

REPUBLIC OF KENYA

PARLIAMENT OF KENYA LIBRARY

OFFICE OF THE CONTROLLER OF BUDGET

COUNTY GOVERNMENTS

BUDGET IMPLEMENTATION REVIEW REPORT

THIRD QUARTER FY 2014/2015

MAY 2015



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MAY 2015

PREFACE

The Office of the Controller of Budget (OCOB) is established as an independent office under Article 228 of the Constitution. The office is mandated to oversee the implementation of the budgets of the National and County Governments, authorize withdrawals from public funds and report to Parliament on budget implementation. It is in this context that this third Quarter County Budget Implementation Review Report (CBIRR) for FY2014/15 has been prepared.

The report presents budget performance for the period July, 2014 to March, 2015. Specifically, it reviews revenue and expenditure performance against targets. It is based on financial reports submitted by the County Treasuries, approved county budgets, and, reports generated from the Integrated Financial Management Information System (IFMIS). The report also highlights the challenges faced in budget implementation and makes recommendations to address these challenges. The Constitution and the Public Finance Management Act (PFMA), 2012 which provides the principles and framework for financial management in public entities are used as benchmarks in this report.

Production of this report has been made possible by the commitment of staff of both the OCOB and the County Treasuries. I therefore, take this opportunity to appreciate their efforts. It is through their dedication that the office has been able to consistently produce the quarterly CBIRRs.

This report is one of the tools the Controller of Budget uses to disseminate information on budget implementation to the public as stipulated under Section 39(8) of the PFMA, 2012. It is my hope that the information contained in this report will deepen public awareness on the status of budget implementation and shall be useful to both the County Executives and County Assemblies in advancing effective management of public funds.



Mrs. Agnes Odhiambo
Controller of Budget

TABLE OF CONTENTS

PREFACE			**ii**
TABLE OF CONTENTS			**iii**
ACRONYMS			**iv**
LIST OF FIGURES			**v**
LIST OF TABLES			**xii**
EXECUTIVE SUMMARY			**xv**
KEY HIGHLIGHTS			**xviii**
1.0	**INTRODUCTION**		**1**
2.0	**FINANCIAL ANALYSIS OF COUNTY BUDGET IMPLEMENTATION, THIRD QUARTER FY 2014/15**		**2**
	2.1	Revenue Analysis	2
		2.1.1 Transfers from the National Government	2
		2.1.2 Locally Collected Revenue	2
	2.2	Funds Released to the Counties	6
		2.2.1 Funds Released to the Counties from the Consolidated Fund	6
		2.2.2 Funds Released to the County Operational Accounts	6
	2.3	Expenditure Analysis	7
	2.4	Recurrent Expenditure	8
		2.4.1 Personnel Emoluments	10
		2.4.2 Operations and Maintenance	11
		2.4.3 Analysis of MCAs Sitting Allowances	11
		2.4.4 Analysis of Expenditure on Domestic and Foreign Travels	14
	2.5	Development Expenditure	16
	2.6	Expenditure on Debt Repayment and Pending Bills	18
	2.7	Monthly Expenditure by the Counties	18
3.0	**INDIVIDUAL COUNTY BUDGET PERFORMANCE**		**19**
4.0	**KEY CHALLENGES AND RECOMMENDATIONS**		**303**
	4.1	Formulation of Supplementary Budgets	303
	4.2	Inadequate Administration and Reporting on Public Funds Established by the Counties	303
	4.3	Unauthorised Diversion of Exchequer Releases	304
	4.4	Lack of Effective Monitoring and Evaluation Frameworks	304
	4.5	Frequent Strike Actions by Health Workers	304
	4.6	High Expenditure on Personnel Costs	305
5.0	**CONCLUSION**		**306**
6.0	**Annex 1: Third Quarter July 2014-March 2015 Budget Allocations, Funds Released, Expenditure and Absorption Rates**		**307**

ACRONYMS

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

LIST OF FIGURES

Figure 1:	Monthly Local Revenue – First Nine Months of FY 2013/14 and FY 2014/15 (Kshs. Billions)	3
Figure 2:	Expenditure by Economic Classification	8
Figure 3:	Recurrent Expenditure by County Governments for the First Nine Months of FY 2014/15	10
Figure 4:	Development Expenditure by County for the first Nine Months of FY 2014/15	17
Figure 5:	Monthly Expenditure by Counties	18
Figure 6:	Baringo County, Trend in Local Revenue Collection by Quarter	20
Figure 7:	Baringo County, Third Quarter Expenditure by Economic Classification in Kshs. million	21
Figure 8:	Baringo County, Operations and Maintenance Expenditure	23
Figure 9:	Baringo County, Analysis of Development Expenditure	24
Figure 10:	Bomet County, Trend in Local Revenue Collection by Quarter	26
Figure 11:	Bomet County, Third Quarter Expenditure by Economic Classification	27
Figure 12:	Bomet County, Operations and Maintenance Expenditure	29
Figure 13:	Bomet County, Analysis of Development Expenditure	30
Figure 14:	Bungoma County Trend in Local Revenue Collection by Quarter	32
Figure 15:	Bungoma County, Third Quarter Expenditure by Economic Classification	33
Figure 16:	Bungoma County, Operations and Maintenance Expenditure	35
Figure 17:	Bungoma County Analysis of Development Expenditure	36
Figure 18:	Busia County Trend in Local Revenue Collection by Quarter	38
Figure 19:	Busia County, Third Quarter Expenditure by Economic Classification	39
Figure 20:	Busia County, Operations and Maintenance Expenditure	41
Figure 21:	Busia County Analysis of Development Expenditure	42
Figure 22:	Elgeyo Marakwet County Trend in Local Revenue Collection by Quarter	43
Figure 23:	Elgeyo Marakwet County, Third Quarter Expenditure by Economic classification	45
Figure 24:	Elgeyo Marakwet County, Operations and Maintenance Expenditure	47
Figure 25:	Elgeyo Marakwet County Analysis of Development Expenditure	48
Figure 26:	Embu County Trend in Local Revenue Collection by Quarter	50
Figure 27:	Embu County, Third Quarter Expenditure by Economic Classification	51

Figure 28	Embu County, Operations and Maintenance Expenditure (Kshs.million)	53
Figure 29:	Embu County Analysis of Development Expenditure (Kshs. million)	54
Figure 30:	Garissa County Trend in Local Revenue Collection by Quarter	56
Figure 31:	Garissa County, Third Quarter Expenditure by Economic Classification	57
Figure 32:	Garissa County, Operations and Maintenance Expenditure	59
Figure 33:	Garissa County Analysis of Development Expenditure	59
Figure 34:	Homa Bay County Trend in Local Revenue Collection by Quarter	61
Figure 35:	Homa Bay County, Third Quarter Expenditure by Economic Classification	63
Figure 36:	Homa Bay County, Operations and Maintenance Expenditure	65
Figure 37:	Homa Bay County Analysis of Development Expenditure	65
Figure 38:	Isiolo County Trend in Local Revenue Collection by Quarter	67
Figure 39:	Isiolo County, Third Quarter Expenditure by Economic Classification	68
Figure 40:	Isiolo County, Operations and Maintenance Expenditure	70
Figure 41:	Isiolo County Analysis of Development Expenditure	71
Figure 42:	Kajiado County Trend in Local Revenue Collection by Quarter	73
Figure 43:	Kajiado County, Third Quarter Expenditure by Economic Classification	74
Figure 44:	Kajiado County, Operations and Maintenance Expenditure	76
Figure 45:	Kajiado County Analysis of Development Expenditure	77
Figure 46:	Kakamega County Trend in Local Revenue Collection by Quarter	79
Figure 47:	Kakamega County, Third Quarter Expenditure by Economic Classification	80
Figure 48:	Kakamega County, Operations and Maintenance Expenditure	82
Figure 49:	Kakamega County Analysis of Development Expenditure	82
Figure 50:	Kericho County Trend in Local Revenue Collection by Quarter	84
Figure 51:	Kericho County, Third Quarter Expenditure by Economic Classification	86
Figure 52:	Kericho County, Operations and Maintenance Expenditure	88
Figure 53:	Kericho County Analysis of Development Expenditure	89
Figure 54:	Kiambu County Trend in Local Revenue Collection by Quarter	91
Figure 55:	Kiambu County, Third Quarter Expenditure by Economic Classification	92

Figure 56:	Kiambu County, Operations and Maintenance Expenditure	94
Figure 57:	Kiambu County Analysis of Development Expenditure	95
Figure 58:	Kilifi County Trend in Local Revenue Collection by Quarter	96
Figure 59:	Kilifi County, Third Quarter Expenditure by Economic Classification	98
Figure 60:	Kilifi County, Operations and Maintenance Expenditure	100
Figure 61:	Kilifi County Analysis of Development Expenditure	101
Figure 62:	Kirinyaga County Trend in Local Revenue Collection by Quarter	103
Figure 63:	Kirinyaga County, Third Quarter Expenditure by Economic Classification	104
Figure 64:	Kirinyaga County, Operations and Maintenance Expenditure	106
Figure 65:	Kirinyaga County Analysis of Development Expenditure	107
Figure 66:	Kisii County Trend in Local Revenue Collection by Quarter	109
Figure 67:	Kisii County, Third Quarter Expenditure by Economic Classification	110
Figure 68:	Kisii County, Operations and Maintenance Expenditure	112
Figure 69:	Kisii County Analysis of Development Expenditure	113
Figure 70:	Kisumu County Trend in Local Revenue Collection by Quarter	115
Figure 71:	Kisumu County, Third Quarter Expenditure by Economic Classification	116
Figure 72:	Kisumu County, Operations and Maintenance Expenditure	118
Figure 73:	Kisumu County Analysis of Development Expenditure	119
Figure 74:	Kitui County Trend in Local Revenue Collection by Quarter	121
Figure 75:	Kitui County, Third Quarter Expenditure by Economic Classification	122
Figure 76:	Kitui County, Operations and Maintenance Expenditure	124
Figure 77:	Kitui County Analysis of Development Expenditure	125
Figure 78:	Kwale County Trend in Local Revenue Collection by Quarter	127
Figure 79:	Kwale County, Third Quarter Expenditure by Economic Classification	128
Figure 80:	Kwale County, Operations and Maintenance Expenditure	130
Figure 81:	Kwale County Analysis of Development Expenditure	131
Figure 82:	Laikipia County Trend in Local Revenue Collection by Quarter	133
Figure 83:	Laikipia County, Third Quarter Expenditure by Economic Classification	134
Figure 84:	Laikipia County, Operations and Maintenance Expenditure (Kshs. Millions)	136
Figure 85:	Laikipia County Analysis of Development Expenditure (Kshs. Millions)	137

Figure 86:	Lamu County Trend in Local Revenue Collection by Quarter	138
Figure 87:	Lamu County, Third Quarter Expenditure by Economic Classification	140
Figure 88:	Lamu County, Operations and Maintenance Expenditure	142
Figure 89:	Lamu County, Analysis of Development Expenditure	143
Figure 90:	Quarterly Trend in Local Revenue Collection	145
Figure 91:	Machakos County, Third Quarter Expenditure by Economic Classification	146
Figure 92:	Machakos County, Operations and Maintenance Expenditure	148
Figure 93:	Machakos County Analysis of Development Expenditure	149
Figure 94:	Makueni County, Trend in Local Revenue Collection by Quarter	151
Figure 95:	Makueni County, Third Quarter Expenditure by Economic Classification	152
Figure 96:	Makueni County, Operations and Maintenance Expenditure	154
Figure 97:	Makueni County Analysis of Development Expenditure	155
Figure 98:	Mandera County Trend in Local Revenue Collection by Quarter	157
Figure 99:	Mandera County, Third Quarter Expenditure by Economic Classification	158
Figure 100:	Mandera County, Operations and Maintenance Expenditure	160
Figure 101:	Mandera County Analysis of Development Expenditure	161
Figure 102:	Marsabit County Trend in Local Revenue Collection by Quarter	163
Figure 103:	Marsabit County, Third Quarter Expenditure by Economic Classification	165
Figure 104:	Marsabit County, Operations and Maintenance Expenditure	167
Figure 105:	Marsabit County Analysis of Development Expenditure	168
Figure 106:	Meru County Trend in Local Revenue Collection by Quarter	170
Figure 107:	Meru County, Third Quarter Expenditure by Economic Classification	171
Figure 108:	Meru County, Operations and Maintenance Expenditure	173
Figure 109:	Meru County Analysis of Development Expenditure	174
Figure 110:	Migori County Trend in Local Revenue Collection by Quarter	176
Figure 111:	Migori County, Third Quarter Expenditure by Economic Classification	177
Figure 112:	Migori County, Operations and Maintenance Expenditure	179
Figure 113:	Migori County Analysis of Development Expenditure	180
Figure 114:	Mombasa County Trend in Local Revenue Collection by Quarter	182
Figure 115:	Mombasa County, Third Quarter Expenditure by Economic Classification	183
Figure 116:	Mombasa County, Operations and Maintenance Expenditure	185

Figure 117:	Mombasa County Analysis of Development Expenditure	186
Figure 118:	Murang'a County Trend in Local Revenue Collection by Quarter	188
Figure 119:	Murang'a County, Third Quarter Expenditure by Economic Classification	189
Figure 120:	Murang'a County, Operations and Maintenance Expenditure	191
Figure 121:	Murang'a County Analysis of Development Expenditure	192
Figure 122:	Nairobi City County Trend in Local Revenue Collection by Quarter	194
Figure 123:	Nairobi City County, Third Quarter Expenditure by Economic Classification	195
Figure 124:	Nairobi City County, Operations and Maintenance Expenditure	197
Figure 125:	Nairobi City County Analysis of Development Expenditure	198
Figure 126:	Nakuru County Trend in Local Revenue Collection by Quarter	199
Figure 127:	Nakuru County, Third Quarter Expenditure by Economic Classification	201
Figure 128:	Nakuru County, Operations and Maintenance Expenditure	203
Figure 129:	Nakuru County Analysis of Development Expenditure	203
Figure 130:	Nandi County Trend in Local Revenue Collection by Quarter	205
Figure 131:	Nandi County, Third Quarter Expenditure by Economic Classification	207
Figure 132:	Nandi County, Operations and Maintenance Expenditure	209
Figure 133:	Nandi County Analysis of Development Expenditure	209
Figure 134:	Narok County Trend in Local Revenue Collection by Quarter	211
Figure 135:	Narok County, Third Quarter Expenditure by Economic Classification	213
Figure 136:	Narok County, Operations and Maintenance Expenditure	215
Figure 137:	Narok County Analysis of Development Expenditure	216
Figure 138:	Nyamira County Trend in Local Revenue Collection by Quarter	218
Figure 139:	Nyamira County, Third Quarter Expenditure by Economic Classification	219
Figure 140:	Nyamira County, Operations and Maintenance Expenditure	221
Figure 141:	Nyamira County Analysis of Development Expenditure	222
Figure 142:	Nyandarua County Trend in Local Revenue Collection by Quarter	223
Figure 143:	Nyandarua County, Third Quarter Expenditure by Economic Classification	225
Figure 144:	Nyandarua County, Operations and Maintenance Expenditure	227
Figure 145:	Nyandarua County Analysis of Development Expenditure	228
Figure 146:	Nyeri County Trend in Local Revenue Collection by Quarter	230

Figure 147:	Nyeri County, Third Quarter Expenditure by Economic Classification	231
Figure 148:	Nyeri County, Operations and Maintenance Expenditure	233
Figure 149:	Nyeri County Analysis of Development Expenditure	234
Figure 150:	Samburu County Trend in Local Revenue Collection by Quarter	236
Figure 151:	Samburu County, Third Quarter Expenditure by Economic Classification	237
Figure 152:	Samburu County, Operations and Maintenance Expenditure	239
Figure 153:	Samburu County Analysis of Development Expenditure	239
Figure 154:	Siaya County Trend in Local Revenue Collection by Quarter	241
Figure 155:	Siaya County, Third Quarter Expenditure by Economic Classification	242
Figure 156:	Siaya County, Operations and Maintenance Expenditure	244
Figure 157:	Siaya County Analysis of Development Expenditure	245
Figure 158:	Taita Taveta County Trend in Local Revenue Collection by Quarter	247
Figure 159:	Taita Taveta County, Third Quarter Expenditure by Economic Classification	248
Figure 160:	Taita Taveta County, Operations and Maintenance Expenditure	251
Figure 161:	Taita Taveta County Analysis of Development Expenditure	252
Figure 162:	Tana River County Trend in Local Revenue Collection by Quarter	254
Figure 163:	Tana River County, Third Quarter Expenditure by Economic Classification	255
Figure 164:	Tana River County, Operations and Maintenance Expenditure	257
Figure 165:	Tana River County Analysis of Development Expenditure	258
Figure 166:	Tharaka Nithi County Trend in Local Revenue Collection by Quarter	259
Figure 167:	Tharaka Nithi County, Third Quarter Expenditure by Economic Classification	261
Figure 168:	Tharaka Nithi County, Operations and Maintenance Expenditure	263
Figure 169:	Tharaka Nithi County Analysis of Development Expenditure	264
Figure 170:	Trans Nzoia County Trend in Local Revenue Collection by Quarter	265
Figure 171:	Trans Nzoia County, Third Quarter Expenditure by Economic Classification	267
Figure 172:	Trans Nzoia County, Operations and Maintenance Expenditure	269

Figure 173:	Trans Nzoia County, Analysis of Development Expenditure	270
Figure 174:	Turkana County Trend in Local Revenue Collection by Quarter	272
Figure 175:	Turkana County, Third Quarter Expenditure by Economic Classification	273
Figure 176:	Turkana County, Operations and Maintenance Expenditure	275
Figure 177:	Turkana County Analysis of Development Expenditure (Kshs. Millions)	276
Figure 178:	Uasin Gishu County Trend in Local Revenue Collection by Quarter	278
Figure 179:	Uasin Gishu County, Third Quarter Expenditure by Economic Classification	279
Figure 180:	Uasin Gishu County, Operations and Maintenance Expenditure	281
Figure 181:	Uasin Gishu County Analysis of Development Expenditure	282
Figure 182:	Vihiga County Trend in Local Revenue Collection by Quarter	284
Figure 183:	Vihiga County, Third Quarter Expenditure by Economic Classification	286
Figure 184:	Vihiga County, Operations and Maintenance Expenditure	288
Figure 185:	Vihiga County Analysis of Development Expenditure	289
Figure 186:	Wajir County Trend in Local Revenue Collection by Quarter	291
Figure 187:	Wajir County, Third Quarter Expenditure by Economic Classification	292
Figure 188:	Wajir County, Operations and Maintenance Expenditure	294
Figure 189:	Wajir County Analysis of Development Expenditure	294
Figure 190:	West Pokot County Trend in Local Revenue Collection by Quarter	296
Figure 191:	West Pokot County, Third Quarter Expenditure by Economic Classification	297
Figure 192:	West Pokot County, Operations and Maintenance Expenditure	299
Figure 193:	West Pokot County Analysis of Development Expenditure	299

LIST OF TABLES

Table 1:	Locally Collected Revenue by Counties in the Third Quarter of FY 2014/15	4
Table 2 :	Annual Budget and Expenditure for MCA Sitting Allowances for the First Nine Months of 2014/15	12
Table 3:	Analysis of Domestic and Foreign Travel by the County Assemblies and the County Executives for the First Nine Months of Fy 2014/15	15
Table 4:	Baringo County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	22
Table 5:	Bomet County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	28
Table 6:	Bungoma County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	34
Table 7:	Busia County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/1	40
Table 8:	Elgeyo Marakwet County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	46
Table 9:	Embu County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	52
Table 10:	Garissa County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	58
Table 11:	Homa Bay County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	64
Table 12:	Isiolo County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	69
Table 13:	Kajiado County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/1	75
Table 14:	Kakamega County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	81
Table 15:	Kericho County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	87
Table 16:	Kiambu County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	93
Table 17:	Kilifi County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	99
Table 18:	Kirinyaga County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	105
Table 19:	Kisii County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	111

Table 20:	Kisumu County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	117
Table 21:	Kitui County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	123
Table 22:	Kwale County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	129
Table 23:	Laikipia County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	135
Table 24:	Lamu County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	141
Table 25:	Machakos County Expenditure by Department for the Third Quarter of FY 2014/15	147
Table 26:	Makueni County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	153
Table 27:	Mandera County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	159
Table 28:	Marsabit County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	166
Table 29:	Meru County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	172
Table 30:	Migori County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	178
Table 31:	Mombasa County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	184
Table 32:	Murang'a County Budget and Expenditure by Department for the Third Quarter of FY 2014/15 in Kshs. Millions.	190
Table 33	Nairobi County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	196
Table 34:	Nakuru County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	202
Table 35:	Nandi County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	208
Table 36:	Narok County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	214
Table 37:	Nyamira County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	220
Table 38:	Nyandarua County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	226

Table 39:	Nyeri County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	232
Table 40:	Samburu County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	238
Table 41:	Siaya County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	243
Table 42:	Taita Taveta County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	249
Table 43:	Tana River County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	256
Table 44:	Tharaka Nithi County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	262
Table 45:	Trans Nzoia County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	268
Table 46:	Turkana County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	274
Table 47:	Uasin Gishu County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	280
Table 48:	Vihiga County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	286
Table 49:	Wajir County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	293
Table 50:	West Pokot County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15	298

EXECUTIVE SUMMARY

This is the third quarter County Budget Implementation Review Report (CBIRR) by the Office of the Controller of Budget (OCOB) for the Financial Year (FY) 2014/15. It covers the first nine months of the financial year and is prepared in fulfilment of the requirements of Article 228(6) of the Constitution of Kenya, 2010.

