,097 (60 per cent) catered for County Executive Services while the defunct County Councils spent Kshs. 55,861,411 (28 per cent). The OCoB has noted that the defunct county council spent Kshs. 22,759,348 out of Kshs. 55,861,411 without the County Assembly passing a supplementary budget for the same.

The TA's AIE remained unspent as at end of the financial year and there was no development expenditure reported during this period.

Bungoma County

The County was allocated Kshs. 289,098,464 from the national government and collected Kshs. 46,358,675 from local sources which amounted to a total of Kshs. 335,457,139. In addition, the County received Kshs. 61,592,200 from the TA towards the infrastructure development and Kshs. 36,909,620 from LATF through the Bungoma Municipal Council.

The OCoB authorized exchequer issues amounting to Kshs. 289,098,458 to cater for recurrent expenditure while TA issued an AIE of Kshs. 61,592,200 making a total of Kshs. 387,600,278 available for use by the County.

The County's total expenditure for the period was Kshs. 356,480,392 of which Kshs 92,568,622 (26 per cent) was spent on development activities while Kshs. 263,911,770 (74 per cent) went to recurrent expenditure. During the quarter only three departments were operational and spent as follows; Financial Management Kshs. 176,589,501 (50 per cent), County Assembly Kshs. 98,654,915 (28 per cent) and County Executive Services Kshs.81,235,976 (23 per cent).

Busia County

The County received Kshs. 204,893,279 from the national government and collected Kshs. 71,848,523 from local sources bringing the total revenue to Kshs. 276,741,802. In addition, the County received Kshs. 61,592,200 from the Transition Authority (TA) towards infrastructure development. Exchequer issues amounting to Kshs. 204,893,243 were released for recurrent activities in the four months period while TA issued an AIE of Kshs 61,592,000 for development expenditure.

The County Budget estimate for the period was Kshs. 204,893,278 but it spent Kshs 307,616,338. The County Executive Services spent Kshs. 221,529,016 (72 per cent) while County Assembly Services spent Kshs. 46,893,959 (15 per cent) and the Financial Management Services spent the balance of Kshs. 39,193,363 (13 per cent). This implies that Kshs. 102,723,060 was spent by the County without a supplementary budget approved by the County Assembly.

Out of the TA's AIE for development activities, Kshs. 39,193,363 was spent representing an absorption rate of 64 per cent.

Elgeyo-Marakwet County

The County was allocated Kshs. 123,169,798 from the national government and collected Kshs. 18,697,094 from local sources amounting to Kshs. 141,866,892. In addition, the

County received Kshs. 61,592,200 from the Transition Authority (TA) towards infrastructure development. The OCoB authorised exchequer issues amounting to Kshs. 123,169,798 to be spent on personnel emoluments and recurrent activities

The total expenditure for the County was Kshs. 130,137,409 which comprised of Kshs. 18,525,024 (14 per cent) spent on County Executive, Kshs. 54,805,926 (42 per cent) on County Assembly, Kshs. 17,608,115 (14 per cent) on Financial Management Services and Kshs. 39,198,344 (30 per cent) being spent by the former Councils. This analysis shows that the County spent Kshs. 6,967,611 without a supplementary budget approved by the County Assembly as stipulated by the PFM Act, 2012.

A total of Kshs. 47,204,231 was spent from the TA's AIE representing an absorption rate of 77 per cent as at end of the financial year.

Embu County

The County received Kshs. 144,564,942 from the national government and collected Kshs. 80,862,924 from local sources bringing the revenue to Kshs. 225,427,866. In addition, the County received Kshs. 61,592,200 from the Transition Authority (TA) towards infrastructure development. The OCoB authorised exchequers issues amounting to Kshs. 144,564,942 to enable the County undertake its recurrent activities.

During the period under review, Kshs. 180,333,869 was spent on recurrent activities. The County Executive spent Kshs. 115,048,609 (64 per cent) while the County Assembly and Financial Management Services spent Kshs. 10,593,876 (6 per cent) and Kshs. 54,691,384 (30 per cent) respectively. From this analysis, Kshs. 35,768,927 was spent from the local revenue collections without a supplementary budget approved by the County Assembly.

The county treasury reported that the TA's AIE of Kshs. 61,592,200 was fully committed as the end of the financial year.

Garissa County

The County was allocated Kshs. 217,388,329 from the national government and collected Kshs. 15,090,673 from local sources which amounted to total revenue of Kshs. 232,479,002. In addition, the County received Kshs. 61,592,200 from the Transition Authority (TA) towards infrastructure development.

The OCoB approved an exchequer issue of Kshs. 217,388,329 as per the Transition County Appropriation Act, 2013. The County spent Kshs. 176,767,705 (performance of 81 per cent) on recurrent activities distributed to personnel emoluments Kshs 51,116,692 and operational maintenance Kshs 125,651,013. From a departmental perspective, the County Executive spent Kshs. 43,518,241 (23 per cent) while the County Assembly and Financial Management Services spent Kshs. 52,574,773 (30 per cent) and Kshs. 74,295,959 (42

per cent).The former councils spent Kshs. 6,378,733 (4 per cent) without an approved supplementary budget during the same period.

The AIE from TA remained unspent as at end of the financial year and the County did not report any development expenditure during this period.

Homa Bay County

The County received Kshs. 212, 227,538 from the national government and collected Kshs. 29,626,917 from local sources bringing the revenue to Kshs.241,854,455. In addition, the County received Kshs. 61,592,200 from the TA towards infrastructure development.

Out of the authorised exchequer issue of Kshs.212,227,528, the three operational departments in the County spent Kshs 188,556,989 on the recurrent vote achieving an absorption rate of 89 per cent. The County Executive Services spent the highest at Kshs 90,905,603(48 per cent), Finance Management Services Kshs 51,777,562 (27 per cent) and County Assembly Services Kshs 45, 873,824 (24 per cent).

The County Treasury did not report any development activities during the period and the AIE from TA remained unspent as at the end of the financial year.

Isiolo County

The County was allocated Kshs. 115,138,304 from the national government and collected Kshs. 35,611,084 from local sources which amounted to total revenue of Kshs. 150,749,388. The county also received Kshs. 61,592,200 from the TA towards the infrastructure development.

From the Kshs. 115,138,295 authorised by OCoB for recurrent expenditure, Kshs.110, 560,138 was utilized attaining an absorption rate of 96 per cent. The Financial Management Services spent Kshs. 55, 641,558 (50 per cent), County Assembly Services Kshs38, 113,232 (35 per cent) and County Executive Services Kshs. 16, 805,348 (15 per cent).

The Kshs. 61,592,200 from TA was absorbed 100 per cent on infrastructure development as per the guidelines issued by the Transition Authority.

Kajiado County

The County received Kshs. 166,166,769 from the national government and collected Kshs. 124,736,941 from local sources which amounted to total revenue of Kshs. 290,903,710. In addition, the County received Kshs. 61,592,200 from Transition Authority towards infrastructure development. Local revenue was mainly collected from: business permits; sand harvesting, gravel and ballast extraction fee; fruits and vegetables; building plan approval fee; and barter market fee. The total exchequer issues released to the County for the period under review was Kshs. 166,166,769 for personnel emoluments, operations and

maintenance expenses.

The County gross recurrent expenditure for the March to June period was Kshs. 274,923,441 against the approved budget of Kshs. 166,166,769. The County Assembly services spent Kshs. 101,390,563; County Executive Service spent Kshs. 35,325,134, Management Services spent Kshs. 84,483,272. Out of the local revenue collections of Kshs. 124,294,732, an expenditure of Kshs. 53,724,472 was not appropriated by the County Assembly.

The Kshs. 61,592,200 received from Transition Authority a total of Kshs. 55,032,200 was spent on refurbishment of various offices, putting up of prefabs to be occupied by some of the members of the executive committee and staff among other things, leaving an unspent balance of Kshs. 6,560,000 as at 30th June 2013.

Kakamega County

The county received Kshs. 335,494,219 from the national government and collected Kshs. 89,979,207 from local sources amounting to Kshs. 425,473,426. In addition, the County received Kshs. 61,592,200 from the Transition Authority to renovate and refurbish the former Provincial Commissioner offices in order to accommodate County staff. An analysis of the locally collected revenue shows that the major sources being single business permits which contributed 36 per cent, property rates 15 per cent and market fees 14 per cent. The County received Kshs. 335,494,219 as exchequer issues for the period under review.