This report presents budget performance of the County Governments for the period July, 2014 to March, 2015 by highlighting revenue and expenditure performance. The performance is gauged against revenue and expenditure targets for FY 2014/15. Expenditure is analysed by economic classification, namely; development and recurrent expenditure.

In the FY 2014/15, the aggregate approved Budget Estimates for the County governments was Kshs.321.56 billion and comprised of Kshs.181.28 billion (56.4 per cent) allocation for recurrent expenditure and Kshs.140.29 billion (43.6 per cent) to development expenditure. The allocation for development activities conforms with Section 107(2)(b) of the Public Finance Management Act, 2012, which requires that over the medium term, a minimum of thirty per cent of the County Government's budget shall be allocated to development activities. The County Governments expect to receive Kshs.242.43 billion from the National Government, collect Kshs.57.19 billion from local sources, and utilize the unspent funds carried forward from FY 2013/14 of Kshs.38.10 billion to finance the aggregate budget.

During the first nine months of the FY 2014/15, the funds available to the County Governments amounted to **Kshs.203.7 billion.** This amount consisted of **Kshs.138.06 billion** received from the National Government as direct transfer to respective County Revenue Funds (CRF) Accounts, **Kshs.25.17 billion** generated from local sources, and **Kshs.40.48 billion** as cash balance brought forward from the FY 2013/14. The local revenue raised during the reporting period was **44.0 per cent** of the total annual local revenue target of Kshs.57.19 billion.

In the reporting period, County Governments accessed Kshs.183.64 billion from the CRFs, which is 57.0 per cent of their combined approved budgets for FY 2014/2015. The amount consisted of Kshs.65.71 billion (35.8 per cent) for development activities and Kshs.117.93 (64.2 per cent) for recurrent expenditure.

The Counties spent a total of **Kshs.170.04 billion**, which was **93.4 per cent** of the total funds released for operations. This expenditure consisted of Kshs.117.00 billion for recurrent expenditure (68.8 per cent) and Kshs.53.04 billion (31.2 per cent) for development projects. The aggregate expenditure represented an **absorption rate of 52.9 per cent** of the annual approved budget. Absorption rate is calculated as a percentage of actual expenditure to the approved budget excluding commitments.

The recurrent expenditure of **Kshs.117.00 billion** represents an absorption rate of **64.5 per cent** of the annual recurrent budget, an increase from an absorption rate of 45.0 per cent recorded in the same period of FY 2013/14 where expenditure stood at Kshs.74.6 billion. Similarly, the development expenditure of **Kshs.53.04 billion** translates to absorption rate of **37.8 per cent** of the annual development budget, an increase from **11.7 per cent** recorded in the same period of FY 2013/14 where expenditure stood at Kshs.12.1 billion.

Counties that recorded the highest development expenditure absorption rates were Nandi, Meru, and West Pokot at 70.9 per cent, 64.5 per cent, and 62.2 per cent respectively. Conversely, Kirinyaga, Tharaka Nithi and Nairobi City recorded the lowest rates at 17.2 per cent, 14.4 per cent, and 9.4 per cent respectively.

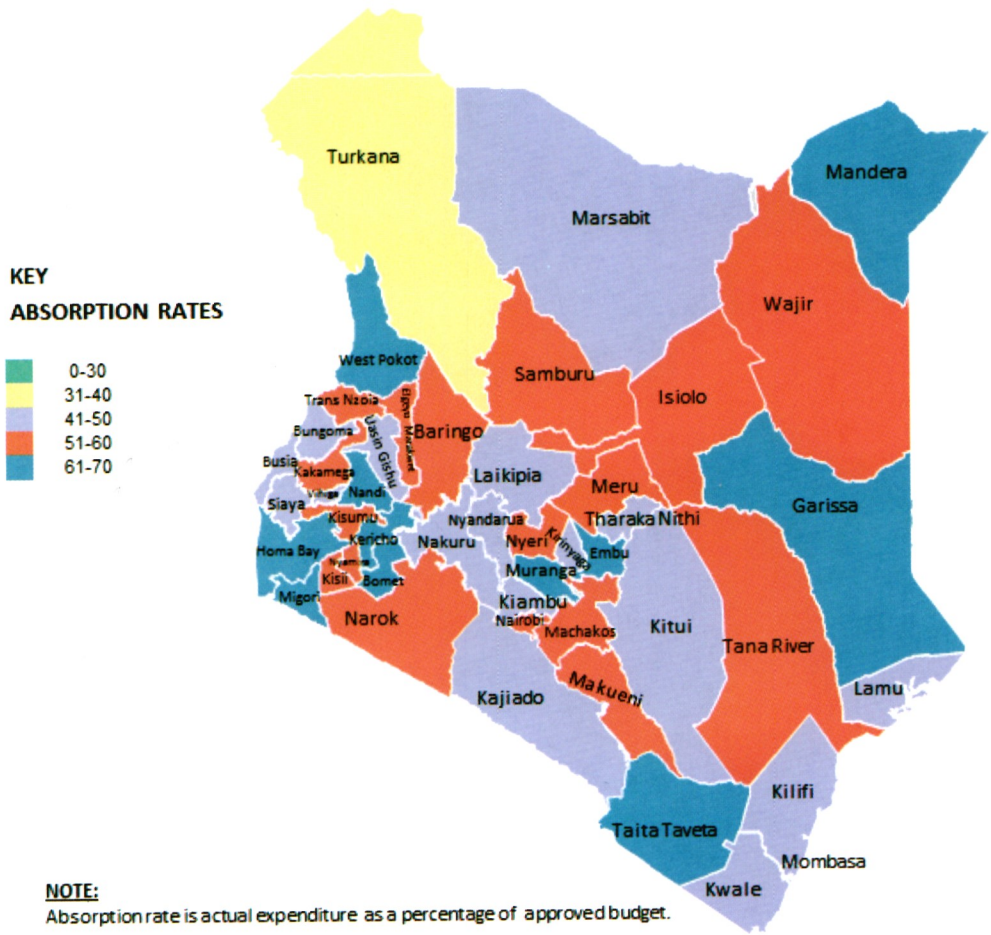
In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution. The office has noted that counties have addressed some of the challenges such as; adoption of the Integrated Financial Management Information System (IFMIS), building the capacity of technical staff, and, compliance with budgetary timelines as provided for in the Public Finance Management Act (PFM Act) 2012. However, there still exist challenges that continue to hamper effective budget execution that require attention. These include; (i) failure to align Supplementary Budgets with financial records prior to approval by the County Assembly, (ii) failure to submit quarterly financial reports by Administrators of established County Funds, (iii) diversion of exchequer releases activities outside the approved work plan, (iv) lack of effective monitoring and evaluation frameworks to monitor implementation of development projects, and (v) frequent labour actions by health workers that interrupted the health sector service delivery.

In order to address these challenges, counties should; (i) always align Supplementary Budgets to exchequer issues, expenditure, and commitments to eliminate instances of over issues, (ii) the Executive Committee members responsible for finance should

designate a person responsible for administering each established County Funds in line with Section 116 of the PFM Act, 2012 (iii) ensure that exchequer issues are utilized in line with the approved work plans, (iv) establish effective monitoring and evaluation units to enhance oversight and reporting on development projects, and (v) devise strategies to address the frequent strikes by health workers.

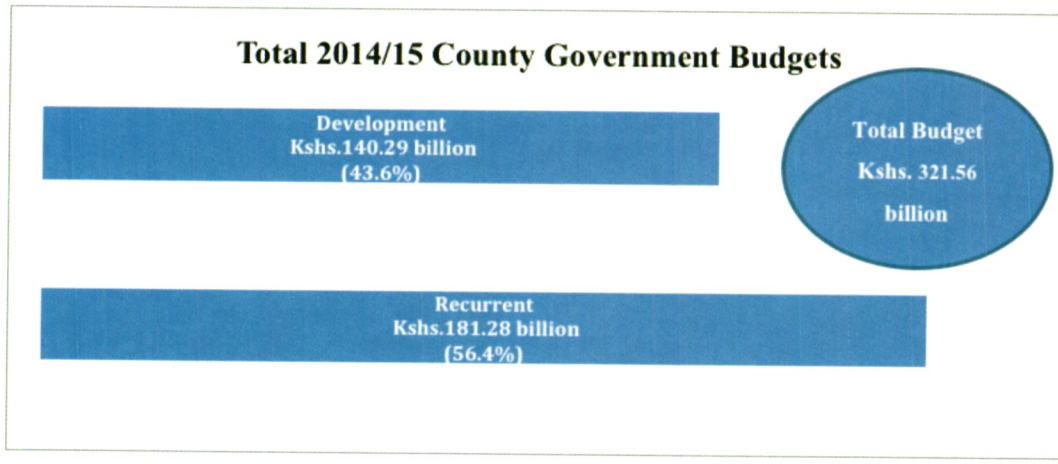
KEY HIGHLIGHTS

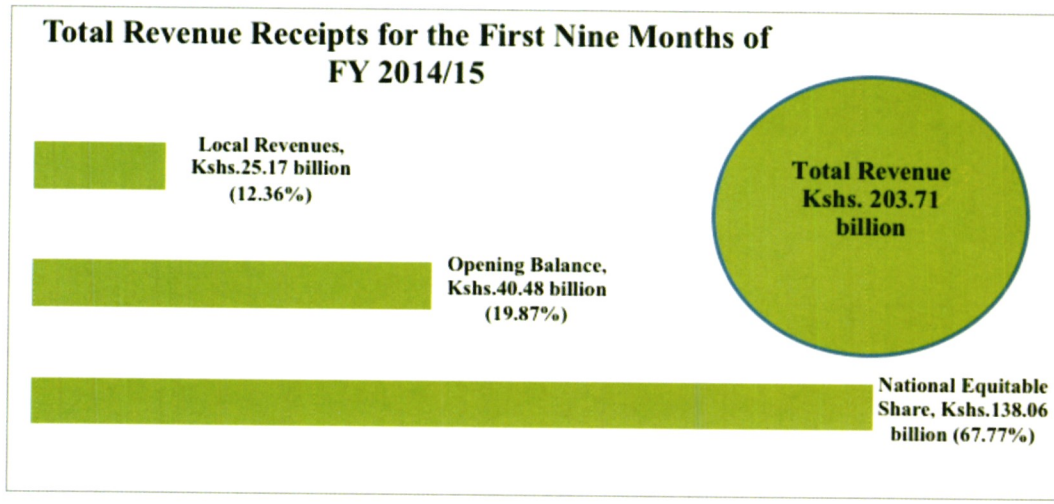
Overall Expenditure Absorption per County for the First Nine Months of FY 2014/15

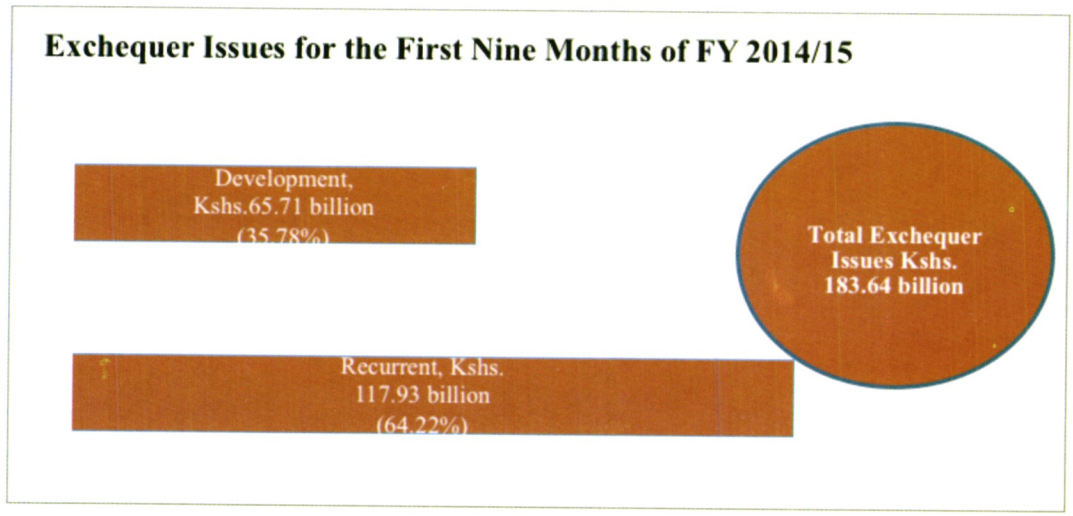


NOTE:
Absorption rate is actual expenditure as a percentage of approved budget.

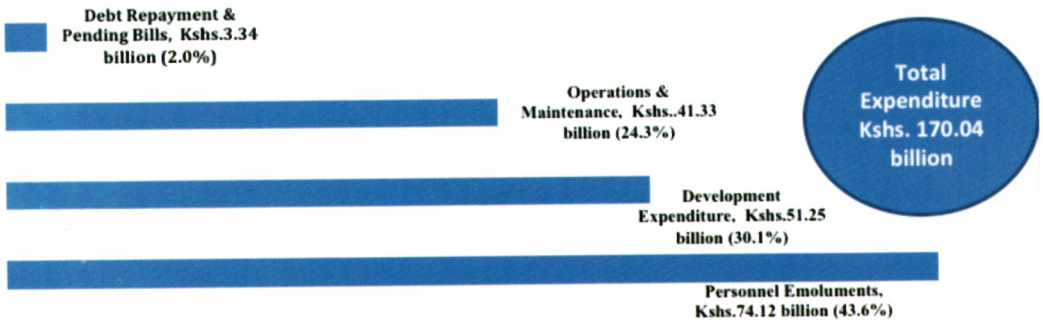
Source: [Office of the Controller of Budget]


Total 2014/15 County Government Budgets
Development
Kshs.140.29 billion
(43.6%)
Total Budget
Kshs. 321.56
billion
Recurrent
Kshs.181.28 billion
(56.4%)

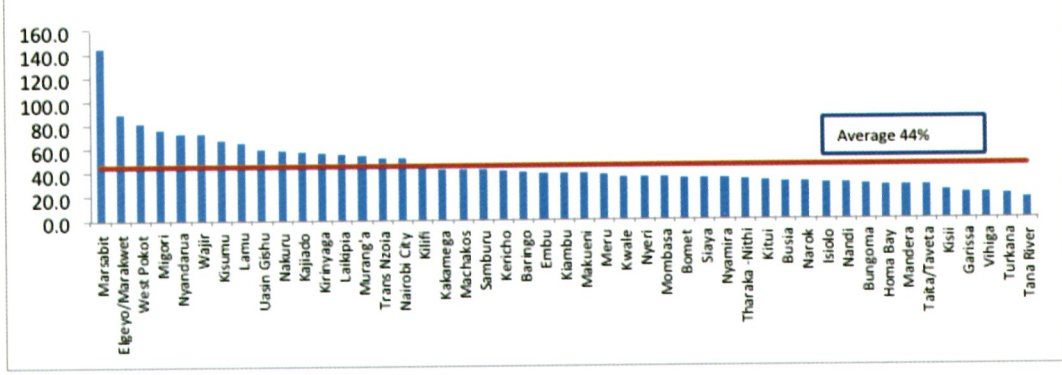

Total Revenue Receipts for the First Nine Months of FY 2014/15
Local Revenues,
Kshs.25.17 billion
(12.36%)
Total Revenue
Kshs. 203.71
billion
Opening Balance,
Kshs.40.48 billion
(19.87%)
National Equitable
Share, Kshs.138.06
billion (67.77%)


Exchequer Issues for the First Nine Months of FY 2014/15
Development,
Kshs.65.71 billion
(35.78%)
Total Exchequer
Issues Kshs.
183.64 billion
Recurrent, Kshs.
117.93 billion
(64.22%)

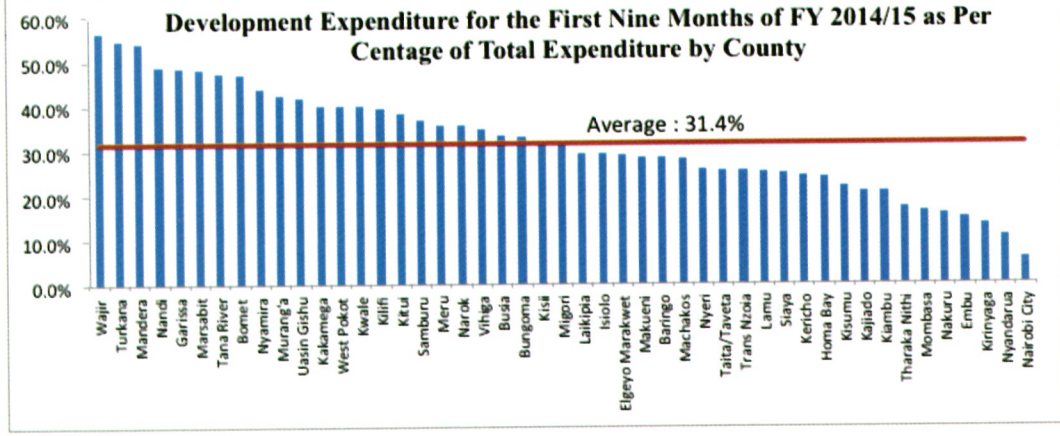
Expenditure for the First Nine Months of FY 2014/15 by Economic Classification



Local Revenue Collection for the First Nine Months of FY 2014/15 as a Percentage of Annual Local Revenue Target



Development Expenditure for the First Nine Months of FY 2014/15 as Per Centage of Total Expenditure by County



1.0 INTRODUCTION

This is the eighth report in a series of quarterly County Budget Implementation Review Reports (CBIRR) issued by the Office of the Controller of Budget (OCOB) since the advent of devolution in March 2013. The report reviews in-year budget execution by the County Governments. It covers the performance of Counties in the implementation of their budgets for the nine month period from July 2014 to March 2015, and is prepared in conformity with Article 228(4) and Article 228 (6) of the Constitution. It is the third quarter CBIRR report for the FY 2014/15 and gives the status of budget execution by the County Governments as at 31st March, 2015.

One of the key objectives of preparing this report is to provide information to the County Assemblies and the Senate, who are bestowed with the oversight mandate over the County Governments on utilization of public resources. It is also prepared in conformity with Section 39(8) of the Public Finance Management Act, 2012 (PFM Act, 2012) that requires the Controller of Budget (COB) to ensure that members of the public are provided with information on budget implementation.

Introduction is captured in chapter one while chapter two provides an analysis of the aggregate budget performance by Counties in budget implementation. In the review of budget performance, emphasis is on the actual expenditure against approved budget estimates both for individual counties and aggregates. Expenditure is classified into recurrent and development. Recurrent expenditure is further broken down into compensation to employees, operations and maintenance, debt repayment and pending bills. In chapter three, the individual county performance is discussed and the issues noted during budget execution are highlighted. Appropriate recommendations by the OCOB are made to improve absorption of funds and enhance fiscal discipline.

The challenges and key recommendations cutting across the County Governments are presented in chapter four. Lastly, the conclusion is offered in chapter five.

2.0 FINANCIAL ANALYSIS OF COUNTY BUDGET IMPLEMENTATION, THIRD QUARTER FY 2014/15

2.1 Revenue Analysis

The combined County Governments' Budget for the FY 2014/15, amounted to Kshs.321.56 billion, comprising of Kshs.181.28 billion (56.4 per cent) for recurrent expenditure and Kshs.140.29 billion (43.6 per cent) allocated to development expenditure. This budget is to be financed by transfers from the National Government, revenue from local sources, grants from donors and cash balances from the FY 2013/14. The transfers from the National Government are expected to amount to Kshs.242.43 billion. Revenue from local sources and the balance brought forward from FY 2013/14 are projected at Kshs.57.19 billion and Kshs.38.10 billion respectively. An amount of Kshs.733.65 million is expected from DANIDA as conditional grant to the Health sector.

The total funds that were available to the County governments in the third quarter of FY 2014/15 amounted to Kshs.203.71 billion. This amount comprised of Kshs.138.06 billion (67.8 per cent) as transfers from the National Government, Kshs.25.17 billion (12.4 per cent) from local revenue and a Kshs.40.48 billion (19.9 per cent) cash balance from the FY 2013/14.

2.1.1 Transfers from the National Government

In the FY 2014/15, total transfers from the National Government is expected to be Kshs.242.43 billion based on the Annual County Allocation of Revenue Act (CARA), 2014. This amount consists of Kshs.226.66 billion as the national equitable share of revenue; Kshs.1.870 billion as conditional allocations to Level 5 hospitals, and Kshs.13.899 billion as conditional allocations for ongoing projects.