A total of Kshs. 293,132,057 of the Kshs 335,494,219 received from the National Treasury was spent during the period while Kshs. 61,423,000 was spent from the TA's AIE of Kshs. 61,592,200 bring the total County expenditure to Kshs. 354,555,057. The County Executive spent the highest amount at Kshs. 206,965,566 whereas County Assembly and Financial Management unit spent Kshs. 69,462,716 and Kshs. 76,267,610. In addition, the former councils spent Kshs. 1,859,165 during the period under review.

Kericho County

The County was allocated Kshs. 169,668,084 from the national government and collected Kshs. 29,233,735 from local sources amounting to total revenue of Kshs. 198,901,819. In addition, the County received Kshs. 61,592,200 from the Transition Authority to cater for infrastructure development such as refurbishments and purchase of Hansard equipment. The major sources for local revenues were from property rates, cess rates, parking fees, market fees and single business permit. The County received exchequer issues amounting to Kshs. 169,668,084 during the period as per the Transition County Appropriation Act, 2013.

The County's total expenditure was Kshs. 219,113,482 during the period under review. This amount was spent as follows: County Executive, Kshs. 39,045,559; County Assembly Service spent Kshs. 152,791,218; and Financial Management Services spent Kshs. 27,276,706. The

analysis shows that the County Treasury spent Kshs. 25,854,120 without an appropriation budget approved by the County Assembly.

The county spent Kshs. 23,591,279 from the TA's AIE for the refurbishments of county headquarter offices and purchase of Hansard equipment for the County Assembly. The county treasury has confirmed that as at the end of the financial year Kshs. 38,000,921 was outstanding in the bank account as unspent balance.

Kiambu County

The County was allocated Kshs. 281,065,927 from national government and collected Kshs. 442,709,560 from local sources bringing the revenue to Kshs. 723,775,487 as total revenue. In addition, the County received Kshs. 61,592,200 from Transition Authority to cater for infrastructure development and Kshs. 164,595,503 as LATF. A breakdown of the locally collected revenue shows that Thika sub-county contributed the highest share at 27 per cent of the total amount while Kiambaa sub-county had the lowest at 4 per cent. The total exchequer issues released to the County was Kshs. 281,065,884 as per the Transition County Appropriation Act, 2013.

During the period under review, the County's total expenditure was Kshs. 655,855,005. The County Assembly was allocated Kshs. 91,760,800 but spent Kshs. 54,276,324 on recurrent activities, an absorption rate of 59 per cent. The County Executive was allocated Kshs. 189,305,127 but spent Kshs. 87,822,706 representing an absorption rate of 46 per cent. The defunct local authorities spent Kshs. 513,755,975 without an approved supplementary budget by the County Assembly during the period under review.

The AIE from TA was not utilized during this period and remained unspent as at the end of the financial year.

Kilifi County

The County was allocated Kshs. 280,233,425 from the national government and collected Kshs. 173,700,905 from local sources amounting to Kshs. 453,934,330. In addition, the County received Kshs. 61,592,200 from the Transition Authority towards infrastructure development. An analysis of the locally collected revenue shows that Malindi and Mariakani sub-counties contributed the most, at 36 per cent and 26 per cent respectively. The total exchequer issues released to Kilifi County was Kshs. 280,233,425 to cater for recurrent activities.

The County spent a total of Kshs. 196,901,544 during the period under review. The County Executive spent Kshs. 54,112,332, County Assembly Services, Kshs. 102,185,670, and Financial Management Services Kshs. 40,603,542 on salaries and other administrative activities.

The County was able to absorb Kshs. 60,169,621 on infrastructure development activities from TA's AIE of Kshs. 61,592,200 as at the end of the financial year.

Kirinyaga County

The County received Kshs. 133,240,926 from national government and collected Kshs. 89,810,777 from local sources amounting to a total of Kshs. 223,051,703. In addition, the County received Kshs. 61,592,200 from Transition Authority towards infrastructure development and Kshs. 15,702,064 as LATF in the period under review. The former Kirinyaga County Council had the highest revenue and contributed 57.8 per cent of the total local revenues. The exchequer issues released to the County for the period under review was Kshs. 133, 240,926. This amount was used to pay County staff salaries as well as meet other administrative expenditure.

The County total recurrent expenditure for the period under review was Kshs. 219,808,855. The County Executive Services spent the most, at Kshs. 115,706,456 while Financial Management Services and County Assembly spent Kshs. 19,107,272 and Kshs. 84,995,127 respectively. A further analysis of the expenditure shows that the former Local Authorities in the County spent Kshs. 51,495,576 for salaries in the Month of March 2013 and on operation and maintenance for the Month of April to June 2013. This expenditure was not authorised by the County Assembly as stipulated by law.

A total of spent Kshs. 47,234,708 out of Kshs. 61,592,200 allocated by the Transition Authority for infrastructural and civil work was spent as at the end of the financial year.

Kisii County

The County was allocated Kshs. 267,165,122 from the national government and collected Kshs. 77,651,897 from local sources totalling to Kshs. 344,817,019. Additionally, the County received Kshs. 61,592,200 from the Transition Authority towards infrastructure development. The major sources for locally collected revenue were Single Business Permits (28 per cent), Market Fee (22 per cent) and Bus Park Fees (16 per cent). The total exchequer issues released to the County was Kshs. 267,165,122.

During the period under review, the County's total expenditure was Kshs. 329,668,944. The County Executive department spent Kshs. 118, 678, 644 or 36 per cent of total expenditure. The County Assembly spent Kshs. 82,917,539 (25 per cent) while the Financial Management Services spent Kshs. 51,886,403 representing 16 per cent of the total expenditure. In addition, Kshs. 76,186,358 was spent by former municipal councils during the period under review without a supplementary budget approved by the County Assembly.

The OCoB could not ascertain as to whether the TA's AIE of Kshs. 61,692,200 was utilized as per the guidelines provided since the County Treasury had not been furnished with the itemised expenditure returns for the same.

Kisumu County

The County was allocated Kshs. 213,967,379 from the national government and collected Kshs. 221,536,239 from Local Sources bringing the revenue to Kshs. 435,503,618. In addition, the County received Kshs. 61,592,200 from Transition Authority towards infrastructure development and Kshs. 167,519,873 as LATF. The major sources of local revenue were Land Rates (23 per cent), Business Permits (21 per cent), and Parking Fees (19 per cent). The OCoB approved exchequer amounting to Kshs. 213, 967, 379 for recurrent activities.

During the period under review, the County's total expenditure stood at Kshs. 425,200,537. The County Executive Services expenditure was the highest, at Kshs. 191,613,405 while County Assembly and Financial Management Services spent Kshs. 15,372,453 and Kshs. 8,082,200 respectively. In addition, Kshs. 210,132,479 was spent by former Municipal Councils during the same period. The former Municipal Councils spent Kshs. 25,624,000 without a supplementary budget passed by the County Assembly. From the TA's AIE, Kshs. 12,461,747 was spent on infrastructure development as at the year end.

Kitui County

The County received Kshs. 273,681,740 from the national government and collected Kshs. 90,024,888 from local sources which amounted to a total of Kshs. 363,706,628. In addition, the County received Kshs. 61,592,200 from Transition Authority for infrastructure development and Kshs. 68,102,782 as LATF. The main sources for locally collected revenue were Market management Unit (47 per cent), Business Permit Management Unit (23 per cent) and Financial Management Unit (11 per cent). The OCoB released Kshs. 273,681,740 as exchequer issues to cater for recurrent expenses for the period under review.

The total expenditure for the period March to June 2013 stood at Kshs. 310,692,686. The County Assembly Services expenditure was the highest at Kshs. 101,926,343 while the County Executive Services and Financial Management Services spent Kshs. 61,577,493 and Kshs. 26,123,849 respectively. In addition, Kshs. 121,065,000 was spent by former municipal councils during the period under review without a supplementary budget approved by the County Assembly.

Transition Authority's AIE was not utilized by the County Treasury and the Kshs, 61,592,200 remained unspent as at end of the financial year.

Kwale County

The County was allocated Kshs. 193,053,229 from the national government and received Kshs. 48,331,625 from its local revenue collections making a total of Kshs. 241,384,854 in the period March to June 2013. The County also received Kshs. 61,592,200 from Transition Authority for the construction of county offices and governor's official residence.

The OCoB authorised the release of Kshs. 270,931,761 comprising of Kshs. 193,053,229 from the national government revenue and Kshs. 78,283,532 from its local revenues. In this regard, the County sought the authority of the Controller of Budget to spend its local revenues that had been swept to the County Revenue Fund as required by Article 207 of the Constitution.

In its budget, the County estimated its expenditure at Kshs. 431,566,400 in the period March-June 2013 consisting of recurrent expenditure of Kshs. 330,005,484 and development expenditure estimates of Kshs. 101,560,916. The budgets for the main spending units were as follows: Kshs. 101,699,001 for County Assembly; Kshs. 44,899,858 for County Executive; Kshs. 44,354,340 for Financial Management Services and Kshs. 238,613,201 for Administration Departments.

The total expenditure for the County was Kshs. 195,786,834, an absorption rate of 45.4 per cent. An analysis of the spending units shows that the Finance Management Services spent Kshs. 30,253,473; County Executive spent Kshs. 7,779,871; County Assembly spent Kshs. 43,604,390, and the Administration Department spent Kshs. 114,149,100.

The infrastructure fund from Transition Authority was unspent as at end of the financial year and the County Treasury did not report any development activity during the period.

Laikipia County

The County was allocated Kshs. 129,910,803 by the national government and collected Kshs. 98,387,612 from local sources totaling to Kshs. 228,298,415 in the period March to June 2013. In addition, the County received Kshs. 61,592,200 from TA as a conditional grant for infrastructure development.

During the period March to June 2013, Laikipia county government had spent a total of Kshs. 283,533,649 as follows; County Assembly Services spent Kshs. 72,397,812; County Executive Services Kshs. 28,264,954; Financial Management Services spent Kshs. 29,248,037, and the defunct Local Councils spent Kshs. 148,157,506. Further, Kshs. 5,465,340 was spent for the purchase of the County Assembly Hansard.

The AIE from TA was not fully utilized and Kshs. 56,126,860 remained unspent as at the end of the financial year.

Lamu County

The County received Kshs. 77,260,390 from the national government as well as collected local revenues of Kshs. 12,834,971 bringing the revenue to Kshs. 90,095,361 in the period March-June 2013. The County also received Kshs. 61,592,200 from the Transition Authority as conditional grant for infrastructure development. In addition, the County received Kshs. 6,249,178 from Local Authority Transfer Fund (LATF) that was issued to the defunct Lamu

County Council.

The county spent a total of Kshs. 27,107,134 mainly for its recurrent activities. The County Assembly spent Kshs. 5,223,410; County Executive spent Kshs. 14,571,552; Financial Management Services spent Kshs. 4,977,834 while the former Councils spent Kshs. 2,334,338 without a supplementary budget approved by the County Assembly.

The conditional grant from TA was unspent as at the end of the financial year and the County treasury did not report any development activity during the period.

Machakos County

The County was allocated Kshs. 254,918,456 from the national government and collected Kshs. 285,088,651 as local revenue in the period March-June 2013. In addition, the Transition Authority gave the County an infrastructure development grant of Kshs. 61,592,000. The County also received LATF of Kshs. 234,155,928.

The total expenditure amounted to Kshs. 327,676,320 comprising of Kshs. 292,237,417 as recurrent expenditure and Kshs. 35,438,903 as development expenditure. The spending units for the County were County Assembly, County Executive, Finance Management Services, County Image Directorate, and County Public Service Board. In this regard, the exchequer issued was spent as follows: County Assembly spent Kshs. 110,191,337; the County Executive spent Kshs. 62,065,905; Finance Management Services spent Kshs. 85,015,233; County Image Directorate spent Kshs. 34,038,943 and the County Public Service Board spent Kshs. 836,000. The analysis Kshs. 70,403,845 was spent by the County Treasury from the local collections without a supplementary budget approved by the County Assembly.

The county reported absorption of Kshs. 35,438,903 on development activities from the AIE advanced to the county by TA as at the end of the financial year.

Makueni County

The revenue allocated to the County from the national government was Kshs. 224,836,164 while that collected from local sources was Kshs. 72,570,534 making a total of Kshs. 297,406,698 during the period March to June 2013. The County also received funds from TA amounting to Kshs. 61,592,200. In addition, the County received LATF of Kshs. 156,373,669.

The total expenditure for the County was Kshs. 234,980,048. The County Assembly spent Kshs. 62,242,708; County Executive spent Kshs. 129,670,944; and Finance Management Services spent Kshs. 43,066,396. From the analysis a total of Kshs. 10,143,884 was spent by the defunct local council as they had not been appropriated by the County Assembly.

The AIE received from TA remained unspent as at end of the financial year while the LATF

funds were misappropriated and could not be accounted by the County Treasury.

Mandera County

The County was allocated Kshs. 337,276,386 from the national government and collected Kshs. 7,053,062 as local revenue in the period March to June 2013. The County also received Kshs. 61,592,200 from the TA for infrastructure development. Additionally, the County received LATF amounting to Kshs. 3,019,840.

The total expenditure for the County was Kshs. 214,262,769 representing 63.5 per cent of the total allocations. County Assembly spent Kshs. 13,315,351; County Executive spent 12,198,699 and Financial Management Services spent Kshs. 188,748,719. Out of the total expenditure of Kshs. 214,262,769, development expenditure amounted to Kshs. 140,243,072.

Out of the AIE from Transition Authority, Kshs. 9,028,678 was spent to pay the rental charges for the County Government Offices while the balance was still unspent as at end of the financial year.

Marsabit County

In the period March to June 2013, the County received Kshs. 195,437,951 from the national government and collected local revenue of Kshs. 5,202,000 bringing the revenue to Kshs. 200,639,951. Transition Authority gave the County Kshs. 61,592,200 as a conditional grant for infrastructure development. The County also received Kshs 462,109 from the defunct Moyale and Marsabit County Councils being balances in their respective bank accounts.

The total recurrent budget for FY 2012/2013 for all departments was Kshs. 195,437,951. The total recurrent expenditure for the period under review cumulatively stood at Kshs. 194,982,658 which represents 99.8 per cent of the gross estimates. The highest spending unit was Financial Management Services at Kshs. 147,987,512 whereas County Executive Services spent Kshs. 27,518,073 and County Assembly Services spent the lowest amount at Kshs. 19,477,077.

The AIE from TA of Kshs. 61,592,200 were released for development expenditure and Kshs. 6,044,040 was allocated for Hansard purchase and Kshs 55,548,160 was meant for the development of the County infrastructure. The funds were not absorbed by as at the end of the financial year and remained unspent.

Meru County

The revenue allocated to the County from the national government was Kshs. 244,561,818 while Kshs. 136,903,867 was collected as local revenue between March and June 2013. The national government grant allocated to the County Assembly was Kshs. 164,765,675,

County Executive Kshs. 44,549,387 and Financial Management Services Kshs. 35,246,757. The County also received the TA grant of Kshs. 61, 592,200 for infrastructure development.

The county spent Kshs. 155,561,813 of the exchequer released. The County Assembly Services spent Kshs. 83,677,093 while County Executive Services and Finance Management Services spent Kshs. 35,486,405 and Kshs. 36,398,315 respectively. The County further spent Kshs. 206,954,627 from its local revenue collections without a supplementary budget approved by the County Assembly.

The conditional grant from the Transitional Authority was not utilized during the period and was refunded to the County Revenue Fund Account at the end of the financial year.

Migori County

The total revenue received by the County consisted of the unconditional grant from the national government of Kshs. 219,826,411 and local revenue collections of Kshs. 50,920,578 in the period March to June 2013. The County also received Kshs. 61,592,200 from TA as a conditional grant for infrastructure development. The County Assembly was allocated Kshs. 146,623,967 whereas the Financial Management Services and County Executive Services were earmarked to receive Kshs. 31,799,907 and Kshs. 41,102,537 respectively.