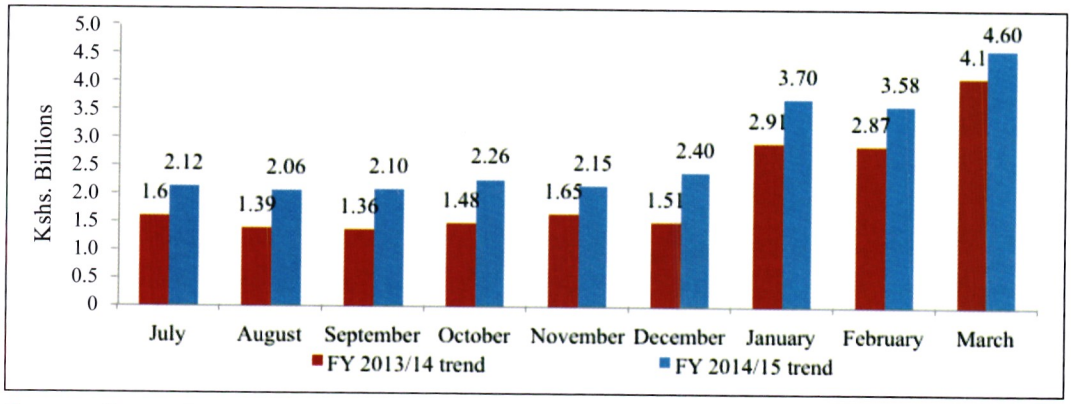
In the first nine months of FY 2014/15, the Controller of Budget approved transfer of Kshs.138.06 billion from the Consolidated Fund to the various County Revenue Funds (CRF).

2.1.2 Locally Collected Revenue

During the reporting period, County governments generated a total of Kshs.25.17 billion from local sources, which translated to 44.0 per cent of the total annual local revenue target. The revenue realised is an improvement compared to Kshs.19.1 billion or 31.3 per cent realised in a similar period of FY 2013/14. Figure 1 shows the

monthly local revenue collection for the first nine months of FY 2014/15 compared to the same period in the last financial year.

Figure 1: Monthly Local Revenue – First Nine Months of FY 2013/14 and FY 2014/15 (Kshs. Billions)



Source: *County Treasuries*

The Nairobi City County generated the highest local revenue in absolute terms at Kshs.9.20 billion during the period, followed by Mombasa County and Nakuru County that raised Kshs.1.80 billion and Kshs.1.59 billion respectively. Counties that raised the lowest amount of local revenue were Lamu and Tana River at Kshs.42.93 million, and, Kshs.20.06 million respectively.

Analysis of local revenue as a proportion of annual revenue targets in the reporting period indicates that **Marsabit County** attained the highest proportion of local revenue against the annual revenue target at 145.4 per cent followed by **Elgeyo/ Marakwet** and **West Pokot Counties** at 89.5 per cent and 81.4 per cent respectively. Counties that recorded the lowest proportion of the local revenue against annual targets were **Vihiga County** at 20.6 per cent, **Turkana County** at 19.9 per cent and **Tana River County** at 16.7 per cent, as shown in **Table 1**.

Table 1: Locally Collected Revenue by Counties in the Third Quarter of FY 2014/15

County	Annual Local Revenue Target FY 2014/15 (Kshs)	1st Quarter Local Revenue (Kshs.)	2nd Quarter Local Revenue (Kshs.)	3rd Quarter Local Revenue (Kshs.)	Total Local Revenue: Q1+Q2+Q3 (Kshs.)	% of Local revenue Against Annual Local Revenue Target
Baringo	452,000,000	72,859,999	44,782,678	63,604,554	181,247,231	40.1
Bomet	380,430,000	36,431,865	25,492,000	69,324,853	131,248,718	34.5
Bungoma	1,075,035,502	75,811,736	72,008,680	156,883,905	304,704,321	28.3
Busia	698,495,238	72,793,677	63,205,454	82,307,180	218,306,311	31.3
Elgeyo/Marakwet	85,000,000	24,980,613	22,045,239	29,011,495	76,037,347	89.5
Embu	747,355,280	81,315,514	68,543,584	140,472,725	290,331,823	38.8
Garissa	500,000,000	26,077,833	42,501,612	39,083,328	107,662,773	21.5
Homa Bay	403,900,000	31,889,274	33,106,437	48,718,258	113,713,969	28.2
Isiolo	360,960,417	49,903,138	29,718,731	28,865,080	108,486,949	30.1
Kajiado	959,045,150	112,293,534	124,123,000	316,486,406	552,902,940	57.7
Kakamega	874,243,747	144,832,562	97,607,249	126,213,379	368,653,190	42.2
Kericho	671,275,547	67,326,982	68,394,702	137,794,483	273,516,167	40.7
Kiambu	3,597,382,589	378,052,285	347,081,869	651,222,423	1,376,356,577	38.3
Kilifi	1,000,000,000	102,830,781	119,647,466	204,903,321	427,381,568	42.7
Kirinyaga	422,454,650	49,515,000	64,781,751	124,320,860	238,617,611	56.5
Kisii	974,000,000	64,732,629	63,062,372	99,251,721	227,046,722	23.3
Kisumu	1,134,430,491	179,883,814	262,952,641	316,185,183	759,021,638	66.9
Kitui	650,000,000	72,108,100	63,993,795	74,713,095	210,814,990	32.4
Kwale	500,000,000	56,613,666	39,828,533	81,637,615	178,079,814	35.6
Laikipia	400,000,000	51,378,961	49,444,045	121,626,343	222,449,349	55.6
Lamu	65,440,000	5,279,767	9,669,663	27,980,996	42,930,426	65.6
Machakos	2,533,480,241	353,464,417	260,995,380	441,350,333	1,055,810,130	41.7
Makueni	400,000,000	51,802,993	34,986,402	65,866,418	152,655,813	38.2

County	Annual Local Revenue Target FY 2014/15 (Kshs)	1st Quarter Local Revenue (Kshs.)	2nd Quarter Local Revenue (Kshs.)	3rd Quarter Local Revenue (Kshs.)	Total Local Revenue: Q1+Q2+Q3 (Kshs.)	% of Local revenue Against Annual Local Revenue Target
Migori	300,000,000	86,593,618	53,650,911	88,697,193	228,941,722	76.3
Mombasa	5,121,608,017	293,191,687	410,992,610	1,096,662,741	1,800,847,038	35.2
Murang'a	800,000,000	106,042,993	100,044,430	224,287,289	430,374,712	53.8
Nairobi City	17,762,590,000	1,781,747,512	2,541,536,355	4,878,473,060	9,201,756,927	51.8
Nakuru	2,708,413,264	461,938,285	433,636,562	694,488,032	1,590,062,879	58.7
Nandi	456,070,000	43,479,188	32,845,803	58,659,466	134,984,457	29.6
Narok	3,909,274,146	509,059,690	480,178,918	210,803,882	1,200,042,490	30.7
Nyamira	219,053,554	23,244,966	27,731,136	23,145,516	74,121,618	33.8
Nyandarua	211,000,000	26,876,169	25,242,244	101,487,797	153,606,210	72.8
Nyeri	1,343,926,804	89,680,222	178,464,316	208,249,579	476,394,117	35.4
Samburu	406,550,140	90,365,678	30,278,803	48,520,806	169,165,287	41.6
Siaya	301,530,027	36,095,500	24,641,813	41,839,880	102,577,193	34.0
Taita/Taveta	521,830,636	56,505,770	31,383,200	55,248,870	143,137,840	27.4
Tana River	120,000,000	5,331,796	3,581,045	11,150,812	20,063,653	16.7
Tharaka -Nithi	250,000,000	30,794,708	26,915,276	26,036,354	83,746,338	33.5
Trans Nzoia	385,000,000	34,696,804	27,362,543	139,442,894	201,502,241	52.3
Turkana	500,000,000	34,258,055	29,535,938	35,793,035	99,587,028	19.9
Uasin Gishu	1,193,421,629	195,978,825	180,764,254	338,494,768	715,237,847	59.9
Vihiga	377,743,491	23,143,667	21,984,068	32,667,841	77,795,576	20.6
Wajir	102,290,000	20,757,750	25,982,499	27,327,270	74,067,519	72.4
West Pokot	96,197,480	22,314,108	25,861,390	30,144,156	78,319,654	81.4
Total	**57,193,160,755**	**6,282,168,532**	**6,849,237,093**	**12,034,173,272**	**25,165,578,897**	**44.0**

source: *county treasuries*

2.2 Funds Released to the Counties

As at March 31, 2015, the Office of the Controller of Budget (OCOB) had approved transfer of Kshs.138.06 billion from the Consolidated Fund to the various County Revenue Funds. This amount comprised of Kshs.136.20 billion as equitable transfer, Kshs.1.13 billion as conditional grants to level 5 hospitals and Kshs.733.65 million as conditional grants from DANIDA to supplement financing of county health facilities.

During the same period, the OCOB approved transfer of Kshs.183.64 billion from the County Revenue Funds to the various County Operational Accounts, which included locally generated revenue. The transfers comprised of Kshs.117.93 billion for recurrent activities, and Kshs.65.71 billion for development activities. The analysis of the funds released to counties is presented in Section 2.2.1 below.

2.2.1 Funds Released to the Counties from the Consolidated Fund

The CARA, 2014, which became effective on September 5, 2015 provided for the equitable allocation of revenue raised nationally among the County governments for the FY 2014/15. It formed the basis for approval of transfer of funds to the County Governments.

By March 31, 2014, the COB had approved transfer of Kshs.138.06 billion from the Consolidated Fund to the various CRFs in accordance with Article 206(4) of the Constitution. Analysis of these transfers shows that the highest disbursement of Kshs.7.34 billion went to **Nairobi City County** followed by **Kakamega County** at Kshs.5.16 billion, **Turkana County** at Kshs.5.04 billion, **Mandera County** at Kshs.4.31 billion and **Kiambu County** at Kshs.4.27 billion. The Counties that received the least amounts were **Samburu** at Kshs.1.71 billion, **Kirinyaga** at Kshs.1.71 billion, and, **Lamu** at Kshs.0.99 billion.

2.2.2 Funds Released to the County Operational Accounts

During the reporting period, the COB approved transfer of Kshs.183.64 billion from the CRFs to the County Operational Accounts. The approved transfers consisted of Kshs.117.93 billion (64.2 per cent) for recurrent expenditure and Kshs.65.71 billion (35.8 per cent) to development expenditure.

The Nairobi City County and Turkana County received the highest aggregate amounts at Kshs.9.22 billion and Kshs.8.84 billion respectively. Counties that

received the least amounts included Tharaka Nithi at Kshs.1.83 billion; Isiolo at Kshs.1.86 billion and Lamu at Kshs.1.15 billion.

Analysis of the funds released for recurrent activities indicates that Nairobi City County, Kiambu County and Nakuru County received the highest amount at Kshs.8.86 billion; Kshs.4.93 billion and Kshs.4.06 billion respectively. Conversely, Isiolo, Tana River, and Lamu Counties had the least amount of funds released for recurrent expenditure at Kshs.1.26 billion, Kshs.1.20 billion, Kshs.818.63 million respectively.

On development activities, Turkana, Mandera, and Kakamega Counties received the highest amount of funds at Kshs.6.36 billion, Kshs.3.69 billion and Kshs.2.82 billion respectively. Counties that received the least amount for development activities included Nyandarua at Kshs.405.10 million, Nairobi City at Kshs.360.00 million, and Lamu at Kshs.333.16 million.

2.3 Expenditure Analysis

The total expenditure by the Counties for the first nine months of FY 2014/15 amounted to **Kshs.170.04 billion**, representing an absorption rate of **52.9 per cent** of the aggregate annual County Budgets, an increase from the 32.2 per cent attained in the third quarter of FY 2013/14 where a total expenditure of Kshs.86.7 billion was reported. Recurrent expenditure amounted to **Kshs.117.0 billion**, representing an absorption rate of **64.5 per cent** of the annual recurrent budget while development expenditure was **Kshs.53.04 billion**, representing an absorption rate of 37.8 per cent.

The Counties that attained the highest expenditure in absolute terms were; Nairobi City at Kshs.15.69 billion, Mandera at Kshs.6.78 billion, Kakamega at Kshs.5.63 billion and Bungoma at Kshs.5.19 billion. Nyandarua, Tharaka Nithi, Isiolo, and Lamu Counties reported the least absolute expenditure at Kshs.1.62 billion, Kshs.1.59 billion, Kshs.1.58 billion, and Kshs.789.04 million respectively.

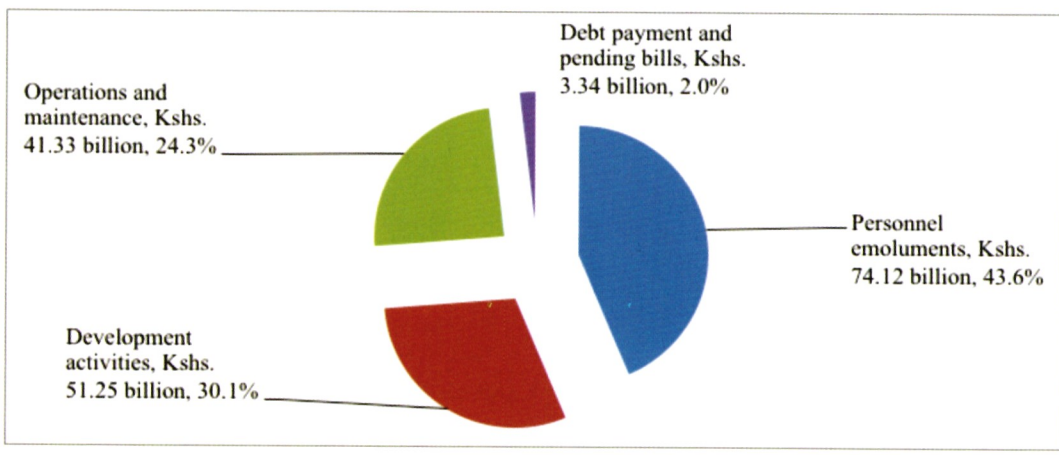
Analysis of expenditure as a percentage of the funds released indicates that the following counties attained the highest percentage of expenditure to total funds released; Nairobi City at 170.1 per cent, Kiambu 142.2 per cent, Homa Bay at 115.1 per cent, Marsabit at 111.1 per cent, Kajiado at 105.1 per cent, Muranga at 103.0 per cent Taita Taveta at 100.7 per cent, Machakos at 100.5 per cent and Mombasa

at 100.1 per cent. These counties spent more than the total exchequer releases by COB. This may be attributed to use of locally generated revenue at source, which contravenes the provisions of the PFM Act, 2012. The Counties that had the least percentage of expenditure to funds released included: **Lamu** at **68.5 per cent, Tana River** at **68.3 per cent Elgeyo Marakwet** at **66.1 and Turkana at 56.9 per cent.**

Counties that recorded the highest absorption rates were **Homa Bay, West Pokot, Nandi** and **Murang'a at 70.7 per cent, 67.6 per cent, 67.2 per cent** and **67.1 per cent** respectively. Conversely, Turkana, Lamu, Siaya, and Busia recorded the lowest absorption rates at 38.7 per cent, 40.3 per cent, 41.3 per cent and 41.5 per cent respectively.

Analysis of the aggregate county expenditure by economic classification shows that Kshs.74.12 billion (43.8 per cent) was spent on personnel emoluments, Kshs.51.23 billion (30.8 per cent) on development activities, Kshs.39.14 billion (23.2 per cent) on operations and maintenance and Kshs.3.34 billion (2.2 per cent) on debt payment and pending bills. Figure 2 shows analysis of expenditure by economic classification.

Figure 2: Expenditure by Economic Classification



Source: *OCOB and County Treasuries*

2.4 Recurrent Expenditure

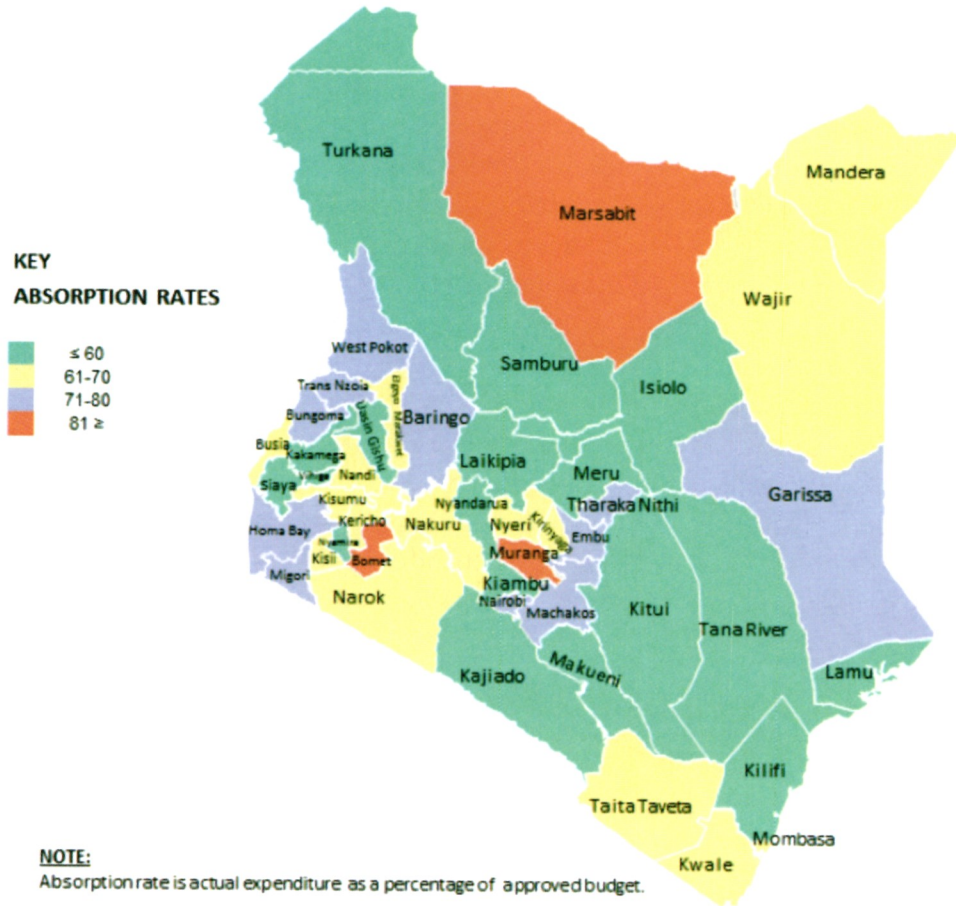
During the reporting period, total recurrent expenditure by the Counties amounted

to Kshs.117.0 billion, translating to 68.8 per cent of the total expenditure. This expenditure represents an absorption rate 64.5 per cent of the annual recurrent budget, an increase from 45.0 per cent recorded in the same period of FY 2013/14 where expenditure stood at Kshs.74.6 billion..

The Nairobi City County reported the highest expenditure in absolute terms on recurrent activities at Kshs.14.80 billion followed by Nakuru and Mombasa counties at Kshs.4.29 billion and Kshs.4.07 billion respectively. Isiolo County, Tana River County and Lamu County had the lowest recurrent expenditure at Kshs.1.12 billion, Kshs.1.06 billion and Kshs.591.49 million respectively.

Analysis of absorption rates indicates that **Marsabit County** recorded the highest absorption rate of the annual recurrent budget at **86.7 per cent**, followed by Murang'a County at **80.9 per cent, Bomet at 80.6 per cent** and **Homa Bay County at 78.7 per cent**. The lowest absorption rate of annual recurrent budget was recorded in the following Counties: **Meru at 47.4 per cent, Lamu at 47.6 per cent** and **Nyandarua at 50.2 per cent**.

Figure 3: Recurrent Expenditure by County Governments for the First Nine Months of FY 2014/15



Source: [Office of the Controller of Budget]

2.4.1 Personnel Emoluments

By the end of the third quarter of the FY 2014/15, the Counties had spent a total of **Kshs.74.12 billion** on personnel emoluments, representing **63.4 per cent** of total recurrent expenditure and **43.6 per cent** of total expenditure. The highest expenditure on personnel emoluments was recorded in Nairobi City County at Kshs.10.99 billion followed by Mombasa County at Kshs.2.97 billion and Nakuru County at Kshs.2.88 billion. Isiolo, Tana River and Lamu counties incurred the lowest expenditure on personnel emoluments at Kshs.577.92 million, Kshs.561.10 million and Kshs.381.65 million respectively.

Analysis of personnel emoluments as a proportion of the total recurrent expenditure shows that, Laikipia County recorded the highest proportion at 82.8 per cent followed by Kisumu County at 79.2 per cent and Kirinyaga County at 77.0 per cent. Nyamira, Mandera and Marsabit Counties had the lowest proportion of their total recurrent expenditure on personnel emoluments at 46.6 per cent, 30.9 per cent and 27.6 per cent respectively.

2.4.2 Operations and Maintenance

On aggregate, the Counties spent Kshs.41.33 billion on operations and maintenance, representing 35.3 per cent of the total recurrent expenditure. Counties that reported the highest expenditure on operations and maintenance were Nairobi City at Kshs.3.13 billion followed by Mandera at Kshs.2.15 billion, and Bungoma at Kshs.1.47 billion. Those that had the least expenditure on operations and maintenance were; Tharaka-Nithi, Laikipia and Lamu at Kshs.389.22 million, Kshs.261.39 million and Kshs.206.56 million respectively.