The total expenditure for the County was Kshs. 281,118,611 where the County Assembly spent Kshs. 144,719,909; County Executive Services spent Kshs. 40,264,706; and Financial Management Services spent Kshs. 34,841,796.

The AIE of Kshs. 61,592,200 from the Transition Authority has been committed to refurbishment of buildings, purchase of office equipment and furniture for both executive and county Assembly. Construction of building was on-going as at the end of the financial year.

Mombasa County

The County was allocated Kshs. 195,756,188 from national government whereas Kshs. 436,074,955 was collected as local revenue in the period March to June 2013. The TA grant to this county amounted to Kshs. 61,592,200. In addition, the County received LATF of Kshs. 497,283,546.

The County Treasury requested authority for the release of the national government grant amounting to Kshs. 137,029,328 during the period under review representing 70 per cent of the total grant. The county however continued to collect and spend local revenues through the defunct council accounts against the law

The total expenditure for the County during the period under review was Kshs. 894,549,935. This consisted of Kshs. 892,576,335 for recurrent and Kshs. 1,973,600 for

development expenditure. Debt repayment amounted to Kshs. 189,958,307; operations Kshs. 246,859,526; while personnel was Kshs. 455,758,502. The AIE from TA was unspent as at the end of the financial year.

Challenges encountered during budget implementation include a high wage bill inherited from the defunct Municipal Council of Mombasa, heavy debt obligations and inadequate human and infrastructural capacity especially for the budgeting function.

Murang'a County

The County received Kshs. 201,712,526 from the national government and also collected Kshs. 214,163,663 from local sources, totalling to Kshs. 415,876,189. In addition, the County received Kshs. 61,592,200 from the Transition Authority for infrastructure development. The OCoB authorised exchequer release of Kshs. 201,712,526. The local revenue raised by the County was below target by 40 per cent and was also lower by 17 per cent compared to same period in 2011/2012 financial year.

The Murang'a County Government spent a total of Kshs. 337,525,972 in the period under review, which was higher than the appropriated amount received as national grant. This variance is due to un-reconciled transactions and spending of funds that was not approved by the County Assembly. The expenditure analysis was as follows: County Assembly spent Kshs. 38,997,775; County Executive spent Kshs. 133,976,947 and the Financial Management Services spent Kshs. 164,551,250. The county also spent Kshs. 60,418,775 from the Transition Authority on purchase of Vehicles, Purchase of Furniture, Repair of head-quarters Complex, IT networking and Fixing Cabro Paving in the Governor's Residence.

Nairobi County

In the period March to June 2013, the County was allocated Kshs. 489,488,844 from the national government and collected Kshs. 2,241,165,418, from local sources. In addition, the County received Kshs. 1,568,147,970 as LATF and Kshs. 61,592,200 from the Transition Authority. The total revenue raised by the County in the period under review amounted to Kshs. 4,360,394,432. The OCOB authorized exchequer releases amounting to Kshs. 489,488,844.

During the period under review, the spending units in the County were the County Executive Services, County Assembly, Financial Management Services and the defunct local authorities. The total expenditure in the County was Kshs. 3,879,787,265 of which Kshs. 3,197,047,052 (87.9 per cent of the total expenditure) was spent by the defunct local authorities. The county executive spent Kshs. 35,021,987 while the County Assembly spent Kshs. 162,086,748 and the Financial Management Services incurred expenditures amounting to Kshs. 270,734,445. The locally collected revenues were used for the month of April to June 2013 to pay administrative cost for the departments and payment of salaries.

The county has however been advised to give a standing instruction to sweep the money to County Revenue Fund Account regularly as per the Public Finance Management Act.

Nakuru County

The County was allocated Kshs. 305,694,565 as national grant, Kshs. 170,683,643, from LATF and also collected local revenues amounting Kshs.466,275,412 in the period March to June 2013. In addition, the County received Kshs. 61,592,200 from the Transition Authority for infrastructure development. The target for local revenue for the period under review was Kshs. 700 million of which 66 per cent was raised. The OCoB released to the County exchequer issues amounting to Kshs. 305,694,565 while the Transition Authority released Kshs. 61,592,200.

The total expenditure for the period under review was Kshs. 298,803,091, an absorption rate of 43.8 per cent. The County had three spending units which were the County Assembly, County Executive Services and Financial Management Services which had expenditures of Kshs. 102,126,827, Kshs. 88,772,410 and Kshs. 21,937,416 respectively. The former County Councils spent total of Kshs. 85,966,438. In total, the expenditure for the County in the period under review was Kshs. 298,803,091. There was low absorption of the funds from the transition authority due to the fact that these funds were received just a few days before the end of the financial year.

Nandi County

In the period March to June 2013, the County received Kshs. 179,079,113 from the national government and collected Kshs. 37,405,911 from local sources. In addition the County received Kshs. 61,592,200 from Transition Authority for infrastructure development bringing the total revenue for the County to Kshs. 278,077,224. The OCoB released exchequer issues amounting to Kshs. 179,079,113 while the TA released Kshs. 61,592,200 for refurbishment of County Headquarters.

The County spent a total of Kshs. 275,827,217 during the period under review. The County had three spending units which were County Assembly services, County Executive Services and Financial Management services which had expenditures of Kshs. 10,500,807, Kshs. 136,659,032 and Kshs. 29,352,433 respectively. The defunct Local Authorities spent Kshs. 99,314,945 on Salaries, Maintenance, Operations and Capital expenditure costs which were not appropriated by the County Assembly.

Narok County

The County was allocated Kshs. Kshs. 199,147,809 as national grant and raised local revenues amounting to Kshs. 212,268,298 in the period March to June 2013. The County also received Kshs. 61,592,200 from the Transition Authority. In total the County raised revenues amounting to Ksh. 473,008,308 during the period under review. The County was

given exchequer release for the national grant of Kshs. 199,147,809 and Kshs. 61,592,200 from the Transition Authority.

The total expenditure for the County during the period under review was Kshs. 395,622,120. The spending units in the County were County Assembly, County Executive Services and Financial Management Services. The County Assembly spent Kshs. 99,070,805 County Executive Services spent Kshs. 26,230,918 and Financial Management Services spent Kshs. 36,572,842. The County spent Kshs. 3.1 million out of Kshs. 61,592,200 allocated by the TA.

Nyamira County

In the period March to June 2013, the County received Kshs. 156,473,885 from the national government and collected Kshs. 21,969,669 from local sources. In addition, the County received Kshs. 61,592,200 from Transitional Authority for infrastructure development. The County therefore raised revenues amounting to Kshs. 240,035,754 during the period under review. The OCoB authorized a total of Kshs. 156,473,885 in form of exchequer issues. The County further received Kshs. 61,592,200 from the Transition Authority as an AIE towards infrastructure development funds.

The County had four spending units in the period under review which were the County Assembly, the County Executive Services, the Financial Management Services and the defunct local authorities. In the period under review, the total expenditure for the County was Kshs. 275,263,575 of which Kshs. 118,800,000 was spent by the defunct local authorities representing 41.3 per cent of the total expenditure. The County Assembly spent Kshs. 89,704,096 while the County executives spent Kshs. 34,606,679 and the Financial Management Services 32,152,800.

Nyandarua County

This County was allocated Kshs.162,223,384 from the national government and collected Kshs. 48,132,509 from local sources during the period March to June 2013. Additionally, the County received Kshs. 61,592,000 from the Transition Authority as infrastructure grant bringing the total revenue for the County to the County to Kshs. 271,947,893 during the period March to June 2013.

The County recorded a total expenditure of Kshs. 180,209,675 for the period under review. The money was spent among the County Assembly, County Executive Services and the Financial Management Services whose expenditures were 45.9 million, Kshs. 39.1 million and Kshs. 60.5 million respectively. However, at the close of the financial year, the County had not spent a total of Kshs. 61.5 million grant from the Transition Authority. This money lapsed at the end of the financial year and was refunded back to the County Revenue Fund.

The revenue collection by the local authorities for the month of March and April 2013

amounting to Kshs. 29,141,255 was used to pay for February and March Salaries, general office operations and maintenance. However, these resources had been deposited to the defunct local authorities' bank accounts which were expected to have been closed by 28th February 2013.

Nyeri County

In the period March to June 2013, the County received Kshs. 167,582,330 from the national government and collected Kshs. 175,265,226 as local revenues. The County further obtained Kshs. 61,592,200 from the Transition Authority and Kshs. 158,172,165 from LATF bringing the total revenue for the County to Kshs. 562,611,921. The OCoB authorised exchequer issues amounting to Kshs. 167,582,328 for recurrent activities.

The total expenditure for the period up to June 2013 amounted to Kshs. 342,011,925 representing an absorption rate of 59 per cent. The expenditure comprised of Kshs. 314,249,360 for recurrent expenditure and Kshs. 27,762,565 for development expenditure. The expenditures for the spending units were Kshs. 84,304,032 for County Assembly, Kshs. 23,840,066 for County Executive, and Kshs. 23,421,051 for Financial Management Services. A further Kshs. 210,446,776 from local collections was used by the County without a supplementary budget approved by the County Assembly.

Samburu County

The County was allocated Kshs. 133,759,268 as national grant and raised local revenues amounting to Kshs. 34,785,135 in the period March to June 2013. The County further received Kshs. 61,592,200 from the Transition Authority for infrastructure development which made the total revenue for the County to amount to Kshs. 230,136,603. The OCoB approved exchequer release of Kshs. 133,759,268 for recurrent expenditure. The county received an AIE of Kshs. 61,592,200 from the Transition Authority for infrastructure development.

The spending units in the County during the period under review were County Assembly, County Executive Services and Financial Management Services. The total recurrent expenditure for the period under review was Kshs. 135,766,349. The Financial Management Services had the highest absorption rate of 97.7 per cent after spending Kshs. 74,017,230 while county executive services spent Kshs. 16,923,747, absorbing 97.1 per cent of its budget. The county assembly had the lowest absorption of 90.5 per cent after spending Kshs. 37,417,085 between March and June 2013. The county also spent Kshs. 7,408,287 through the defunct local authorities and Kshs. 215,000 for infrastructure development from the Transition Authority.

Siaya County

During the period March to June 2013, the County was allocated Kshs. 188,109,598 by the national government and further Kshs. 37,254,937 from local sources. Additionally, the County received Kshs. 61,592,200 from the Transition Authority for infrastructure development. The County therefore raised revenues amounting to Kshs. 290,956,734 during the period under review. The OCoB authorised exchequer releases totalling Kshs. 188,109,597. The Transition Authority further issued the County a conditional grant of Kshs. 61,592,200 through an AIE.

In the period under review, Siaya County spent Kshs. 149,882,761 through its three spending units which were the County Assembly, County executive and the Financial Management Services. The expenditure for the County during the period under review comprised of Kshs. 95,149,744 by the County Assembly, Kshs. 30,511,596 by County Executive Services and Kshs. 24,221,421 by the Financial Management Services.

Taita Taveta County

The County was allocated Kshs. 124,634,357 by the national government and collected Kshs. 20,157,723 from local sources, which amounted to Kshs 144,792,080. In addition, the County received Kshs 61,520,000 from the Transition Authority towards infrastructure development. In the period between March and June 2013, Taita Taveta County raised revenue totalling Kshs. 206,384,280 against a budget of Kshs. 124,634,357.

The OCoB authorised exchequer releases worth Kshs. 141,634,357 comprising of Kshs. 124,634,357 from the national government revenue and Kshs. 17,000,000 from its local revenue. The County sought the authority of the Controller of Budget to spend its local revenue that had been accordingly swept to the County Revenue Fund as required under Article 207 of the Constitution.

County expenditure for the four months amounted to Kshs. 121,851,867 an absorption rate of 97.8 per cent of the total budget. This amount was spent as follows: County Assembly Kshs. 14,111,258; County Executive Services Kshs. 49,279,281 and Financial Management Services, Kshs. 30,668,706; and former councils Kshs. 27,792,622.

Tana River County

Tana River County received Kshs. 150,044,045 from the national government and Kshs. 7,907,234 from local resources bringing the revenue to Kshs. 157,951,279. In addition, the County received Kshs. 61,592,200 from the Transition Authority towards infrastructure development and Kshs. 25,096,417 from LATF. In the period March to June 2013, the County received Kshs. 244,639,896 as total revenue. The OCoB authorized exchequer issues amounting to Kshs. 150,044,045 during the period under review.

The County expenditure for the four months amounted to Kshs. 101,334,343. This amount was spent as follows: County Executive Kshs. 21,038,751, County Assembly Kshs. 15,033,008, and Financial Management Services Kshs. 65,262,577. The low spending by the spending units can be attributed to the delay in setting up of the necessary structures at the County level.

Tharaka Nithi County

In the period between March and June 2013, the County received Kshs. 118,155,722 from the national government and collected Kshs. 29,792,472 from local sources totalling to Kshs. 147,948,194. In addition, the County received Kshs. 61,592,200 from the Transition Authority towards infrastructure development. The County raised total revenue of Kshs. 209,540,395. The OCoB authorised exchequer releases of Kshs. 118,155,713 for recurrent expenditure during the period under review.

County expenditure for the four months amounted to Kshs. 141,541,031. This amount was spent as follows: County Executive Kshs. 48,981,361, County Assembly Kshs. 31,250,839, and Financial Management Services Kshs. 37,923,496. The former councils spent Kshs. 23,385,335 directly from local revenues.

Trans Nzoia County

The County was allocated Kshs. 192,075,005 from the national government and collected Kshs. 84,032,201 from local sources bringing the revenue to Kshs. 276,107,206. In addition, the County received Kshs. 61,592,200 from the Transition Authority towards infrastructure development and Kshs. 203,464,365 from LATF. In the period March to June 2013, the County raised Kshs. 541,163,771 as total revenue. The OCoB authorised exchequer issues amounting to Kshs. 192,075,005 for recurrent activities.

The total expenditure in the period under review was Kshs. 232,939,237. The amount was spent as follows among the spending units: County Executive Kshs. 42,003,755, County Assembly Kshs. 105,127,494, and Financial Management Services Kshs. 36,391,249.

Turkana County

In the period March to June 2013, the County was allocated Kshs. 394,663,541 by the national government and collected Kshs. 22,037,686 from the local resources which amounted to Kshs. 416,701,227. In addition, the County received Kshs. 61,592,200 from the Transition Authority towards infrastructure development and Kshs. 203,464,365 from LATF. The County raised Kshs. 681,757,792 as total revenue during the period under review. The OCoB authorised exchequer issues of Kshs. 276,255,482 for recurrent activities.

County expenditure for the four months amounted to Kshs. 223,805,447. The County had two spending units namely: County Executive and County Assembly which spent Kshs. 155,042,894 and Kshs. 68,762,553 respectively.

Uasin Gishu County

The County received Kshs. 195,518,697 from the national government and collected Kshs. 186,965,858 from local resources bringing the revenue to Kshs. 382,484,555. In addition, the County received Kshs. 61,592,200 from the Transition Authority towards infrastructure development and Kshs. 171,203,611 from LATF. During the period March to June 2013, the County raised Kshs. 615,280,366 as total revenue. The OCoB authorised exchequer issues of Kshs. 195,518,697 as per the Transition County Appropriation Act, 2013.

Total expenditure for the County was Kshs. 565,491,381. The County Executive spent Kshs. 42,460,626, County Assembly spent Kshs. 98,151,537, and Financial Management Services spent Kshs. 98,151,537. The defunct Local Authorities spent Kshs. 339,931,603 without a supplementary budget approved by the County Assembly.

The amount of Kshs. 61,592,200 from the Transition Authority for infrastructure development at the County headquarters in Eldoret was reallocated to hiring of offices at Kerio Valley Development Authority (KVDA) to accommodate more staff that could not be absorbed within the County headquarters and a balance of Kshs. 153,999 remained unspent as at the end of the financial year.

Vihiga County

The County received Kshs. 102,068,620 from the national government and collected Kshs. 36,483,463 from local resources bringing the revenue to Kshs. 138,552,083. In addition, the County received Kshs. 61,592,200 from the Transition Authority towards infrastructure development and Kshs. 42,153,792 from LATF. In the period March to June 2013, the County raised Kshs. 242,298,075 as total revenue. The OCoB authorised exchequer issues worth Kshs. 102,068,620 to meet recurrent expenses.