Analysis of operations and maintenance expenditure as a proportion of total recurrent expenditure shows that Mandera County had the highest proportion at 69.1 per cent followed by Nyamira County at 53.4 per cent and Taita Taveta County at 52.7 per cent. Those with the least proportion of expenditure on operations and maintenance as a percentage of total recurrent expenditure were Kisumu at 17.3 per cent, Laikipia at 17.2 per cent and Mombasa at 12.8 per cent.

2.4.3 Analysis of MCAs Sitting Allowances

During the period under review, Counties spent Kshs.2.00 billion on MCAs' sitting allowances against an annual allocation of Kshs.3.55 billion translating to an absorption rate of 56.3 per cent. This is an increase from the 55.2 per cent absorption rate recorded in the third quarter of FY 2013/14 where counties spent a total of Kshs.1.84 billion.

The Nairobi City County had the highest expenditure on MCAs' sitting allowances at Kshs.110.44 million (54.8 per cent). This is followed by Kakamega County at Kshs.108.66 million, Homa Bay County at Kshs.94.98 million and Kisii County at Kshs.94.27 million. Counties with the lowest expenditure on MCAs' sitting allowances were; Laikipia at Kshs.12.06 million, Tana River at Kshs.9.53 million and Vihiga at Kshs.8.95 million.

Further review of the MCAs' sitting allowances indicates that the Turkana County Assembly spent Kshs.45.50 million on sitting allowances which exceeded the annual budget allocation of Kshs.10 million by 355.0 per cent. This implies that funds meant for other activities were diverted to pay MCA sitting allowances. Other counties that recorded high proportions of expenditure on MCA sitting allowances to annual budget during the reporting period were; Mombasa at 110.7 per cent, Kisii at 107.1 per cent, and Makueni at 100 per cent. Conversely, those that recorded the lowest expenditure were; Tana River at 19.5 per cent, Wajir at 17.5 per cent and Vihiga at 11.5 per cent. Nandi County did not budget for MCAs' sitting allowances but spent Kshs.31.36 million. Table 2 shows the budgetary allocation and the expenditure for MCAs' sitting allowance during the period under review.

Table 2 : Annual Budget and Expenditure for MCA Sitting Allowances for the First Nine Months of 2014/15

	Third Quarter FY 2014/15				
	MCA Sitting Allowances				
County	Budgetary Allocation (Kshs. Millions)	Expenditure (Kshs Millions)	Absorption %	No. of MCAs	Avg. monthly sitting allowance/MCA (Kshs)
Baringo	40.00	19.26	48.2	49	43,674
Bomet	40.32	33.08	82.0	35	105,012
Bungoma	118.31	78.05	66.0	64	135,509
Busia	101.79	23.88	23.5	54	49,134
Elgeyo Marakwet	19.61	14.99	76.4	31	53,719
Embu	28.10	20.35	72.4	34	66,496
Garissa	73.02	45.48	62.3	49	103,131
Homa Bay	150.00	94.98	63.3	64	164,893
Isiolo	25.20	12.24	48.6	21	64,781
Kajiado	61.29	16.55	27.0	42	43,777
Kakamega	178.14	108.66	61.0	88	137,196
Kericho	84.87	40.83	48.1	48	94,521
Kiambu	135.00	65.89	48.8	88	83,194
Kilifi	95.00	52.19	54.9	54	107,394
Kirinyaga	70.98	38.41	54.1	30	142,257
Kisii	88.00	94.27	107.1	72	145,484
Kisumu	120.06	53.84	44.8	50	119,652
Kitui	95.37	39.99	41.9	57	77,949

	Third Quarter FY 2014/15				
	MCA Sitting Allowances				
County	Budgetary Allocation (Kshs. Millions)	Expenditure (Kshs Millions)	Absorption %	No. of MCAs	Avg. monthly sitting allowance/MCA (Kshs)
Kwale	66.16	22.87	34.6	34	74,734
Laikipia	17.15	12.06	70.3	24	55,842
Lamu	30.77	13.69	44.5	21	72,433
Machakos	67.50	36.89	54.7	59	69,471
Makueni	17.70	17.70	100.0	48	40,974
Mandera	87.50	30.54	34.9	49	69,258
Marsabit	50.65	22.36	44.1	34	73,064
Meru	95.06	78.89	83	69	127,012
Migori	124.30	92.15	74.1	61	167,858
Mombasa	53.77	59.52	110.7	43	153,810
Murang'a	51.04	44.53	87.2	50	98,952
Nairobi City	201.68	110.44	54.8	128	95,871
Nakuru	135.00	68.33	50.6	75	101,229
Nandi	-	31.36		49	71,108
Narok	41.40	29.12	70.3	48	67,398
Nyamira	64.00	39.63	61.9	33	133,434
Nyandarua	71.25	38.79	54.4	42	102,609
Nyeri	77.84	62.36	80.1	47	147,426
Samburu	50.60	17.01	33.6	27	70,013
Siaya	78.62	66.21	84.2	49	150,145
Taita/Taveta	56.45	26.17	46.4	35	83,065
Tana River	49.00	9.54	19.5	27	39,239
Tharaka –Nithi	29.54	12.12	41.0	25	53,868
Trans Nzoia	74.13	66.77	90.1	39	190,222
Turkana	10.00	45.50	455.0	48	105,324
Uasin Gishu	48.76	32.25	66.1	45	79,641
Vihiga	77.57	8.96	11.5	40	24,884
Wajir	243.55	42.54	17.5	46	102,754
West Pokot	54.04	33.15	61.4	33	111,625
Total	**3,510.09**	**2,024.39**	**57.0**	**2,258**	**89,654**

Source: *OCoB & County Treasuries*

Further analysis of MCA's sitting allowances indicates that the average monthly MCAs' sitting allowances in the following Counties exceeded the SRC's maximum monthly allowance of Kshs.124,800; Trans Nzoia, Nyamira, Migori, Homa Bay, Mombasa, Siaya, Nyeri, Kisii, Kirinyaga, Bungoma and Meru. The OCOB recommends that a special audit of this expense item should be conducted to ascertain validity of the expenditure. Further, excess sitting allowances paid to MCAs should be recovered.

2.4.4 Analysis of Expenditure on Domestic and Foreign Travels

In the reporting period, the Counties spent Kshs.5.71 billion on domestic and foreign travel, against an annual allocation of Kshs.8.63 billion, representing an absorption rate of 66.2 per cent of the annual budget. This is an increase from the expenditure of Kshs.4.9 billion or absorption rate of 53.1 per cent recorded in the same period in FY 2013/14.

In absolute terms, Nairobi City County had the highest expenditure on domestic and foreign travel at Kshs.290.26 million followed by Kiambu County at Kshs.248.12 million, Tana River County at Kshs.237.83 million and Kajiado County at Kshs.219.61 million. Conversely, Lamu County, Elgeyo-Marakwet County and Mombasa County had the least expenditure on this category at Kshs.54.7 million, Kshs.47.94 million and Kshs.31.84 million respectively.

When analysed as proportion of annual budgetary allocation to domestic and foreign travel, Vihiga County had the highest proportion at 293.6 per cent followed by Muranga County at 178.8 per cent, Embu County at 157.7 per cent and Nakuru County at 147.0 per cent. The Counties with the lowest proportion of expenditure on domestic and foreign travel to annual budgetary allocation were; Siaya County at 35.0 per cent, Meru County at 33.7 per cent and Mombasa County at 18.0 per cent.

From the analysis presented in Table 3, seven counties exceeded their annual allocation for domestic and foreign travel. These are: Vihiga at 293.6 per cent, Murang'a at 178.8 per cent, Embu at 157.7 per cent, Nakuru at 147.0 per cent, Uasin Gishu at 117.5 per cent, Trans Nzoia at 112.0 per cent and Bomet at 102.9 per cent. This implies that funds meant for other activities were irregularly diverted to pay expenditure on domestic and foreign travel. We recommend the Auditor General undertakes a special audit of this expenditure.

Table 3: Analysis of Domestic and Foreign Travel by the County Assemblies and the County Executives for the First Nine Months of Fy 2014/15

	DOMESTIC AND FOREIGN TRAVEL								
	COUNTY ASSEMBLY			COUNTY EXECUTIVE			COMBINED EXPENDITURE		
County	Budget (Kshs million)	Expenditure (Kshs million)	Absorption (%)	Budget (Kshs million)	Expenditure (Kshs million)	Absorption (%)	Budget (Kshs million)	Expenditure (Kshs million)	Absorption (%)
Baringo	67.00	59.81	89.3	87.19	55.90	64.1	154.19	**115.72**	75.0
Bomet	26.20	35.32	134.8	31.40	23.96	76.3	57.60	**59.28**	102.9
Bungoma	81.22	45.68	56.2	197.26	74.78	37.9	278.48	**120.47**	43.3
Busia	37.40	33.41	89.3	162.59	47.71	29.3	199.99	**81.12**	40.6
Elgeyo/Marakwet	16.50	18.10	109.7	32.11	29.84	92.9	48.61	**47.94**	98.6
Embu	37.00	57.88	156.4	25.89	41.27	159.4	62.89	**99.15**	157.7
Garissa	28.40	26.72	94.1	128.34	105.05	81.9	156.74	**131.77**	84.1
Homa Bay	68.50	45.87	67.0	32.83	21.56	65.7	101.33	**67.44**	66.6
Isiolo	68.45	40.14	58.6	90.95	100.47	110.5	159.40	**140.61**	88.2
Kajiado	154.84	57.50	37.1	187.84	162.11	86.3	342.68	**219.61**	64.1
Kakamega	123.34	81.31	65.9	207.47	77.37	37.3	330.81	**158.67**	48.0
Kericho	49.50	39.81	80.4	92.31	71.87	77.9	141.81	**111.69**	78.8
Kiambu	165.60	132.09	79.8	205.15	116.03	56.6	370.75	**248.12**	66.9
Kilifi	106.20	80.71	76.0	130.06	69.02	53.1	236.26	**149.73**	63.4
Kirinyaga	33.00	23.81	72.1	90.66	35.04	38.7	123.66	**58.85**	47.6
Kisii	70.00	64.42	92.0	160.46	116.73	72.7	230.46	**181.14**	78.6
Kisumu	53.57	11.54	21.6	151.00	64.70	42.8	204.57	**76.25**	37.3
Kitui	129.38	54.48	42.1	130.19	84.66	65.0	259.57	**139.15**	53.6
Kwale	78.00	26.23	33.6	126.29	89.27	70.7	204.29	**115.50**	56.5
Laikipia	64.00	27.66	43.2	65.21	37.26	57.1	129.21	**64.92**	50.2
Lamu	38.20	19.66	51.5	52.39	35.04	66.9	90.59	**54.70**	60.4
Machakos	156.00	108.97	69.9	149.69	102.46	68.5	305.69	**211.44**	69.2
Makueni	77.18	50.74	65.8	152.10	77.41	50.9	229.28	**128.16**	55.9
Mandera	91.50	11.29	12.3	130.27	130.72	100.3	221.77	142.02	64.0
Marsabit	74.60	33.10	44.4	113.65	50.36	44.3	188.25	83.46	44.3
Meru	60.00	31.42	52.4	126.25	31.30	24.8	186.25	62.73	33.7
Migori	91.28	64.31	70.4	187.66	48.82	26.0	278.94	113.13	40.6
Mombasa	13.70	7.54	55.0	163.16	24.30	14.9	176.86	31.84	18.0
Murang'a	31.22	27.34	87.6	30.00	82.14	273.8	61.22	109.48	178.8
Nairobi City	215.70	177.50	82.3	184.05	112.76	61.3	399.74	290.26	72.6

	DOMESTIC AND FOREIGN TRAVEL								
	COUNTY ASSEMBLY			COUNTY EXECUTIVE			COMBINED EXPENDITURE		
County	Budget (Kshs million)	Expenditure (Kshs million)	Absorption (%)	Budget (Kshs million)	Expenditure (Kshs million)	Absorption (%)	Budget (Kshs million)	Expenditure (Kshs million)	Absorption (%)
Nakuru	119.38	81.37	68.2	21.14	125.16	592.0	140.52	**206.53**	147.0
Nandi	24.64	23.48	95.3	186.06	116.68	62.7	210.71	**140.16**	66.5
Narok	28.09	10.97	39.1	162.38	85.58	52.7	190.47	**96.55**	50.7
Nyamira	0.00	6.44		0.00	62.67		0.00	**69.11**	0.0
Nyandarua	77.00	59.63	77.4	96.96	41.24	42.5	173.96	**100.87**	58.0
Nyeri	24.50	20.59	84.0	177.15	86.23	48.7	201.65	**106.82**	53.0
Samburu	55.41	32.34	58.4	94.83	53.35	56.3	150.24	**85.69**	57.0
Siaya	91.50	23.28	25.4	114.31	48.77	42.7	205.81	**72.06**	35.0
Taita/Taveta	70.20	70.11	99.9	70.20	64.26	91.5	140.40	**134.37**	95.7
Tana River	123.48	42.40	34.3	235.46	195.43	83.0	358.94	**237.83**	66.3
Tharaka – Nithi	54.80	25.26	46.1	70.41	56.66	80.5	125.21	**81.93**	65.4
Trans Nzoia	50.65	71.99	142.1	83.00	77.69	93.6	133.65	**149.68**	112.0
Turkana	199.45	124.76	62.6	70.54	56.97	80.8	269.99	**181.73**	67.3
Uasin Gishu	33.04	44.74	135.4	70.54	76.94	109.1	103.58	**121.69**	117.5
Vihiga	12.00	67.68	564.0	16.00	14.54	90.9	28.00	**82.22**	293.6
Wajir	23.05	23.04	100.0	78.00	77.43	99.3	101.05	**100.47**	99.4
West Pokot	20.00	18.52	92.6	143.93	113.59	78.9	163.93	**132.11**	80.6
Total	**3,314.70**	**2,241.01**	**67.6**	**5,315.32**	**3,473.13**	**65.3**	**8630.01**	**5714.14**	**66.2**

Source: *OCOB & County Treasuries*

2.5 Development Expenditure

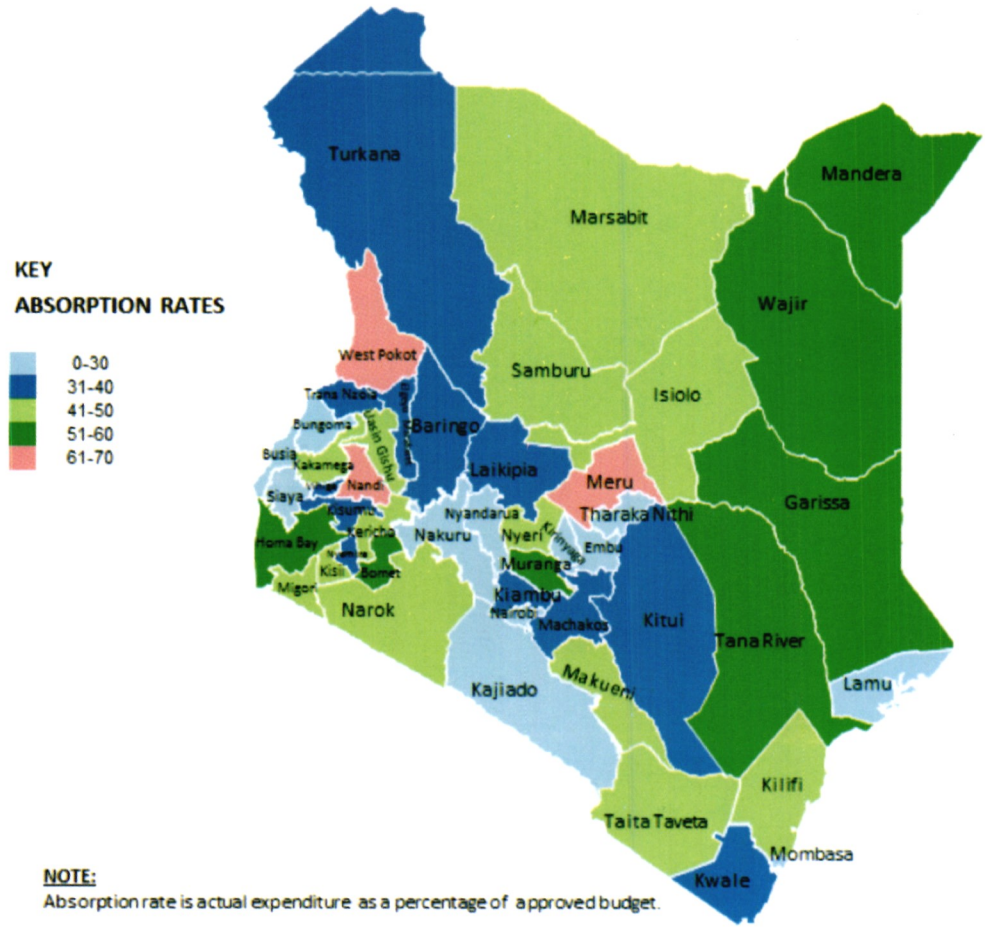
In the reporting period, county governments spent a total of Kshs.53.04 billion on development activities, representing **37.8 per cent** absorption of the annual development budget, an improvement from **11.7 per cent** of the total development budget reported in a similar period in FY 2013/14 where expenditure was Kshs.12.1 billion. The development expenditure comprised of Kshs.1.79 billion on repayment of pending bills related to development activities from FY 2013/14.

Mandera County recorded the highest expenditure on development activities during the period under review at Kshs.3.66 billion, followed by Turkana and Wajir Counties at Kshs.2.75 billion and Kshs.2.36 billion respectively. The Counties that recorded the lowest expenditure on development activities were; Kirinyaga at Kshs.268.84

million, Lamu at Kshs.197.55 million and Nyandarua at Kshs.174.68 million.

Analysis of development expenditure as a proportion of annual development budget shows that **Nandi, Meru and West Pokot counties** had the highest absorption rate of the annual development budget at **70.9 per cent, 64.5 per cent and 62.2 per cent** respectively while **Kirinyaga, Tharaka Nithi and Nairobi City counties** had the lowest absorption of the annual development budget at **17.2 per cent, 14.4 per cent** and 9.4 per cent respectively. A detailed analysis of development projects undertaken by counties is provided in chapter three under each county.

Figure 4: Development Expenditure by County for the first Nine Months of of FY 2014/15



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

Source: [Office of the Controller of Budget]

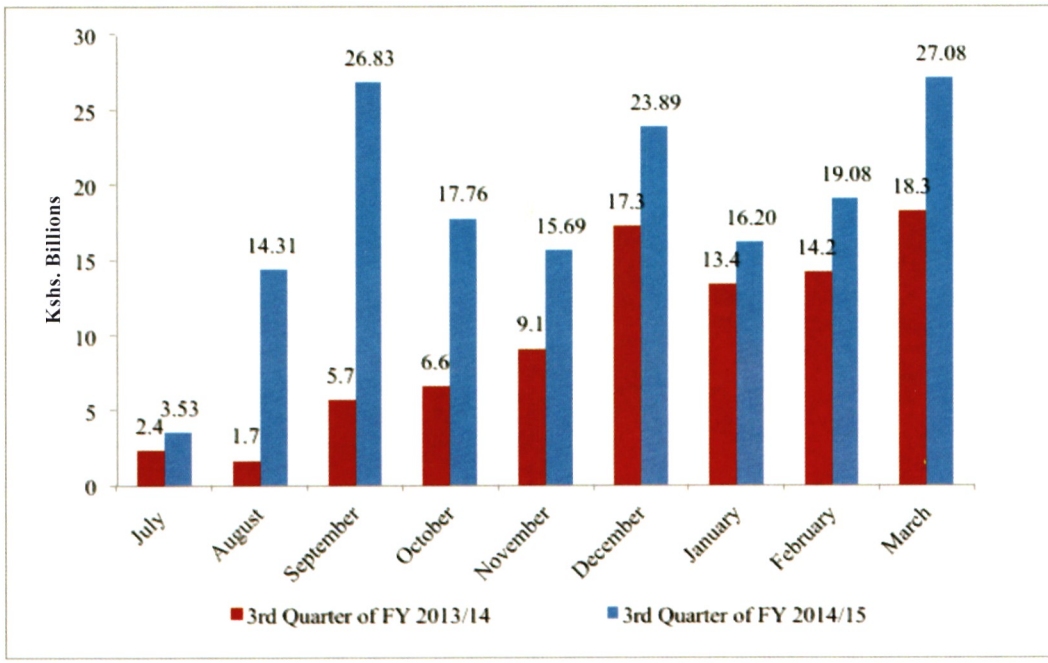
2.6 Expenditure on Debt Repayment and Pending Bills

In the first nine months of FY 2014/15, counties spent a total of Kshs.3.34 billion on debt repayment and pending bills, representing about 2.0 per cent of the total expenditure for the period. This expenditure was incurred in seven counties, namely; Marsabit at Kshs.1.06 billion, Nairobi at Kshs.685.05 million, Meru at Kshs.596.30 million, Mombasa at Kshs.577.86 million, Kisii at Kshs.273.99 million, Kisumu at Kshs.87.41 million and Trans Nzoia at Kshs.54.05 million.

2.7 Monthly Expenditure by the Counties

Analysis of aggregate monthly expenditure by the Counties shows a fluctuating trend and ranges from a low of Kshs.3.53 billion in July 2014 to a high of Kshs.27.08 billion in March 2015. However, there is notable increase of expenditure in the reporting period compared to the same period in FY 2013/14. Figure 5 below shows the monthly expenditure in the first nine months of F/Y 2013/14 and FY 2014/15.

Figure 5: Monthly Expenditure by Counties



Source: *OCOB and County Treasuries*

3.0 INDIVIDUAL COUNTY BUDGET PERFORMANCE

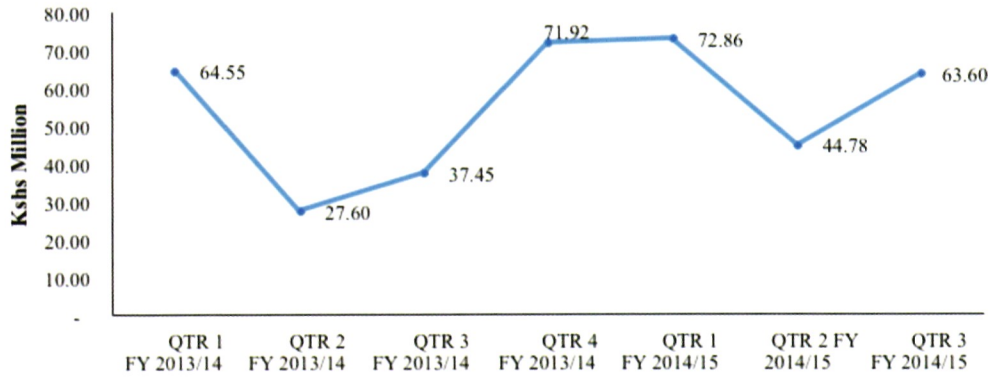
This section provides individual county budget performance for the first nine months of FY 2014/15. The section analyses actual revenue and expenditure. Further, challenges faced in budget implementation are identified and recommendations aimed at improving budget implementation are provided. The 47 counties are discussed in alphabetical order.

Baringo County

In the FY 2014/15, the approved Supplementary Budget for Baringo County amounts to Kshs.5.34 billion, with Kshs.2.95 billion (55.3 per cent) allocated to recurrent expenditure and Kshs.2.39 billion (44.7 per cent) to development expenditure. The budget allocation and expenditure by department is shown in Table 4. In order to finance the budget, the County expects to receive Kshs.3.78 billion (70.7 per cent) as transfers from the National Government, collect Kshs.0.45 billion (8.5 per cent) from local sources, receive a conditional grant of Kshs.23.79 million (0.4 per cent) from DANIDA, and Kshs.784.16 million (14.7 per cent) as projected cash balance from FY 2013/14.

During the first nine months of FY 2015, the County received Kshs.2.52 billion from the National Government as direct transfer to the CRF, raised Kshs.181.25 million from local sources, and had Kshs.784.16 million as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.63.60 million which is a decline from Kshs.72.85 million collected in the first quarter and Kshs.44.78 million collected in the second quarter of FY 2014/15. The total local revenue raised as at March 2015 accounted for **40.1 per cent** of the annual local revenue target. Figure 6 below shows the trend of local revenue collection by quarter.

Figure 6: Baringo County, Trend in Local Revenue Collection by Quarter



Source: *Baringo County Treasury*

During the reporting period, the County accessed **Kshs.3.04 billion** from the CRF, which is 56.9 per cent of the approved Supplementary Budget, an improvement from 19.0 per cent in the same period of FY 2013/14. This amount consisted of Kshs. 2.18 billion (71.8 per cent) for recurrent expenditure and Kshs.0.85 billion (28.2 per cent) for development activities.

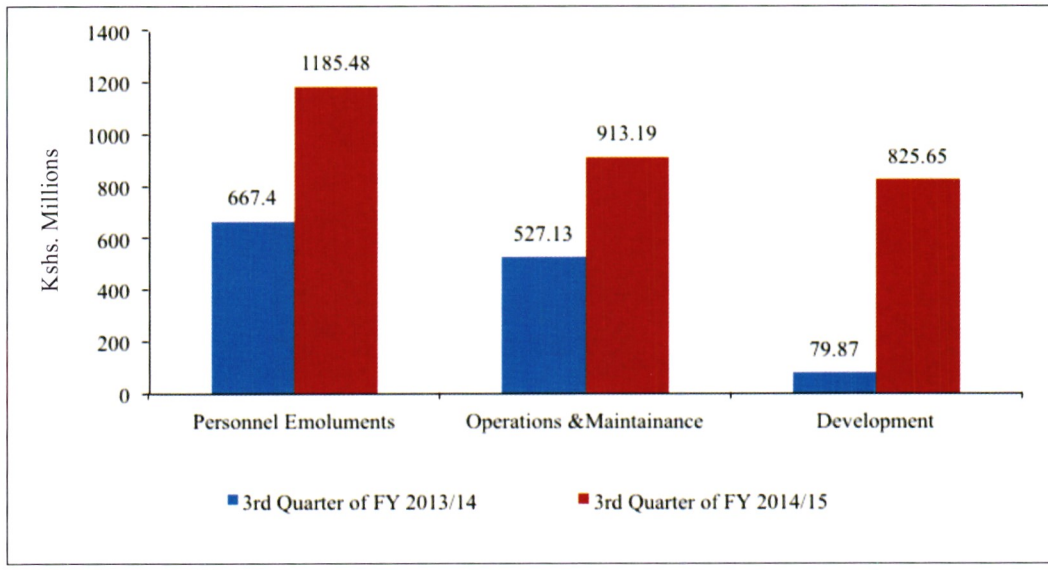
The county spent a total of **Kshs.2.92 billion** during the first nine months of FY 2014/15, which is 96.1 per cent of the total funds released for operations and an improvement from the Kshs.1.27 billion spent in the same period of FY 2013/14. A total of Kshs.2.10 billion (71.8 per cent) was spent on recurrent activities while Kshs.825.65 million (28.2 per cent) on development activities. Recurrent expenditure was 96.0 per cent of the funds released for recurrent activities while development expenditure accounted for 96.4 per cent of the funds released for development activities. The expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.37.3 million for recurrent expenditure and Kshs.253.24 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **71.1 per cent** of the annual recurrent budget, an increase from an absorption rate of **24 per cent** realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of **34.5 per cent** of the annual development budget, an improvement from an absorption rate of **27.4 per cent** realized in the same period of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.2.10 billion shows that the County spent Kshs.1.19 billion **(56.5 per cent)** on personnel emoluments and Kshs.913.19 million (43.5 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments accounted for 40.75 percent of total expenditure and has increased significantly in the period under review compared to the same period in FY 2013/14 when the County spent Kshs.667.4 million. The office also noted large that there were large amounts of outstanding imprest.

A comparison of the total expenditure for the period under review and the same period in the previous financial year is shown in Figure 7 below.

Figure 7: Baringo County, Third Quarter Expenditure by Economic Classification in Kshs. million



Source: *Baringo County Treasury*

A breakdown of expenditure by department shows that Health Department had the highest absorption rate of recurrent budget at 81.1 per cent while the department of Trade and Industrialization had the highest absorption rate of development budget at 60 per cent. On the other hand, the County Treasury Department had the lowest absorption rate of both the recurrent budget and development budget at 54.3 per cent and 0.2 per cent respectively. The expenditure by department is summarized in **Table 4**.

Table 4: Baringo County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

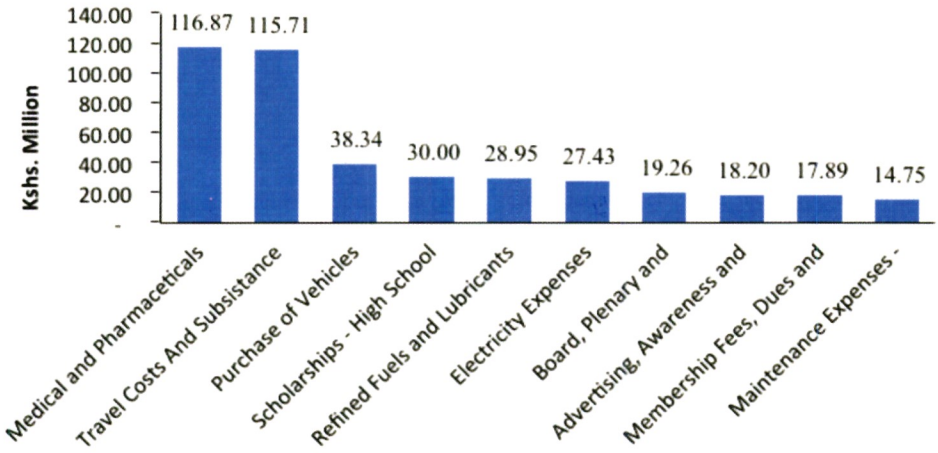
DEPARTMENT	BUDGET ALLOCATION (Kshs.million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENSITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Assembly	393.5	85.28	277.96	30	252.32	16.16	90.78	53.87	**64.12**	**18.95**
Governor/County Executive services	309.58	73.72	245.56	30.72	189.12	35.76	77.02	116.41	**61.09**	**48.51**
County Treasury Services	227.38	216.88	156.37	9.3	123.56	0.36	79.02	3.87	**54.34**	**0.17**
Transport and Infrastructure	59.76	529.12	44.42	170.9	33.57	207.41	75.57	121.36	**56.17**	**39.20**
Industrialization, Commerce and Tourism	98.44	146.31	73.52	85.97	68.19	87.77	92.75	102.09	**69.27**	**59.99**
Education, Sports, Culture & Art	215.57	254.8	165.38	133.3	153.2	75.47	92.64	56.62	**71.07**	**29.62**
Health	1,144.65	241.36	853.53	54.66	927.33	80.88	108.65	147.97	**81.01**	**33.51**
Housing & Urban Development	130.29	77.57	91.83	5	76.38	28.92	83.18	578.40	**58.62**	**37.28**
Agriculture, Livestock, Fisheries & Marketing	185.47	248.74	136.5	116.2	148.53	89.26	108.81	76.82	**80.08**	**35.88**
Youth, Gender & Social Security Services	74.43	89.13	54.73	36.13	54.61	17.28	99.78	47.83	**73.37**	**19.39**
Water & Irrigation	81.35	380.15	63.81	169.25	53.72	167.27	84.19	98.83	**66.04**	**44.00**
Environment & Natural Resources	31.99	46.82	21.88	15.31	18.12	19.11	82.82	124.82	**56.64**	**40.82**
TOTAL	**2,952.42**	**2,389.87**	**2,185.49**	**856.73**	**2,098.67**	**825.65**	**96.03**	**96.37**	**71.08**	**34.55**

Source: *Baringo County Treasury*

The County spent Kshs.19.26 million on payment of sitting allowances to the 49 MCAs, representing an absorption rate of 48.2 per cent of the annual budget, an increase from Kshs.18.18 million spent in the same period of FY 2013/14. The average monthly sitting allowance per MCA was Kshs.43,674.

Total expenditure on domestic and foreign travel was Kshs.115.71 million compared to Kshs.75.22 million in the same period of FY 2013/14, representing an increase of 53.8 per cent. This expenditure comprised of Kshs.59.81 million by the County Assembly and Kshs.55.90 million by the County Executive. A breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 8.**

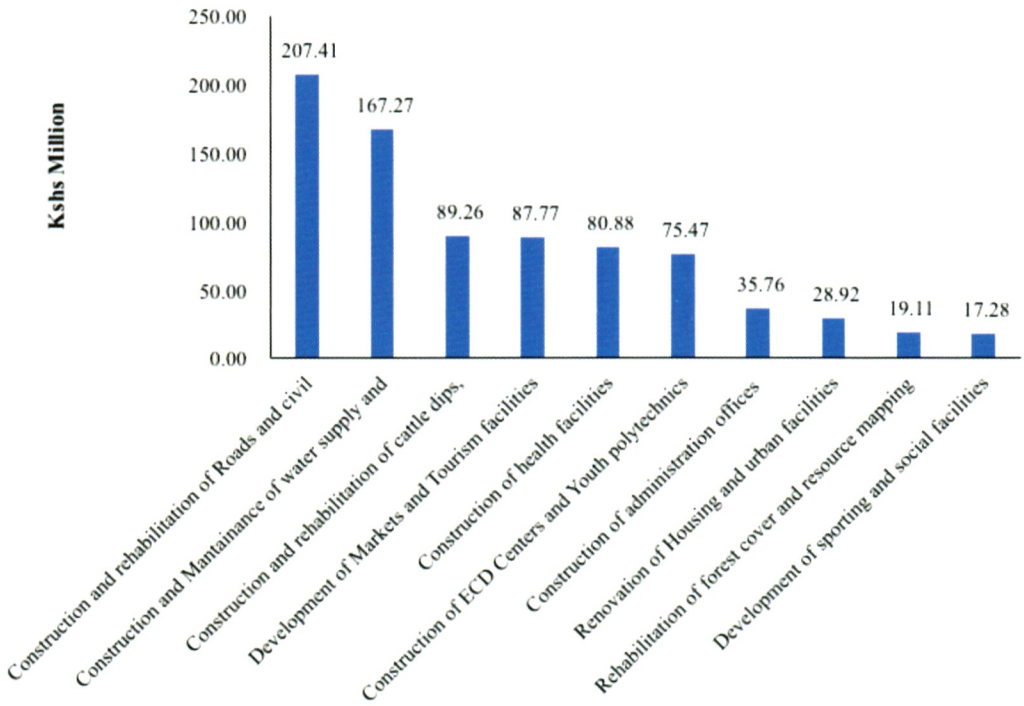
Figure 8: Baringo County, Operations and Maintenance Expenditure



Source: *Baringo County Treasury*

Analysis of the development expenditure in the reporting period of Kshs.825.65 million shows that the County spent Kshs.207.4 million on development and maintenance of access roads and infrastructure; Kshs.167 Million on construction of water pans, piping of water and establishment of irrigation schemes; Kshs.89 million on construction of cattle dips, abattoirs and livestock sale yards; Kshs.80.8 million on construction and renovation of health facilities; Kshs.75 million on construction of ECD classrooms and Youth Polytechnic; Kshs.35 million on refurbishment of administration buildings and the Governor's residence, and Kshs.28 million on maintenance of housing estates in the County including urban facilities as shown in **Figure 9.**

Figure 9: Baringo County, Analysis of Development Expenditure



Source: *Baringo County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. So far, the following issues have been addressed: (i) enforcement of the finance act, (ii) full operationalization of IFMIS, (iii) human capacity building, (iv) compliance with legal budgetary timelines, and (v) designation of departmental accounting officers.

The following challenges continued to hamper effective budget implementation in the reporting period;

1. Lack of an effective Monitoring and Evaluation framework which has led to poor monitoring and reporting on development projects.
2. Inadequate internal audit arrangements which continue to compromise internal controls.
3. Long outstanding and large amounts of imprest which compromise effective financial management.

4. Lack of laws that govern revenue collections upon which the Finance Bill is anchored which limit effective local revenue mobilization.
5. Expenditure by some County entities that exceeded Exchequer Issues by the OCOB.
6. Failure to adhere to SRC Circulars on staff remuneration resulting in senior staff being paid monthly transport allowance despite being assigned official vehicles.

The County should implement the following recommendations in order to improve budget execution:

1. *The County should establish an effective Monitoring and Evaluation unit in order to enhance oversight and reporting on project implementation.*
2. *The County Treasury should revamp the internal audit unit in order to enhance its effectiveness in providing management controls.*
3. *The County Treasury should ensure that imprest is accounted for in a timely manner in line with provisions of the PFMA, 2012.*
4. *The County Assembly should fast track enactment of requisite revenue laws to provide an appropriate framework for revenue collection.*
5. *Strengthen financial controls in line with section 104 of the PFM Act 2012 and ensure that expenditure is within the exchequer issues.*
6. *Adhere to the SRC Circular on staff benefits and remuneration.*

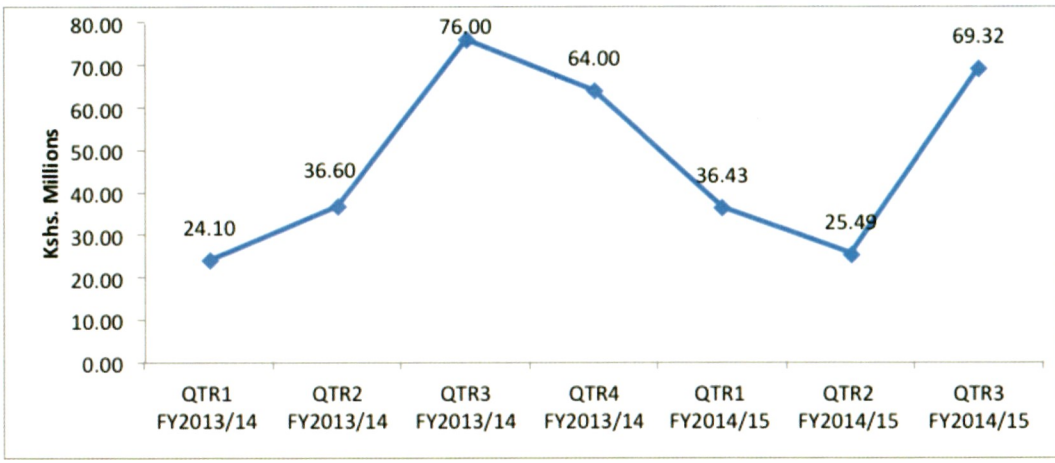
Bomet County

In the FY 2014/15, the approved Budget for Bomet County amounts to Kshs.4.60 billion with Kshs.1.90 billion (41.3 per cent) allocated to recurrent expenditure and Kshs.2.70 billion (58.7 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 5. In order to finance this budget, the County expects to receive Kshs.4.11 billion (88.3 per cent) as transfers from the National Government, collect Kshs.380.43 million (8.2 per cent) from local sources, receive a conditional grant of Kshs.12.60 million (0.3 per cent) from DANIDA, and Kshs.151.97 million (3.3 per cent) as projected cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.2.66 billion from the National Government as direct transfer to the CRF, generated Kshs.131.25 million from local sources, and, had Kshs.151.97 million as cash balance brought

forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.69.32 million which is an improvement from Kshs.36.43 million collected in the first quarter and Kshs.25.49 million collected in the second quarter of FY 2014/15. The local revenue raised for the period ending March 2015 accounted for 34.50 per cent of the annual local revenue target. Figure 10 below shows the trend of local revenue collection by quarter.

Figure 10: Bomet County, Trend in Local Revenue Collection by Quarter



Source: *Bomet County Treasury*

During the reporting period, the County accessed a total of **Kshs.2.94 billion** from the CRF, which is 63.9 per cent of the approved budget estimates, an improvement from 60.52 per cent in the same period of financial year 2013/14. This amount consisted of Kshs.1.34 billion (45.7 per cent) for recurrent expenditure and Kshs.1.59 million (54.3 per cent) for development activities.

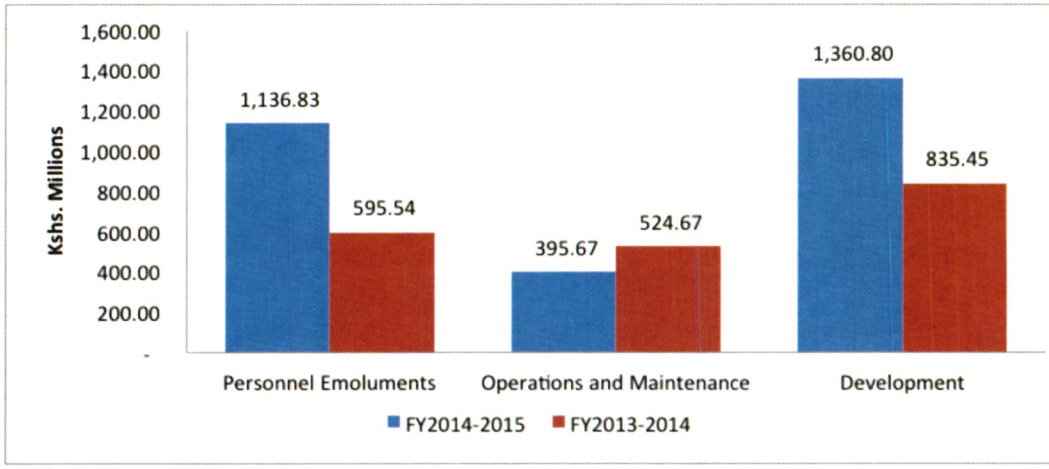
The county spent a total of **Kshs.2.89 billion** during the first nine months of FY 2014/15 which was 98.5 per cent of the total funds released and an improvement from Kshs.1.96 billion spent in the same period of FY 2013/14. A total of Kshs.1.53 billion (53.7 per cent) was spent on recurrent activities while Kshs.1.36 billion (46.3 per cent) on development activities. Recurrent expenditure was 52.2 per cent of the funds released for recurrent activities while development expenditure accounted for 46.35 per cent of the funds released for development activities. The expenditure does not include outstanding commitments as at March 2015 that

amounted to Kshs.89.64 million for recurrent expenditure and Kshs.504.23 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of 81.7 per cent of the annual recurrent budget, an increase from an absorption rate of 61.9 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of 49.6 per cent of the annual development budget, an improvement from an absorption rate of 41.5 per cent realized in the same period of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.1.53 billion shows that the County spent Kshs.1.14 billion (74.18 per cent) on personnel emoluments and Kshs.395.67 million (25.82) per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments accounted for 39.3 percent of total expenditure and has doubled in the period under review compared to the same period in FY 2013/14 when the County spent Kshs.595.54 million. Figure 11 shows a comparison of the total expenditure between the period under review and the same period in FY 2013/14.