The County expenditure for the four months amounted to Kshs. 153,011,511 spent as follows: County Executive Kshs. 47,191,137, County Assembly Kshs. 77,357,557 and Financial Management Services Kshs. 28,462,817.

Wajir County

The County was allocated Kshs. 272,397,682 from the national government and collected Kshs. 9,377,310 from local resources totalling to Kshs. 281,774,992. In addition, the County received Kshs. 61,592,200 from the Transition Authority towards infrastructure development. In the period March to June 2013, the County raised Kshs. 343,367,192. The

OCoB authorised exchequer issues worth Kshs. 102,068,620 to meet recurrent expenses.

County expenditure for the four months amounted to Kshs. 406,091,388. The expenditure by the spending units was as follows: County Executive Kshs. 125,896,261; County Assembly Kshs. 64,820,075; Former Councils Kshs. 73,877,629 and Financial Management Services Kshs. 141,497,423.

West Pokot County

The County received Kshs. 162,445,573 from the national government and collected Kshs. 9,574,379 from local resources which amount to a total of Kshs. 172,019,952. In addition, the County received Kshs. 61,592,200 from the Transition Authority towards infrastructure development. During the period under review, the County raised Kshs 233,612,152 as total revenue against a budget of Kshs. 162,445,573. The OCoB authorised exchequer issues worth Kshs. 162,445,573 to meet recurrent expenses.

County expenditure for the four months amounted to Kshs. 215,357,657, an absorption rate of 132.5 per cent of total budget. The County Executive spent Kshs 74,316,208 County Assembly spent Kshs. 43,662,762, and Financial Management Services spent Kshs. 97,378,687.

4.0 KEY CHALLENGES AND RECOMMENDATIONS

The Office of the Controller of Budget monitored the implementation of budgets of county governments for the four months from March to June 2013. It became apparent that there were a myriad of challenges affecting budget implementation at the counties. This section therefore discusses the key challenges and gives recommendations necessary for improving budget implementation at county government level.

4.1 Inadequate Physical Infrastructure

After the 4th March 2013 general elections, all the 47 counties commenced the process of creating structures to enable the county governments discharge their mandates. Some counties had serious challenges in getting appropriate office space to accommodate the Governor, the Executive team and the technical team. Although the National Government allocated infrastructure grants through the Transition Authority for the counties to set up the necessary infrastructure, a number of Governors still operated from rented private premises as at the end of the financial year hence increasing the operational costs. Some counties did not have computers and other office equipment to capture income and expenditure data necessary for reporting which affected monitoring budget execution. The Integrated Financial Management Information System was not fully operational in most counties. There is therefore a great need for Counties to fast-track the acquisition of the necessary infrastructure and appropriate office equipment to provide the necessary support for smooth execution of budget in the counties.

4.2 Inadequate Human Capacity

The Office of Controller of Budget established that most counties were not adequately staffed and lacked necessary skilled manpower required to operationalize the county governments. The budgeting process posed a serious challenge to some counties as they had no budget officers to develop the budget. Most of the officers seconded by the Transition Authority to assist the counties on budgeting issues were not assimilated well with some being replaced within a short time span. There is therefore need for Counties to build the necessary human capacity through an elaborate job evaluation and staff rationalization to ascertain the existing capacity gaps in their human capital. Recruitment of staff should be based on outcome of the job evaluation exercise and a sustainable wage bill.

4.3 Declining Locally Collected Revenues

In all the Counties, there was a decline in revenue collection from March to June 2013. This could be attributed to lapses in controls over revenue collections, poor infrastructure and logistical challenges coupled with lack of proper change management. The apathy of

the former local authorities' staff and county citizenry occasioned by the uncertainties associated with transition and lack of clear County structures also exacerbated the low revenue trend. Deliberate interventions should be put in place to increase the revenue streams, strengthen controls and seal revenue leakages. If this challenge is not addressed, it is likely to affect budget implementation in the future.

4.4 Slow Implementation of Integrated Financial Management System (IFMIS)

The operationalization of IFMIS in the counties was a major setback on accurate reporting on budget execution. This was attributed to connectivity challenges, inadequate human capacity and the necessary hardware required for smooth running of the IFMIS at the devolved level. As a result majority of the Counties resorted to manual systems of processing transactions. In addition, training of users had also not been completed to provide the necessary capacity required to run the system at the time the counties became operational. The connectivity of IFMIS systems to the last mile in most counties had not been completed by the end of the 2012/13 financial year.

The County Governments will need to liaise with the National Government on how to fast-track the operationalization of IFMIS at the counties. Further, there is need for the National Government to set up regional IFMIS training Centres so as to build sufficient capacity for the system users and offer technical support.

4.5 Direct Spending of Locally Collected Revenue

Most Counties spent the locally collected revenues without sweeping the funds to the county revenue fund as envisioned in the Constitution. It was observed that in some instances, just a meagre percentage of these revenues were banked in the respective County Revenue collection accounts. This contravenes the Public Finance Management Act, 2012 section 109 (2) which requires that all money raised or received by or on behalf of the County should be banked in the County Revenue Fund Account. It is crucial for Counties to uphold the letter and spirit of the Constitution as set out in Article 201 of the Constitution of Kenya, 2010. There should be strict adherence to laws, Government regulations and rules.

4.6 Low Absorption of Development Funds

As at 30th June 2013, most Counties had not utilized all the resources allocated including the infrastructure funds allocated through the Transition Authority. Some Counties spent funds meant for infrastructure development on recurrent activities. This could be attributed to the time required for procurement processes to be completed.

There is need to address this through proper budgeting process, and increasing capacity in procurement and project management. The National Treasury should support budgeting in all Counties by building capacity of the county treasuries through appropriate training

programmes. County Governments should adopt MTEF and programme based budgeting in order to link use of public resources to performance. This would guarantee the public maximum value from County Government expenditure.

4.7 Lack of requisite plans

For the period March to June 2013, many Counties did not develop the requisite plans to guide the budgeting process such as integrated development plans and county fiscal strategy papers as per the provisions of Public Finance Management Act, 2012. This can be attributed to the short time within which the counties were expected to develop their budget. Ideally, the budgeting process is expected to start in August of every year. This allows the counties to set out priorities which are then linked to the budget.

The Office of the Controller of Budget recommends adherence to Public Finance Management Act, 2012 and Public Procurement and Disposal Act, 2005 and other relevant financial guidelines in public financial management so as to guarantee proper budget execution. County departments should also prepare implementation plans of individual projects in their capital project proposals.

4.8 Delays in Enactment of County Legislations

County legislations guiding the delivery of services by the respective departments are yet to be put in place. County departments such as veterinary services, public health and basic education still rely on national legislations to deliver services. As a result, there is need for the county governments to expedite the enactment of all legislations pertaining to county finances and service delivery to provide a proper legal framework for budget implementation.

4.9 Reports and Guidelines to Users

In the period under review, Counties had a challenge to submit revenue and expenditure returns in a format circulated by the office of the Controller of Budget in good time for the preparation of the quarterly reports. In addition, most counties did not cross check the adequacy of the information as expected. This may be attributed to the manual systems of processing transactions at the county level which could not precisely record and report financial transactions and reliably report and monitor budget implementation.

The Transition Authority and other national government institutions guiding the devolution process should provide the relevant guidelines and support in time to enable Counties carry out their functions in a prudent and effective manner. Training of County Executive Committee Members of Finance, members of the County Assembly and the technical teams on budgeting and budget implementation should be given a priority.

4.10 Closure of Bank Accounts

In line with part IV, section 109 and section 119 of the Public Finance Management Act, 2012, the Transition Authority issued instructions to the County Transition Principal Officers to ensure that the previous local authorities' bank accounts are frozen. The officers were provided with guidelines of opening and managing new county government bank accounts. As at 30th June 2013, the OCOB established that many Counties were still operating the old bank accounts in disregard of the guidelines.

It is recommended that all bank accounts of former local authorities are closed, audited and a report on the same published and publicized. Any mismanagement of the funds under these accounts should then be investigated and action taken to those found culpable.