Figure 11: Bomet County, Third Quarter Expenditure by Economic Classification



Source: *Bomet County Treasury*

A breakdown of expenditure by department shows that Roads and Public Works Department had both the highest recurrent budget absorption rate at 117.2 per cent and development budget at 95.3 per cent. Similarly, the Environment & Natural Resources Department had the lowest absorption rate of both the recurrent and development budget at 38.7 per cent and 4.1 per cent respectively. Expenditure by the various departments is summarised in **Table 5**.

Table 5: Bomet County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

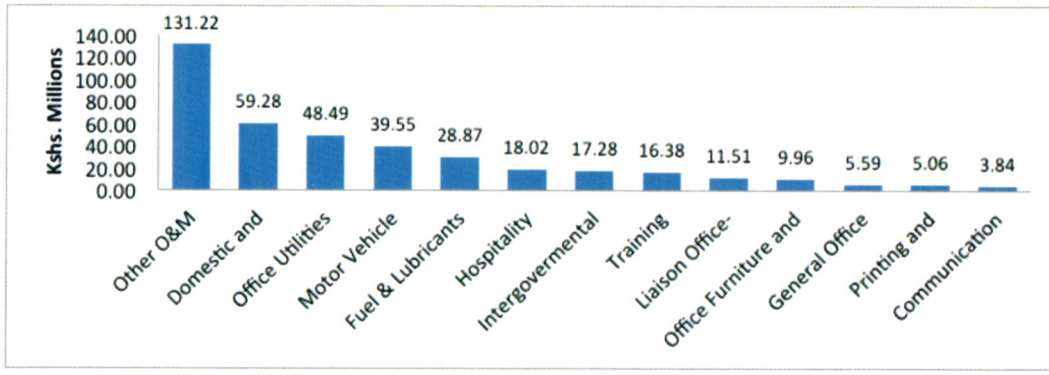
DEPARTMENT	BUDGET ALLOCATION (Kshs.million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENSITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Office of the Governor	463.10	125.00	235.92	281.23	405.28	56.18	125.0	66.6	87.5	44.9
Finance and Economic Planning	260.26	20.00	182.65	7.03	205.58	7.22	112.6	102.7	79.0	36.1
Education, Sport, Youth & ICT	166.91	545.60	118.59	271.57	123.14	269.15	103.8	99.1	73.8	49.3
Health and Sanitation	333.32	372.24	235.92	281.23	293.50	179.18	124.4	63.7	88.1	48.1
Culture,Chidren & Social Services	49.85	365.20	34.75	115.99	32.12	142.55	92.4	122.9	64.4	39.0
Roads and Public Works	74.63	412.00	55.69	348.78	87.47	392.58	157.1	112.6	117.2	95.3
County Assembly	265.00	0.00	189.12	-	198.40	-	104.9	-	74.9	-
Lands, Housing & Physical planning	53.63	100.00	36.40	82.90	36.30	67.89	99.7	81.9	67.7	67.9
Trade, Energy, Industralisation and Tourism	21.18	74.00	15.93	33.78	11.00	27.57	69.1	81.6	51.9	37.3
Environment and Natural Resources	24.84	13.80	18.03	5.97	9.61	0.56	53.3	9.4	38.7	4.1
Agribusiness, Coorperatives and Marketing	149.01	458.40	104.88	218.60	94.60	111.17	90.2	50.9	63.5	24.3
Water and Irrigation	38.35	214.70	27.05	142.77	34.89	106.76	129.0	74.8	91.0	49.7
Total	**1,900.06**	**2,700.94**	**1,343.14**	**1,592.97**	**1,531.88**	**1,360.80**	**114.1**	**85.4**	**80.6**	**50.4**

Source: *Bomet County Treasury*

During the first nine months of FY 2014/15, the County spent Kshs.33.08 million on sitting allowances to the 36 MCAs, representing an absorption rate of 82.04 per cent of the annual budget, an increase from the Kshs.11.7 million spent in the same period of FY 2013/14.The average monthly sitting allowance per MCA was Kshs.105,012.

Total expenditure on domestic and foreign travel amounted to Kshs.59.28 million compared to Kshs.69.3 million in the same period of FY 2013/14, representing a decrease of 14.46 per cent. This amount comprised of Kshs.35.32 million by the County Assembly and Kshs.23.96 million incurred by the County Executive. A breakdown of the operations and maintenance expenditure for the period under review is shown in **Figure 12.**

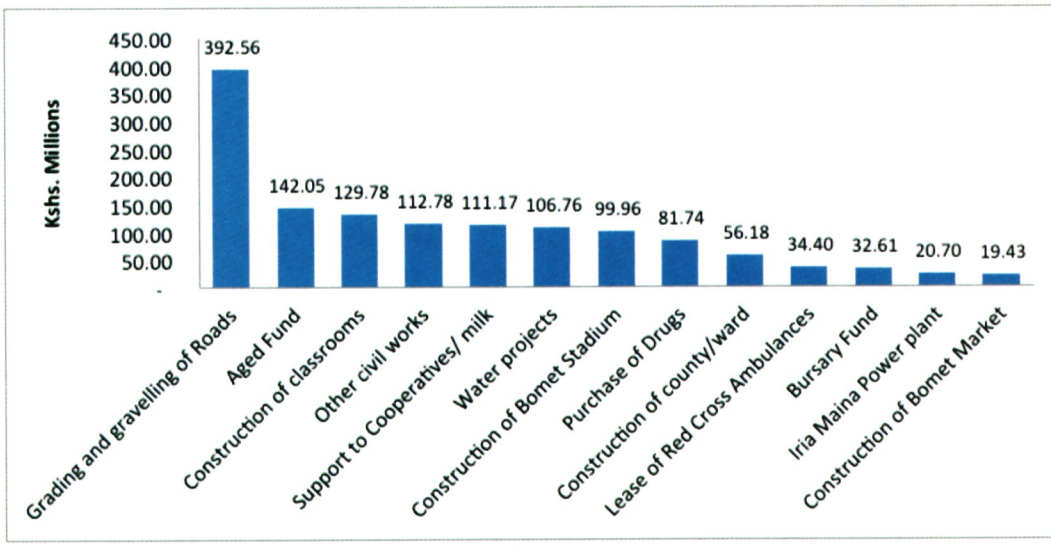
Figure 12: Bomet County, Operations and Maintenance Expenditure



Source: *Bomet County Treasury*

Analysis of the development expenditure for the reporting period shows that the County spent Kshs.392.56 million on construction of roads, Kshs.142.05 on a fund for elderly people, Kshs.129.78 million on construction of ECD classrooms, Kshs.112.78 million on other infrastructure and civil works, Kshs.111.17 million on support to cooperatives and construction of milk cooling plants, Kshs.99.96 million on the construction of the Bomet Stadium, Kshs.81.74 million on purchase of drugs, Kshs.56.18 million on construction of County and Ward offices, Kshs.34.40 million on leasing of ambulances from the Red Cross, Kshs.32.61 million on school bursaries, Kshs.20.70 million on construction of Iria Maina power plant, and, Kshs.19.43 million on the construction of market shades as shown in **Figure 13**.

Figure 13: Bomet County, Analysis of Development Expenditure



Source: *Bomet County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. So far, the following have been addressed: (i) operationalization of IFMIS, and (ii) enhanced efforts in local revenue mobilization.

The following challenges continued to hamper effective budget implementation in the reporting period;

1. Inadequate monitoring of the County budget resulting in overdrawing of some votes.
2. Failure to submit quarterly financial statements on the established County Funds contrary to Section 167 and 168 of the PFM Act, 2012.
3. A weak monitoring and evaluation system for development projects.
4. Implementation of projects not contained in the budget, such as the construction of the Governor's Office and Sigor High School buildings which, was moved from its original site to pave way for the proposed Bomet University.
5. Operationalization of established County Funds such as the County Enterprise Fund, and, the Emergency Fund without approved regulations.
6. A high wage bill due to continuous staff recruitment that may result in unsustainable salary costs.

The County should implement the following recommendations in order to improve budget execution:

1. *The County Treasury should monitor budget execution through regular reports in order to minimise instances where votes are overdrawn.*
2. *The county should submit quarterly report on the established Funds in line with Section 168 of the PFM Act 2012.*
3. *The County should put in place adequate monitoring and evaluation frameworks for monitoring and implementation of development projects.*
4. *The County government should strictly adhere to activities contained in the annual budget*
5. *All established County Funds should be supported by regulations dully approved by the County Assembly before operationalization.*
6. *The County should liaise with the National Government to address the rising wage bill.*

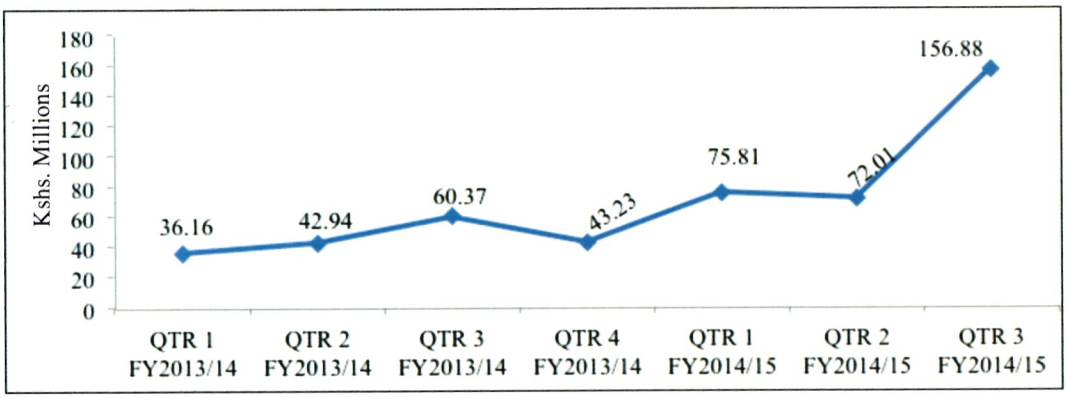
Bungoma County

In the 2014/15 financial year, the approved Supplementary Budget for Bungoma County amounts to Kshs.10.40 billion with Kshs.4.54 billion (43.7 per cent) allocated to recurrent expenditure and Kshs.5.86 billion (56.3 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 6. In order to finance this budget, the County expects to receive Kshs.7.19 billion (69.2 per cent) as transfers from the National Government, collect Kshs.1.08 billion (10.4 per cent) from local sources, receive a refund from the National Government for salary overpayment to staff transferred from National Government of Kshs.250.00 million (2.4 per cent), and Kshs.1.87 billion (18.0 per cent) as projected cash balance from FY 2013/14. The County received a Kshs.12.37 million grant from DANIDA which was not included in the budget as a revenue source.

During the first nine months of FY 2014/15, the County received Kshs.3.70 billion from the National Government as a direct transfer to the CRF, raised Kshs.304.70 million from local sources and had Kshs.1.87 billion as cash balance brought forward from the FY 2013/14.The local revenue raised in the third quarter was Kshs.156.88 million which is an improvement from Kshs.75.81 million collected in the first quarter and Kshs.72.01 million in the second quarter of the FY 2014/15.The local revenue raised as at March 2015 accounted for 28.3 per cent of the annual local

revenue target. Figure 14 shows the trend of local revenue collection by quarter.

Figure 14: Bungoma County Trend in Local Revenue Collection by Quarter



Source: *Bungoma County Treasury*

During the reporting period, the county accessed Kshs.5.37 billion from the CRF which is 51.7 per cent of the approved Supplementary Budget, an improvement from 5 per cent in the same period of FY 2013/14. This amount consisted of Kshs.3.15 billion (58.6 per cent) for recurrent expenditure and Kshs.2.22 billion (41.4 per cent) for development activities.

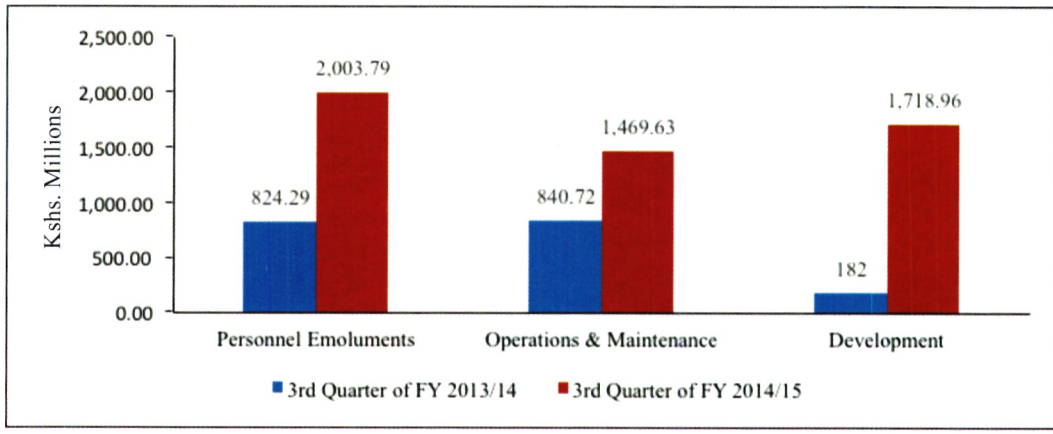
The county spent a total of Kshs.5.19 billion during the first nine months of FY 2014/15 which is 96.6 per cent of the total funds released and an improvement from the Kshs.1.85 billion spent in the same period of FY 2013/14. A total of Kshs.3.47 billion (66.9 per cent) was spent on recurrent activities while Kshs.1.72 billion (33.1 per cent) on development activities. Recurrent expenditure was 110.3 per cent of the funds released for recurrent activities while development expenditure accounted for **77.3 per cent** of the funds released for development activities. The expenditure does not include outstanding commitments as at March, 2015 which amounted to Kshs.40.34 million for recurrent expenditure and Kshs.57.50 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **76.5 per cent** of the annual recurrent budget, an increase from an absorption rate of 32.0 per cent realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of 29.3 per cent of the annual development

budget, an improvement from an absorption rate of 4.8 per cent realized in the same period of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.3.47 billion shows that the County spent Kshs.2 billion **(57.7 per cent)** on personnel emoluments and Kshs.1.47 billion **(42.3 per cent)** on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period of FY 2013/14 when the County spent Kshs.824.29 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown **Figure 15** below.

Figure 15: Bungoma County, Third Quarter Expenditure by Economic Classification



Source: *Bungoma County Treasury*

A breakdown of expenditure by department shows that the County Assembly had the highest absorption rate of both its annual recurrent budget and development budget at 109.4 per cent and 82.7 per cent respectively. The Trade and Industrialization Department had the lowest absorption rate of recurrent budget at 46.0 per cent while the Finance and Planning Department had the lowest absorption rate of development budget at 14.1 per cent. Table 6 shows budget allocation and expenditure by department.

Table 6: Bungoma County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

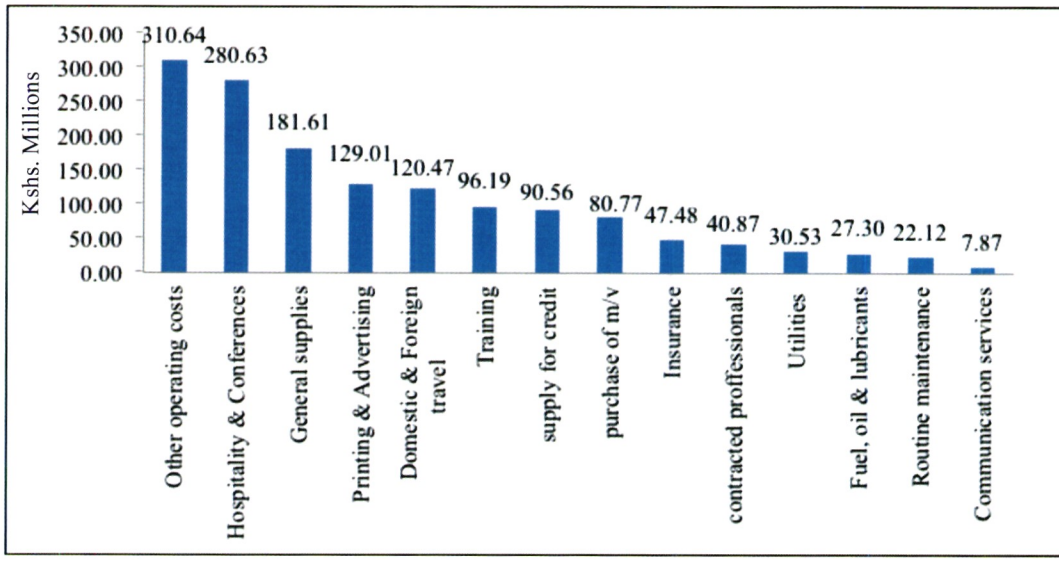
DEPARTMENT	BUDGET ALLOCATION (Kshs.million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENSITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Agriculture, livestock, fisheries and co - op development	356.6	710.94	244.61	421.16	203.28	200.24	83.1	47.5	**57.0**	**28.2**
Tourism, Forestry, environment and natural resource	47.83	112.83	34.38	40	36.71	33.46	106.8	83.7	**76.8**	**29.7**
Roads and Public works	65.34	1442.58	47.54	583.4	38.1	503.89	80.1	86.4	**58.3**	**34.9**
Education, Science and ICT	293.4	504.96	221.16	245.76	235.91	247.33	106.7	100.6	**80.4**	**49.0**
Health Water and sanitation	1408	626.86	963.13	331.22	1035.16	187.37	107.5	56.6	**73.5**	**29.9**
Trade, energy industrialization	52.18	254.34	29.46	78.97	23.95	82.61	81.3	104.6	**45.9**	**32.5**
Gender, Culture, Youth and sports	97.88	352.54	73.9	93	68.57	88.99	92.8	95.7	**70.1**	**25.2**
Land, Urban and Physical Planning	242.1	300.5	177	130.55	191.27	43.57	108.1	33.4	**79.0**	**14.5**
County Assembly	477.4	126	348.02	68	522.51	104.21	150.1	153.3	**109.4**	**82.7**
Finance and Planning	638	1195.05	460.81	170	482.27	167.92	104.7	98.8	**75.6**	**14.1**
County Public Service	56.34	10.2	38.86	7.65	35.12	0	90.4	0.0	**62.3**	**0.0**
Governors/ D.Governor's office	188.6	40	111.71	0	154.14	2.6	138.0		**81.7**	**6.5**
Public Administration	617.6	182	400.26	54	448.4	56.76	112.0	105.1	**72.6**	**31.2**
Total	**4,541.27**	**5,858.80**	**3,150.84**	**2,223.71**	**3,475.39**	**1,718.95**	**110.3**	**77.3**	**76.5**	**29.3**

Source: *Bungoma County Treasury*

The County spent Kshs.78.05 million on sitting allowances to the 64 MCAs representing an absorption rate of 66.0 per cent of the annual budget, an increase from the Kshs.19.89 million spent in the same period of FY 2013/14. Each MCA received an average monthly sitting allowance of Kshs.135,509 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.120.47 million consisting of Kshs.45.68 million by the County Assembly and Kshs.74.78 million by the County Executive. There was an increase of 16.89 per cent compared to Kshs.105.12 million spent in the same period of FY 2013/14 where expenditure by the County Assembly and the County Executive was Kshs.45.68 million and Kshs.74.78 million respectively. The breakdown of operations and maintenance expenditure for the reporting period is shown in **Figure 16**.

Figure 16: Bungoma County, Operations and Maintenance Expenditure

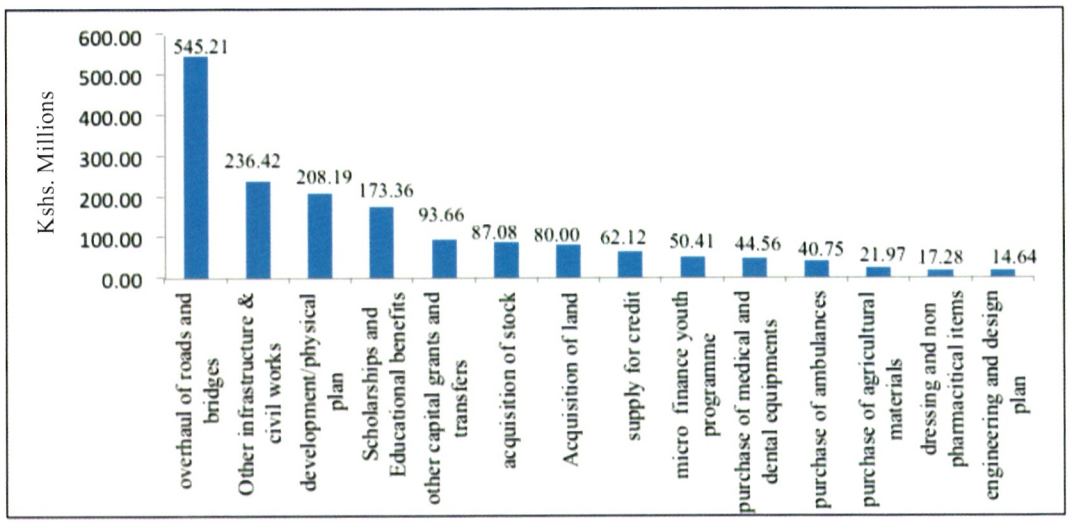


Source: *Bungoma County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.545.21 million on construction of roads and bridges; Kshs.236.42 million on other infrastructure and civil works; Kshs.208.19 million on the County's development/ physical plan; Kshs.173.36 million on scholarship and educational benefits; Kshs.93.67 million on capital grants and transfers; Kshs.87.08 million on acquisition of strategic stock; Kshs.80 million on acquisition of land, and Kshs.71.58 million on water and sewerage services. Also, Kshs.50.41 million was spent on the micro finance youth programme; Kshs.44.56 million on purchase of medical and dental equipment, Kshs.40.75 million on purchase of 5 ambulances; Kshs.21.67 million on purchase of agricultural materials; Kshs.17.28 million on non-pharmaceutical items, and Kshs.14.64 million on engineering and design plan. The County also spent

Kshs.58 million on the Ward Development Fund, Kshs.25 million on the Youth Fund, Kshs.25 million on the Women Fund, Kshs.50 million on the Trade Loan Scheme, and, Kshs.173.40 million on Education Grants and Bursaries as shown in **Figure 17**.

Figure 17: Bungoma County Analysis of Development Expenditure



Source: *Bungoma County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. So far, the following challenges have been addressed: (i) full operationalization of IFMIS; (ii) compliance with the budget formulation timelines, and, (iii) designation of departmental accounting officers.

The following challenges continued to hamper effective budget implementation in the reporting period;

1. Late submission of financial reports by the County Treasury.
2. Failure to pass regulations to operationalize the Emergency Fund.
3. Diversion of funds released for development programs to recurrent activities. As a result, overall, recurrent expenditure exceeded the exchequer releases for recurrent activities by 9.4 per cent.
4. Failure by the County Treasury to submit expenditure reports on the established County Funds - Bursary Fund, Women and Youth Fund and

Trade Loans Scheme in contravention of Section 168 of the PFM Act, 2012.

The County should implement the following recommendations in an effort to improve budget execution:

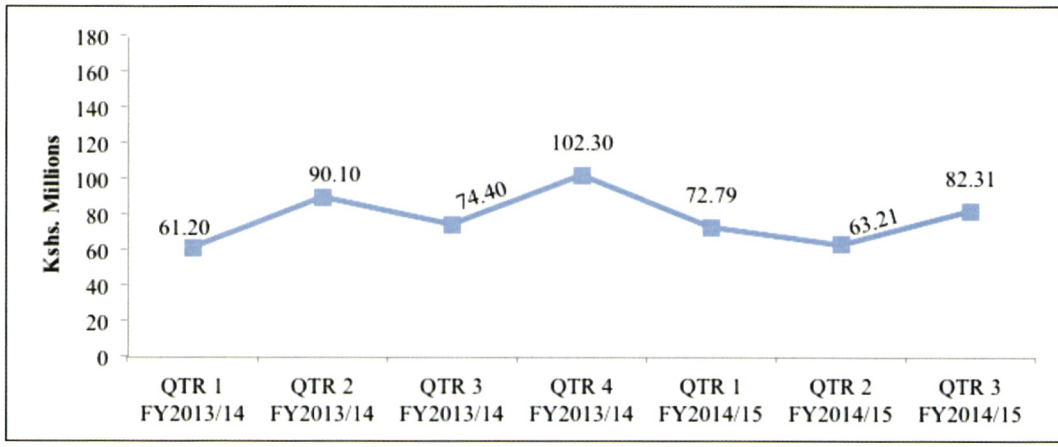
1. *The County Treasury should submit financial reports on a timely manner.*
2. *The County Treasury should develop regulations to operationalize the County Emergency Fund.*
3. *The County Treasury should devise measures to ensure that approved withdrawals are utilized in line with the approved work plans. The Departments should adhere to approved work plans against which, exchequer releases are made.*
4. *All Administrators of the established County Funds should submit quarterly financial reports in line with Section 168 of the PRMA, 2012.*

Busia County

In the 2014/15 financial year, the approved Supplementary Budget for Busia County amounts to Kshs.7.14 billion with Kshs.3.13 billion (43.8 per cent) allocated to recurrent expenditure and Kshs.4.01 billion (56.2 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 7. In order to finance this budget, the County expects to receive Kshs.4.75 billion (66.6 per cent) as equitable transfer from the National Government, collect Kshs.698.50 billion (9.8 per cent) from local sources, Kshs.10.31 million (0.1 per cent) as a conditional grant from DANIDA, Kshs.677.09 million (9.5 per cent) as conditional grant from the National Government, and Kshs.1.00 billion (14.0 per cent) as projected cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.3.07 billion from the National Government as direct transfer to the CRF, raised Kshs.218.31 million from local sources and had Kshs.556.77 million as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.82.31 million which is an improvement from Kshs.72.79 million collected in the first quarter and Kshs.63.21 million collected in the second quarter of FY 2014/15. The total local revenue generated as at March 2015 accounted for 31.2 per cent of the annual local revenue target. Figure 18 below shows the trend of local revenue collection by quarter.

Figure 18: Busia County Trend in Local Revenue Collection by Quarter



Source: *Busia County Treasury*

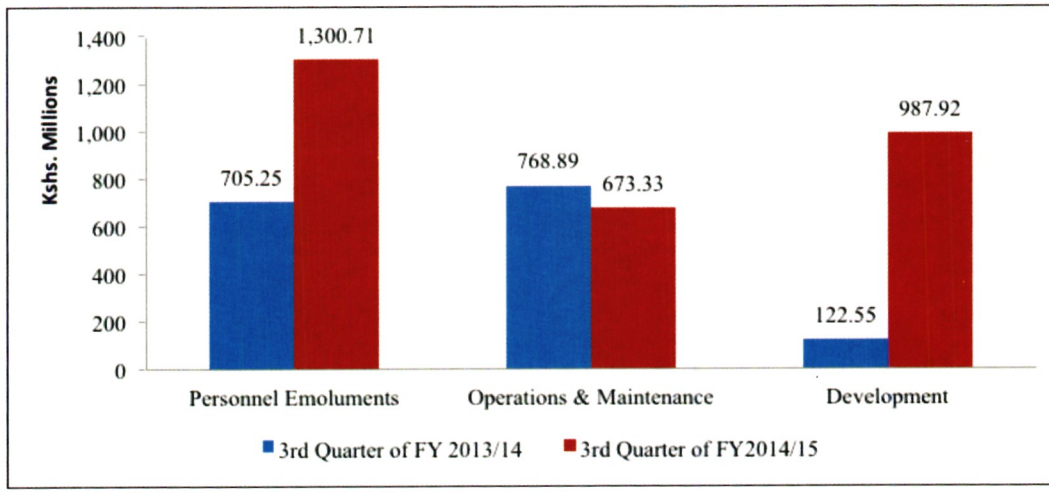
During the reporting period, the county accessed Kshs.3.72 billion from the CRF which is 52.1 per cent of the approved Supplementary Budget, an improvement from 48.8 per cent in the same period of FY 2013/14. This amount consisted of Kshs.2.45 billion (65.8 per cent) for recurrent expenditure and Kshs.1.28 billion (34.2 per cent) for development activities.

The county spent a total of Kshs.2.96 billion during the nine months of FY 2014/15 which is 79.6 per cent of the total funds released for operations and an increase from the Kshs.1.63 billion spent in the same period of FY 2013/14. A total of Kshs.1.97 billion (66.6 per cent) was spent on recurrent activities while Kshs.987.92 million (33.4 per cent) on development activities. Recurrent expenditure was 80.6 per cent of the funds released for recurrent activities while development expenditure accounted for 77.5 per cent of the funds released for development activities. There were no outstanding commitments as at March, 2015.

The recurrent expenditure for the period under review represented an absorption rate of **63.1 per cent** of the annual recurrent budget, an increase from an absorption rate of 56.5 per cent realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of **24.6 per cent** of the annual development budget, an improvement from an absorption rate of 7.2 per cent realized in the same period of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.1.97 billion shows that the County spent Kshs.1.30 billion (65.9 per cent) on personnel emoluments and Kshs.673.33 million (34.1 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period of FY 2013/14 when the County spent Kshs.705.25 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in **Figure 19**.

Figure 19: Busia County, Third Quarter Expenditure by Economic Classification



Source: *Busia County Treasury*

A breakdown of expenditure by department shows that the Water, Environment & Natural Resources Department had the highest absorption rate of recurrent budget at 80.1 per cent while the office of the Deputy Governor attained the highest absorption rate of development budget at 100 per cent. On the other hand, the Trade, Cooperative, Tourism and Industry Department had the lowest absorption rate of recurrent budget at 37.7 per cent while the Labour, Public Service, ICT and Intergovernmental Relations Department had the lowest absorption rate of development budget at 7.1 per cent. The expenditure of various departments is summarised in **Table 7.**

Table 7: Busia County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

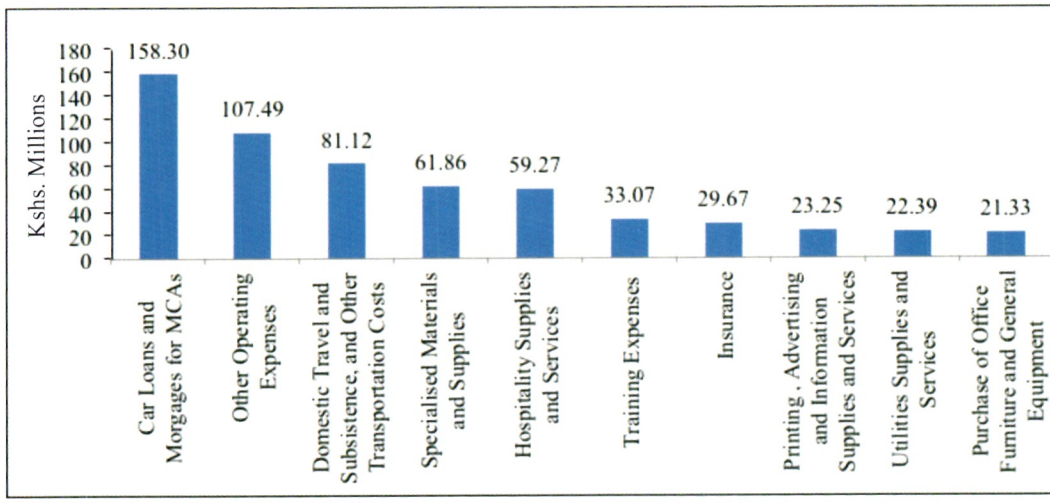
DEPARTMENT	BUDGET ALLOCATION (Kshs.million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENSITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Agriculture and Animal Resources	203.15	214.34	187.87	76.54	127.53	58.14	67.9	76.0	**62.8**	**27.1**
Trade, Cooperative, Tourism and Industry	20.91	141.7	19.4	27	7.89	19.02	40.7	70.4	**37.7**	**13.4**
Education and Vocational Training	119.51	281.15	120.18	70	73.66	62.1	61.3	88.7	**61.6**	**22.1**
Finance and Economic Planning	394.16	1,076.12	259.49	388	257.57	308.52	99.3	79.5	**65.3**	**28.7**
Community Gender, Culture & Social Services	59.1	133.64	53.71	42.32	36.01	43.75	67.0	103.4	**60.9**	**32.7**
Public Works, Transport and Disaster Management	71.36	605.03	62.28	207.77	33.46	193.1	53.7	92.9	**46.9**	**31.9**
Labour, public Service, ICT and Intergovernmental relations	367.71	111.24	313.44	24.41	259.01	7.91	82.6	32.4	**70.4**	
Lands, Housing & Urban development	38.45	245.84	33.08	94.9	23.02	34.58	69.6	36.4	**59.9**	**14.1**
Water, Environment & natural resources	72.86	346.41	61.52	93.5	58.39	56.5	94.9	60.4	**80.1**	**16.3**
Health and Sanitation	969.46	737.71	774.16	228.05	617.4	159.34	79.8	69.9	**63.7**	**21.6**
County Public Service Board	58.95	0	41.81	0	23.43	0	56.0		**39.7**	
Office of the Governor	86.44	40	67.18	15	59.66	18.15	88.8	121.0	**69.0**	**45.4**
Office of the Deputy Governor	40.69	5	37.48	0.5	26.36	5	70.3	1000.0	**64.8**	**100.0**
County Executive Administration (County Secretary)	13.14	0	11.93	0	10.25	0	85.9		**78.0**	
County Assembly	611.28	75.07	404.41	7	360.4	21.8	89.1	311.4	**59.0**	**29.0**
Total	**3,127.17**	**4,013.25**	**2,447.94**	**1,274.99**	**1,974.04**	**987.91**	**80.6**	**77.5**	**63.1**	**24.6**

Source: *Busia County Treasury*

The County spent Kshs.23.88 million on sitting allowances to the 54 MCAs, representing an absorption rate of 23.5 per cent of the annual budget, a decrease from the Kshs.54.9 million spent in the same period of FY 2013/14. Each MCA was paid an average monthly sitting allowance of Kshs.49,134 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.81.12 million compared to Kshs.104.30 million in the same period of FY 2013/14, representing a decrease of 22.2 per cent. This amount consisted of Kshs.33.41 million incurred by the County Assembly and Kshs.47.71 million by the County Executive. A breakdown of the top ten operations and maintenance expenditure items for the period under review is shown in **Figure 20**.

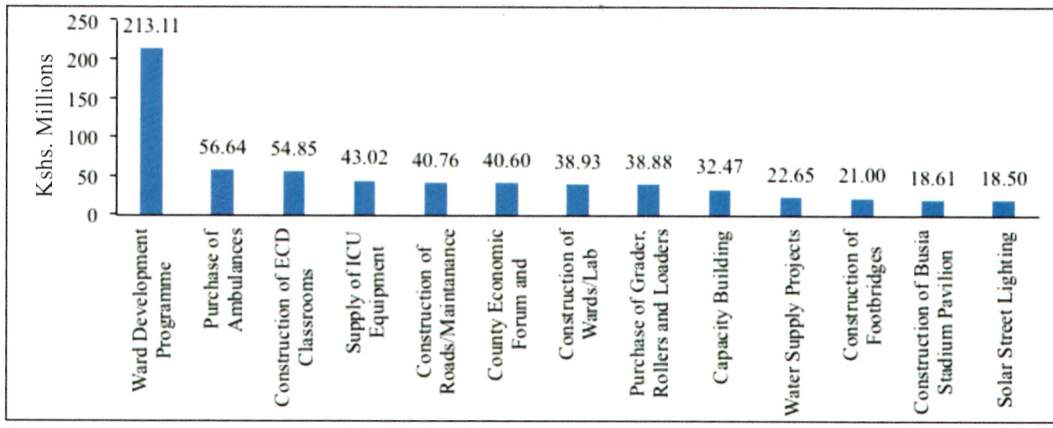
Figure 20: Busia County, Operations and Maintenance Expenditure



Source: *Busia County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.213.11 million on Ward development projects; Kshs.56.54 million on purchase of ambulances; Kshs.54.85 million on the construction of ECD classrooms; Kshs.43.02 million on purchase of ICU medical equipment; Kshs.40.76 million on construction and maintenance of roads; Kshs.40.60 million on preparation and hosting of the County economic forum and investment conference, and Kshs.39.93 million on construction of patient wards and laboratories in the County hospitals. A summary of the development expenditure is presented in Figure 21.

Figure 21: Busia County Analysis of Development Expenditure



Source: *Busia County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. Already, a number of challenges including, factoring ongoing projects from FY 2013/14 in the FY 2014/15 Supplementary Budget and allocating funds for public participation have been addressed.

The following challenges continued to hamper effective budget implementation in the reporting period;

1. Failure to adequately budget for some core operational costs, which has affected service delivery. For instance, Sub-County and Ward Administrators are yet to secure office space due to budgetary constraints.
2. Failure to approve Budget-related documents in time as stipulated in the PFM Act, 2012 such as, the CIDP, ADP and the CBROP.

The County should implement the following recommendations in order to improve budget execution:

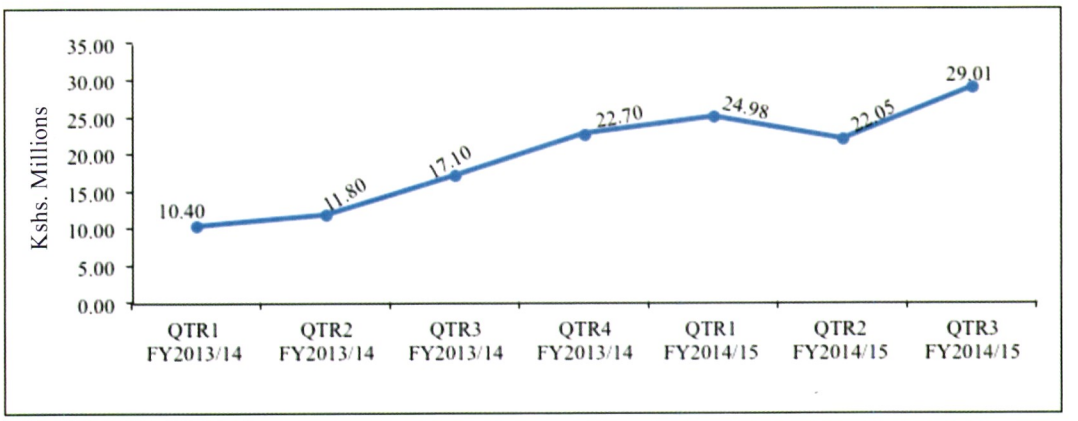
1. *While formulating the Budget, the County Treasury should adequately fund all core operational costs.*
2. *The County Treasury should adhere to the budget cycle as stipulated in the PFM Act, 2012.*

Elgeyo Marakwet County

In the 2014/15 financial year, the approved Supplementary Budget for Elgeyo Marakwet County amounts to Kshs.3.82 billion with Kshs.2.18 billion (57.1per cent) allocated to recurrent expenditure and Kshs.1.64 billion (42.9 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 8. In order to finance this budget, the County expects to receive Kshs.2.85 billion (86.5 per cent) as transfers from the National Government, collect Kshs.132 million (3.59 per cent) from local sources, receive a conditional grant of Kshs.18.32 million (0.6 per cent) from DANIDA, and utilise the projected cash balance from FY 2013/14 of Kshs.339.8 million (10.3 per cent).

During first nine months of FY 2014/15, the County received Kshs.2.48 billion from the National Government as direct transfer to the CRF, raised Kshs.76.04 million from local sources and had Kshs.339.8 million as cash balance brought forward from the FY 2013/14. The local revenue raised in the third quarter was Kshs.29.01 million which is an improvement from Kshs.24.98 million collected in the first quarter and Kshs.22.05 million in the second quarter of the FY 2014/15. The total local revenue generated as at March 2015 accounted for 89.5 per cent of the annual local revenue target. Figure 22 below shows the trend of local revenue collection by quarter.

Figure 22: Elgeyo Marakwet County Trend in Local Revenue Collection by Quarter



Source: *Elgeyo Marakwet County Treasury*

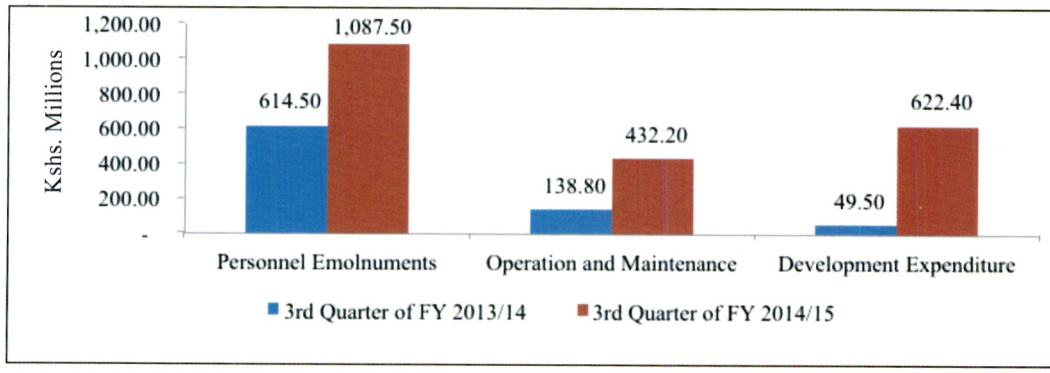
During the reporting period, the county accessed **Kshs.2.38 billion** from the CRF which is 62.2 per cent of the approved Supplementary Budget, an improvement from 47.2 per cent in the same period of FY 2013/14. This amount consisted of Kshs.1.63 billion 68.7 per cent) for recurrent expenditure and Kshs.743.60 million (31.3 per cent) for development activities.

The county spent a total of **Kshs.2.14 billion** during the first nine months of FY 2014/15 which is 90.2 per cent of the total funds released for operations and an improvement from the Kshs.797.7 million spent in the same period of FY 2013/14. A total Kshs.1.52 billion (70.9 per cent) was spent on recurrent activities while Kshs.622.38 million (29.1 per cent) on development activities. Recurrent expenditure was 93.1 per cent of the funds released for recurrent activities while development expenditure accounted for 83.7 per cent of the funds released for development activities. This expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.3.23 million for recurrent expenditure and Kshs.6.20 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **69.7 per cent** of the annual recurrent budget, an increase from an absorption rate of 41.1 per cent realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of **38.0 per cent** of the annual development budget, an improvement from an absorption rate of 6.3 per cent realized in the same period of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.1.52 billion shows that the County spent Kshs.1.09 billion (71.6 per cent) on personnel emoluments and Kshs.432.21 million (28.4 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.614.5 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in **Figure 23**.