4.11 Refund of Unspent Balances

Many Counties continued to hold appropriated money that was unspent in their respective operational accounts after the end of 2012/2013 financial year. This contravenes section 136 (2) of the Public Finance Management Act, 2012, requiring that all unspent balances of appropriated money withdrawn from the county revenue fund account be swept back to the County Exchequer Account and a refund statement submitted to the Controller of Budget. Non-compliance to this regulation may lead to loss of public resources since any further expenditure after the close of the financial year should be appropriated by the respective County Assemblies.

This office therefore recommends that county governments adhere to laws and regulations governing management of public finances in order to foster fiscal discipline and prudent use of public funds.

4.12 Imprests and Large expenditures

The Office of the Controller of Budget established that there was widespread issuing of huge imprests to individuals before the surrender of previous imprests held. This is against financial regulations that require an officer to surrender any outstanding imprest before a new one is issued. There were also large expenditures on activities such as refurbishment of offices and renovations which appeared to be exaggerated. These expenditures need to be audited by the Auditor General and action taken to prevent further misuse of public funds.

5.0 CONCLUSION

The 2012/13 financial year budget was a transitional budget meant to cater for recurrent expenditure in the counties, to oversee the setting up and establishing of county operations and swearing in of the governors.

To realize the purpose of the devolution in Kenya, there is a need to adhere to the principles of public finance as guided by the constitution and the PFM Act. All revenue collected at the county level should be remitted to the county revenue fund, such that the funds are budgeted and spent for the purpose intended for. The CEC finance should interrogate the declining trend in the revenue collected at the county level and make necessary and sufficient mechanism to curb this trend as adequate collection of revenue from local sources is critical for successful budget implementation. The Counties should also embrace innovative ways of collecting revenues as well as deepening the revenue streams.

To improve on budget accountability, reallocation of funds should be as per the stipulated guidelines by the principles of public finance. Funds should not be reallocated arbitrarily and once done, it must be balanced with the various votes affected. To overcome the reallocation challenge, the budgeting process should be more consultative to allocate resources to all priority areas from the inception by ensuring it undertakes all the budgeting process like developing county fiscal strategy paper and proper review of the county budget review and outlook paper.

By the end of the financial year, most counties had not been able to utilize their allocated funds. Counties should ensure services are delivered to the public on timely basis and ensuring funds are spent as budgeted for to bring equitable development in the country. The absorption of resources can be improved if the county departments adopt the right project management practices and adopt some of the national government implementation policies.

Finally, devolution creates significant activities for the County Assemblies and County Executives and the costs associated with these functions can be huge and can take up a large share of the County's resources. Counties should therefore embark on containing high wage bills and recurrent expenditures and focus on development expenditures with a mind-set to generate more revenues to reduce over reliance from the national share. MCAs and CECM should rationalise expenditures on foreign travels, unnecessary local trips and to focus more on more productive activities. As Kenya has no prior experience on running the county government, all leaders should take the right step towards managing of the county resources.

6.0 ANNEXES

ANNEX 1: REVENUE ANALYSIS

County Name	National Grant	Local Revenue	LATF	Transition Authority	Total Revenue	Exchequer Releases
Baringo	167,256,975	39,048,640		61,592,200	267,897,815	167,256,965
Bomet	177,291,444	31,152,044	-	61,592,200	270,035,688	177,291,444
Bungoma	289,098,464	46,358,675	36,909,620	61,592,200	433,958,959	289,098,458
Busia	204,893,279	71,848,523	-	61,592,200	338,334,002	204,893,243
Elgeyo/Marakwet	123,169,798	18,697,094	-	61,592,200	203,459,092	123,169,798
Embu	144,564,942	80,862,924		61,592,200	287,020,066	144,564,942
Garissa	217,388,329	15,090,673	-	61,592,200	294,071,202	217,388,328
Homa Bay	212,227,537	29,626,917		61,592,200	303,446,654	212,227,528
Isiolo	115,138,304	35,611,084		61,592,200	212,341,588	115,138,295
Kajiado	166,166,769	124,736,941	-	61,592,200	352,495,910	166,166,769
Kakamega	335,494,219	89,979,207	-	61,592,200	487,065,626	335,494,219
Kericho	169,668,084	29,233,735		61,592,200	260,494,019	169,668,084
Kiambu	281,065,927	442,709,560	164,595,503	61,592,200	949,963,190	281,065,884
Kilifi	280,233,425	173,700,905		61,592,200	515,526,530	280,233,425

County Name	National Grant	Local Revenue	LATF	Transition Authority	Total Revenue	Exchequer Releases
Kirinyaga	133,240,926	89,810,777	15,702,064	61,592,200	300,345,967	133,240,926
Kisii	267,165,122	77,651,897	-	61,592,200	406,409,219	267,165,122
Kisumu	213,967,379	221,536,239	167,519,873	61,592,200	664,615,691	213,967,379
Kitui	273,681,740	90,024,888	68,102,782	61,592,200	493,401,610	273,681,740
Kwale	193,053,229	48,331,625	-	61,592,200	302,977,054	270,931,761
Laikipia	129,910,803	98,387,612	-	61,592,200	289,890,615	129,910,803
Lamu	77,260,390	12,834,971	6,249,178	61,592,200	157,936,739	77,260,390
Machakos	254,918,456	285,088,651	234,155,928	61,592,200	835,755,235	254,918,442
Makueni	224,836,164	72,570,534	156,373,669	61,592,200	515,372,567	224,836,164
Mandera	337,276,386	7,053,062	3,019,840	61,592,200	408,941,488	337,276,386
Marsabit	195,437,951	5,202,000	-	61,592,200	262,232,151	195,437,951
Meru	244,561,818	136,903,867	-	61,592,200	443,057,885	244,561,813
Migori	219,826,411	50,920,578	-	61,592,200	332,339,189	219,826,411
Mombasa	137,029,328	436,074,955	497,283,546	61,592,200	1,131,980,029	137,029,328
Murang'a	201,712,526	214,163,663	-	61,592,200	477,468,389	201,712,526
Nairobi City	489,488,844	2,241,165,418	1,568,147,970	61,592,200	4,360,394,432	489,479,844
Nakuru	305,694,565	466,275,412	170,683,643	61,592,200	1,004,245,820	305,694,565

County Name	National Grant	Local Revenue	LATF	Transition Authority	Total Revenue	Exchequer Releases
Nandi	179,079,113	37,405,911	-	61,592,200	278,077,224	179,079,104
Narok	199,147,809	212,268,298	-	61,592,200	473,008,307	199,147,810
Nyamira	156,473,885	21,969,669	-	61,592,200	240,035,754	156,473,885
Nyandarua	162,223,384	48,132,509	-	61,592,200	271,948,093	162,223,392
Nyeri	167,582,330	175,265,226	158,172,165	61,592,200	562,611,921	167,582,328
Samburu	133,759,268	34,785,135	-	61,592,200	230,136,603	133,759,268
Siaya	188,109,598	37,254,937	-	61,592,200	286,956,735	188,109,597
Taita/Taveta	124,634,357	20,157,723	-	61,592,200	206,384,280	141,634,357
Tana River	150,044,045	7,907,234	25,096,417	61,592,200	244,639,896	150,044,045
Tharaka -Nithi	118,155,722	29,792,473	-	61,592,200	209,540,395	118,155,713
Trans Nzoia	192,075,005	84,032,201	203,464,365	61,592,200	541,163,771	192,075,005
Turkana	276,255,482	22,037,686	-	61,592,200	359,885,368	276,255,482
Uasin Gishu	195,518,697	186,965,858	171,203,611	61,592,200	615,280,366	195,518,698
Vihiga	102,068,620	36,483,463	42,153,792	61,592,200	242,298,075	102,068,620
Wajir	272,397,682	9,377,310	73,877,629	61,592,200	417,244,821	272,397,682
West Pokot	162,445,573	9,574,379	-	61,592,200	233,612,152	162,445,573
Total	9,562,690,104	6,756,063,084	3,762,711,595	2,894,833,400	22,976,298,183	9,657,559,493

ANNEX 2: LOCAL REVENUE

County Name	March-13	April-13	May-13	June-13	Total
Baringo	7,576,055	10,720,441	7,841,253	12,910,891	39,048,640
Bomet	9,003,506	7,096,902	5,665,030	9,386,606	31,152,044
Bungoma	2,895,702	17,804,927	12,861,288	12,796,758	46,358,675
Busia	16,364,837	18,162,715	18,253,554	19,067,417	71,848,523
Elgeyo Marakwet	4,619,837	4,414,393	4,923,413	4,739,451	18,697,094
Embu	26,086,244	25,116,295	15,425,094	14,235,291	80,862,924
Garissa	2,278,063	4,100,670	5,286,940	3,425,000	15,090,673
Homa Bay	-	10,066,961	9,418,369	10,141,587	29,626,917
Isiolo	7,396,564	3,630,436	15,020,624	9,563,460	35,611,084
Kajiado	31,579,895	38,688,219	26,034,004	28,434,823	124,736,941
Kakamega	24,984,810	21,565,080	18,886,331	24,542,986	89,979,207
Kericho	-	5,685,171	6,873,424	16,675,140	29,233,735
Kiambu	104,956,199	119,044,686	76,909,534	141,799,141	442,709,560
Kilifi	61,072,258	43,198,110	31,697,067	37,733,470	173,700,905
Kirinyaga	41,540,094	22,533,995	13,357,130	12,379,558	89,810,777
Kisii	22,413,912	24,466,416	17,163,244	13,608,325	77,651,897
Kisumu	70,385,876	59,254,010	47,719,852	44,176,501	221,536,239
Kitui	27,376,188	23,725,311	20,778,304	18,145,085	90,024,888
Kwale	12,464,374	8,466,050	15,065,040	12,336,161	48,331,625
Laikipia	31,201,011	26,071,929	21,827,769	19,286,903	98,387,612
Lamu	2,794,213	2,710,479	2,223,289	5,106,990	12,834,971

County Name	March-13	April-13	May-13	June-13	Total
Machakos	90,700,625	68,278,100	63,648,047	62,461,879	285,088,651
Makueni	36,042,851	12,587,381	12,287,786	11,652,516	72,570,534
Mandera	1,589,886	1,846,552	2,247,032	1,369,592	7,053,062
Marsabit	-	641,261	2,219,179	2,341,560	5,202,000
Meru	38,416,350	52,873,221	24,545,227	21,069,069	136,903,867
Migori	-	2,302,555	10,119,340	38,498,683	50,920,578
Mombasa	133,402,631	118,334,571	107,793,897	76,543,856	436,074,955
Murang'a	138,523,544	25,738,711	22,101,192	27,800,216	214,163,663
Nairobi City	692,725,558	551,598,955	549,227,803	447,613,102	2,241,165,418
Nakuru	107,629,594	129,157,440	117,371,345	112,117,933	466,275,412
Nandi	15,875,573	7,843,140	6,566,067	7,121,131	37,405,911
Narok	72,678,070	50,148,200	61,192,552	28,249,476	212,268,298
Nyamira	5,933,065	5,317,610	4,839,775	5,879,219	21,969,669
Nyandarua	18,330,125	10,811,130	10,291,454	8,699,800	48,132,509
Nyeri	74,943,129	36,486,591	34,719,727	29,115,779	175,265,226
Samburu	11,506,347	6,197,436	6,697,883	10,383,469	34,785,135
Siaya	16,489,254	2,931,858	7,543,878	10,289,947	37,254,937
Taita/Taveta				20,157,723	20,157,723
Tana River	1,201,147	1,844,992	1,281,785	3,579,310	7,907,234
Tharaka -Nithi	11,348,184	7,362,146	5,415,069	5,667,074	29,792,473
Trans Nzoia	19,709,571	33,587,306	17,140,050	13,595,274	84,032,201

County Name	March-13	April-13	May-13	June-13	Total
Turkana	3,097,260	1,979,975	2,832,973	14,127,478	22,037,686
Uasin Gishu	66,164,531	41,774,188	45,940,184	33,086,955	186,965,858
Vihiga	7,842,368	11,019,220	7,552,105	10,069,770	36,483,463
Wajir	1,563,620	2,060,830	2,701,980	3,050,880	9,377,310
West Pokot	1,886,894	2,744,404	1,044,255	3,898,826	9,574,379
Total	2,074,589,816	1,681,990,969	1,520,551,138	1,478,931,161	6,756,063,084

ANNEX 3: EXPENDITURE BY UNIT

County	County Executive	County Assembly	Financial Management	Former Councils	Total
Baringo	102,301,867	53,732,386	11,222,722	67,629,320	234,886,295
Bomet	119,791,098	24,398,283	0	55,861,411	200,050,792
Bungoma	81,235,976	98,654,915	176,589,501	0	356,480,392
Busia	221,529,016	46,893,959	39,193,363		307,616,338
Elgeyo Marakwet	18,525,024	54,805,926	17,608,115	39,198,344	130,137,409
Embu	115,048,609	10,593,876	54,691,384		180,333,869
Garissa	43,518,241	52,574,773	74,295,959	6,378,733	176,767,705
Homa Bay	90,905,603	45,873,824	51,777,562		188,556,989
Isiolo	16,805,348	38,113,232	79,265,892		134,184,472
Kajiado	35,325,134	101,390,563	84,483,272	53,724,472	274,923,441
Kakamega	206,965,566	69,462,716	76,267,610	1,859,165	354,555,057
Kericho	39,045,559	152,791,218	27,276,706		219,113,483
Kiambu	87,822,706	54,276,324		513,755,975	655,855,005
Kilifi	54,112,332	102,185,670	40,603,542	0	196,901,544
Kirinyaga	115,706,456	84,995,127	19,107,272	0	219,808,855
Kisii	118,678,644	82,917,539	51,886,403	76,186,358	329,668,944
Kisumu	191,613,405	15,372,453	8,082,200	210,132,479	425,200,537
Kitui	61,577,493	101,926,343	26,123,849	121,065,001	310,692,686
Kwale	7,779,871	43,604,390	144,402,573	0	195,786,834
Laikipia	28,264,954	72,397,812	29,248,037	153,622,846	283,533,649
Lamu	5,223,410	14,571,552	4,977,834	2,334,338	27,107,134
Machakos	62,065,905	110,191,337	85,015,233	70,403,845	327,676,320
Makueni	129,670,944	62,242,708	43,066,396		234,980,048
Mandera	12,198,699	13,315,351	188,748,719		214,262,769

County	County Executive	County Assembly	Financial Management	Former Councils	Total
Marsabit	27,518,074	19,477,072	147,987,513		194,982,658
Meru	35,486,405	83,677,093	36,398,315	206,954,627	362,516,440
Migori	40,264,706	144,719,909	96,133,996		281,118,611
Mombasa	746,845	3,345,003	287,908,198	602,549,889	894,549,935
Muranga	133,976,947	38,997,775	164,551,250		337,525,972
Nairobi	35,021,987	162,086,748	270,734,445	3,411,944,085	3,879,787,265
Nakuru	88,772,410	102,126,827	21,937,416	85,966,438	298,803,091
Nandi	136,659,032	10,500,807	29,352,433	99,314,945	275,827,217
Narok	26,230,918	99,070,805	36,572,842	233,747,555	395,622,120
Nyamira	34,606,679	89,704,096	32,153,229	0	156,464,004
Nyandarua	39,055,260	45,978,126	60,497,808	34,678,481	180,209,675
Nyeri	23,840,066	84,304,032	23,421,051	210,446,776	342,011,925
Samburu	16,923,747	37,417,085	74,017,230	7,408,287	135,766,349
Siaya	30,511,596	95,149,744	24,221,421	0	149,882,761
Taita Taveta	49,279,281	14,111,258	30,668,706	27,792,622	121,851,867
Tana River	21,038,757	15,033,009	65,262,577		101,334,343
Tharaka Nithi	48,981,361	31,250,839	37,923,496	23,385,335	141,541,030
Trans Nzoia	42,003,755	105,127,494	36,391,249	49,416,739	232,939,237
Turkana	155,042,894	68,762,553			223,805,447
Uasin Gishu	42,460,626	98,151,537	84,947,615	339,931,603	565,491,381
Vihiga	47,191,137	77,357,557	28,462,817	0	153,011,511
Wajir	125,896,261	64,820,075	141,497,423	73,877,629	406,091,388
West Pokot	74,316,208	43,662,762	97,378,686		215,357,656
Total	3,241,536,813	3,042,114,482	3,162,353,859	6,779,567,297	16,225,572,451

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