Figure 23: Elgeyo Marakwet County, Third Quarter Expenditure by Economic classification



Source: *Elgeyo Marakwet County Treasury*

A breakdown of expenditure by department shows that the Deputy Governor's Office had the highest absorption rate of recurrent budget at 573.6 per cent while the Department of Tourism had the highest absorption rate of development budget at 59.4 per cent. Similarly, the Administration Department had the lowest absorption rate of recurrent budget at 7.8 per cent while the Agriculture and County Assembly Department did not incur any development expenditure. The expenditure of various departments is summarised in **Table 8**.

Table 8: Elgeyo Marakwet County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

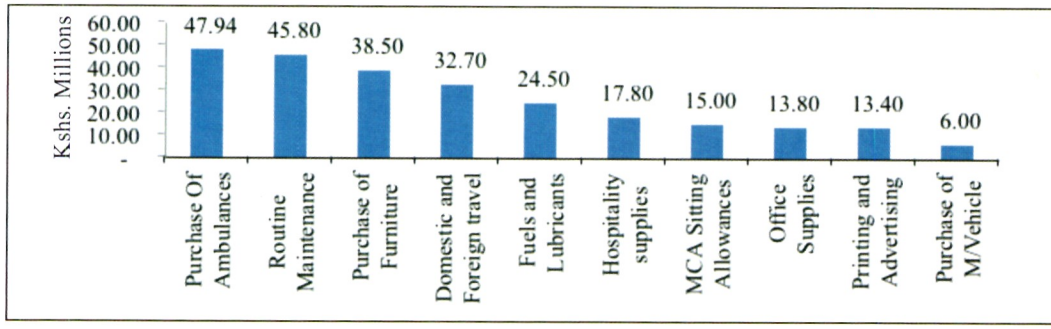
DEPARTMENT	BUDGET ALLOCATION (Kshs.million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENSITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Governor's Office	146.57	115.71	128.08	43.75	187.05	20.95	146.0	47.9	**127.6**	**18.1**
Deputy Governor's Office	12.73	-	9.5	-	73.02	20.14	768.6		**573.6**	
Administration	54.65	-	43.18	-	4.29	-	9.9		**7.8**	
County Assembly	287.35	46.09	239.5	14.5	32.77	-	13.7		**11.4**	
Finance	137.36	20.47	109.14	9.53	104.86	6.03	96.1	63.3	**76.3**	**29.5**
Roads & Works	50.86	497.94	40.06	217.62	26.13	269.8	65.2	124.0	**51.4**	**54.2**
Sports	25.08	91.32	20.51	48.09	23.04	29.58	112.3	61.5	**91.9**	**32.4**
Education	146.66	159.37	117.52	74.42	113.76	36.02	96.8	48.4	**77.6**	**22.6**
Health	902.83	212.15	733.12	95.53	696.08	90.75	94.9	95.0	**77.1**	**42.8**
Lands	27.16	64.95	22.56	23.46	13.23	13.16	58.6	56.1	**48.7**	**20.3**
Tourism	40.86	84.54	33.3	45.34	105.78	50.2	317.7	110.7	**258.9**	**59.4**
Water	47.3	180.26	37.9	61.63	21.98	66.96	58.0	108.6	**46.5**	**37.1**
Agriculture	148.45	136.87	115.16	51.62	29.47	-	25.6		**19.9**	
CPSB	45.1	-	36.5	-	72.05	5.06	197.4		**159.8**	
ICT & Public Service	108.21	28.87	98.55	16.16	16.18	13.72	16.4	84.9	**15.0**	**47.5**
Total	**2,181.17**	**1,638.54**	**1,784.58**	**743.60**	**1,519.69**	**622.37**	85.2	88.7	**69.7**	**38.0**

Source: *Elgeyo Marakwet County Treasury*

The County spent Kshs.14.99 million on sitting allowances to the 31MCAs, representing an absorption rate of 76.4 per cent of the annual budget, an increase from the Kshs.12.4 million spent in the same period of 2013/14 financial year. Each MCA received an average monthly sitting allowance of Kshs.53,719 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.47.94 million compared to Kshs.30.8 million in the same period of FY 2013/14, representing an increase of 14.6 per cent. This amount comprised of Kshs.18.10 million by the County Assembly and Kshs.29.84 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 24**.

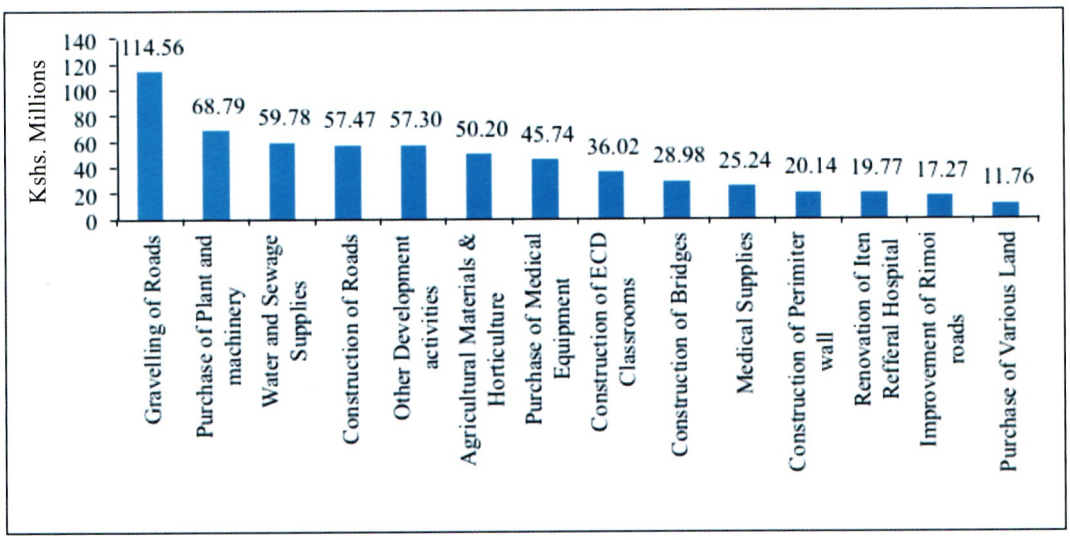
Figure 24: Elgeyo Marakwet County, Operations and Maintenance Expenditure



Source: *Elgeyo Marakwet County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.114.56 million on graveling of roads; Kshs.68.79 million on purchase of plant and machinery which included an excavator, 2 rollers, 5 tipper lorries and 2 compressors, among other machinery. A total of Kshs.59.78 million was spent on implementation of over 10 water projects across the County, Kshs.45.74 million on purchase of medical equipment which included, dental, mortuary and theatre equipment; Kshs.50.20 million on development of agriculture and horticulture which included improvement of artificial insemination services and purchase of seeds and seedlings. Also, Kshs.36.02 million was spent on construction of 14 ECD classrooms, refurbishment of buildings, supply of furniture and books to all ECD schools, constructions of 4 hostels and workshops for village polytechnics, and Kshs.57.30 million on other development projects.

Figure 25: Elgeyo Marakwet County Analysis of Development Expenditure



Source: *Elgeyo Marakwet County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. So far, the classification and description of expenditure items in the budget has improved significantly. Also, IFMIS is now operational, human capacity challenges have been addressed through training and chief officers have been designated in all departments.

The following challenges continued to hamper effective budget implementation in the reporting period;

1. Inadequate Budgetary control which has resulted in expenditure on votes which have not been funded through exchequer requisitions.
2. Regulations for administration of the County Emergency Fund are yet to be developed.
3. Misunderstanding between the County Assembly and County Executive during the budget formulation process. This resulted in delayed budget implementation.

The County should implement the following recommendations in order to improve budget execution:

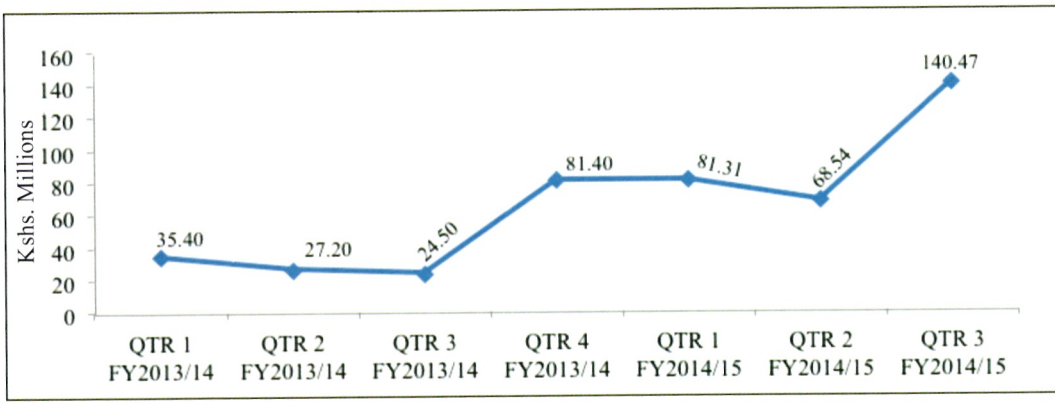
1. *The County Treasury should improve budgetary control to ensure funds are only sent in line with funded work plans.*
2. *The County Treasury should develop regulations to operationalize the County Emergency Fund.*
3. *The differences between the two arms of government should be addressed in order to ensure smooth budget implementation.*

Embu County

In the 2014/15 financial year, the approved Budget for Embu County amounts to Kshs.4.66 billion with Kshs.2.98 billion (64.0 per cent) allocated to recurrent expenditure and Kshs.1.68 billion (36.0 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 9. In order to finance this budget, the County expects to receive Kshs.3.27 billion (70.1 per cent) as transfers from the National Government, collect Kshs.747.36 million (16.0 per cent) from local sources, and utilize the Kshs.645 million (13.8 per cent) cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.1.96 billion from the National Government as direct transfer to the CRF, raised Kshs.290.33 million from local sources and had Kshs.645.00 million as cash balance brought forward from FY 2013/14. The local revenue raised in the period under review was Kshs.140.47 million which is an improvement from Kshs.81.31 million collected in the first quarter and Kshs.68.54 million in the second quarter of FY 2014/15. The total local revenue generated as at March 2015 accounted for 38.8 per cent of the annual local revenue target. Figure 26 shows the trend of local revenue collection by quarter.

Figure 26: Embu County Trend in Local Revenue Collection by Quarter



Source: *Embu County Treasury*

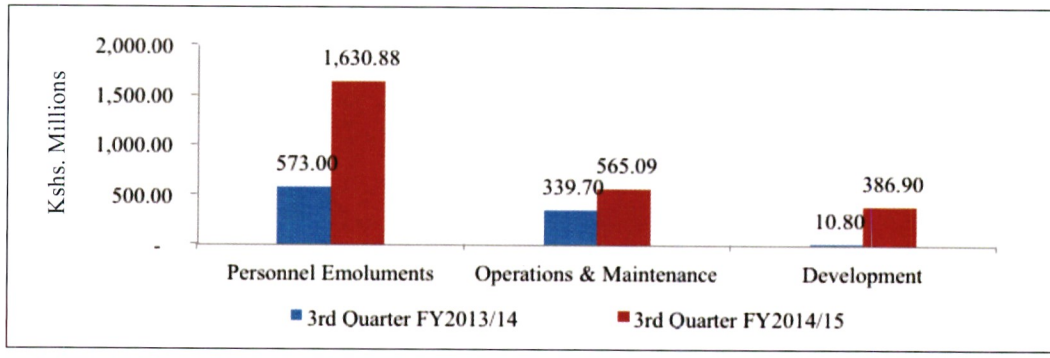
During the reporting period, the county accessed Kshs.2.72 billion from the CRF which is 58.5 per cent of the approved budget, an improvement from 46.5 per cent in the same period of FY 2013/14. This amount consisted of Kshs.2.22 billion (81.7 per cent) for recurrent expenditure and Kshs.499.54 million (18.3 per cent) for development activities.

The county spent a total of Kshs.2.58 billion during the nine months of FY 2014/15 which is 94.8 per cent of the total funds released for operations and an improvement from the Kshs.923.50 million spent in the same period of FY 2013/14. Kshs.2.19 billion (85.0 per cent) was spent on recurrent activities and Kshs.386.90 million (15.0 per cent) on development activities. Recurrent expenditure was 98.7 per cent of the funds released for recurrent activities while development expenditure accounted for 77.5 per cent of the funds released for development activities. This expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.57.21 million for recurrent expenditure and Kshs.79.38 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **73.7 per cent** of the annual recurrent budget, an increase from an absorption rate of 32.4 per cent realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of **23.0 per cent** of the annual development budget, an improvement from an absorption rate of 0.9 per cent realized in the same period of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.2.19 billion shows that the County spent Kshs.1.63 billion (74.3 per cent) on personnel emoluments and Kshs.565.09 million (25.7 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period for FY 2013/14 when the County spent Kshs.573.00 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in **Figure 27**.

Figure 27: Embu County, Third Quarter Expenditure by Economic Classification



Source: *Embu County Treasury*

A breakdown of expenditure by department shows that the office of the Governor had the highest absorption rate of recurrent budget at 1,711.1 per cent while the Department of Youth and Sports had the highest absorption rate of development budget at 43.4 per cent. Similarly, the Department for Agriculture had the lowest absorption rate of recurrent budget at 2.4 per cent while Trade & Tourism Departments had the lowest absorption rate of development budget at;

Table 9: Embu County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

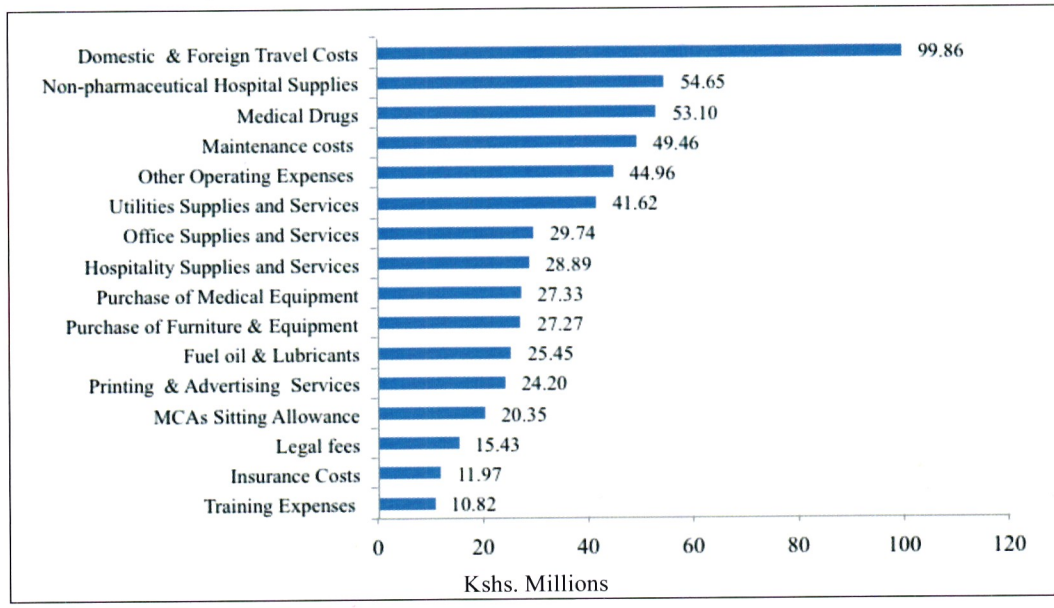
Department	Budget allocation (Kshs. Million)		Exchequer issues (Kshs. Million)		Expenditure (Kshs. Million)		% of expenditure to exchequer issues		% of Expenditure to Budget Allocation	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Office of the Governor	90.13	-	1,524.26	- 1	,542.24	-	101.2		**1711.1**	
Finance & Planning	361.54	2.4	46.71	34.9	33.85	20.61	72.5	59.1	**9.4**	**39.3**
Education 1	07.94	192.21	0.36	9	5.17	.22	17.0	31.8	**4.8**	**4.8**
Health Services	983.28	34.24	89.27	21	105.01	28.72	117.6	136.8	**10.7**	**12.3**
Level Five Hospital	220.26	- 1	86.06	20	189.13	78.89	101.7	394.5	**85.9**	
Infrastructure	40.14	553.97	37.7	149	27.29	143.05	72.4	96.0	**68.0**	**25.8**
□outh □ □ports	22.4□	79.27	15.□3	43	4.26	34.37	26.9	79.9	**19.0**	**43.4**
□rade □ □ourism	17.0□	65.45	13.□	9.5	3.11	0.74	22.5	7.□	**18.2**	**1.1**
Agriculture	531.23	165.□5	44.3	41.14	12.99	10.52	29.3	25.6	**2.4**	**6.3**
□ands □ □ater	42.61	227.25	22.55	131.25	6.33	5□.02	2□.1	44.2	**14.9**	**25.5**
□ender □ Culture	26.6	47.1	12.□3	4.25	3.01	0.69	23.5	16.2	**11.3**	**1.5**
In□estments □ Industriali□atio n	13.44	25	11.2	16.5	0.76	2.07	6.□	12.5	**5.□**	**8.3**
Count□ □u□lic □er□ice Boa□	36.46	□	23.91	□	3.6	□	15.1		**9.9**	
Count□ Assem□l□	4□□.0□	35	166.49	□	259.23	□	155.7		**53.1**	
□□□A□	**2□981.2□**	**1□6□□.□**	**42□225.2□**	**499.54**	**2□195.98**	**386.90**	**98.□**	**□□.5**	**□3.□**	**23.1**

Source: *Embu County Treasury*

The County spent Kshs.20.35 million on sitting allowances to the 34 MCAs representing an absorption rate of 72.4 per cent of the annual budget, an increase from the Kshs.20.10 million spent in the same period of FY 2013/14.

The total expenditure on domestic and foreign travel amounted to Kshs.99.86 million compared to Kshs.68.50 million in the same period of FY 2013/14, representing an increase of 45.8 per cent. This amount comprised of Kshs.57.88 million incurred by the County Assembly and Kshs.41.98 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 28**.

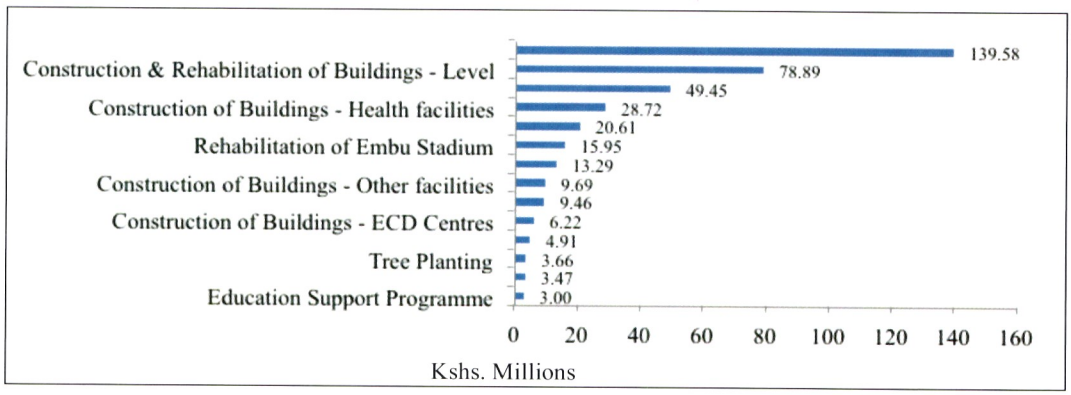
Figure 28: Embu County, Operations and Maintenance Expenditure (Kshs. million)



Source: *Embu County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.139.58 million on construction and maintenance of access roads; Kshs.136.81 million on construction and refurbishment of buildings which included, the level 5 hospital, health facilities, a talent academy, ECD Centres and other facilities; Kshs.49.45 million on water infrastructure; Kshs.20.61 million on research and planning; Kshs.15.95 million on rehabilitation of the Embu stadium; Kshs.9.46 million on acquisition of agricultural machinery and Kshs.3.47 million on construction of high mast and street lighting as summarised in Figure 29.

Figure 29: Embu County Analysis of Development Expenditure (Kshs. million)



Source: *Embu County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. During the period under review, the office noted some improvement in budget implementation and public finance management. However, the office noted the following issues that need to be addressed:

1. A substantial amount of expenditure was posted to a suspense account. This imposed a challenge in monitoring expenditure levels under line items.
2. Lack of adequate Monitoring and Evaluation (M&E) frameworks for development projects.
3. Failure to provide quarterly financial statements on the established County Funds such as; MCAs Car Loan and Mortgage Fund as required under section 167 and 168 of the PFM Act, 2012.
4. Delay in finalization of the Supplementary Budget, which has adversely affected budget implementation.
5. Low absorption of development budget, which stood at 28.2 per cent of annual allocation as at March 2015.
6. Lack of Internal Audit Committee contrary to Section 155(5) of the PFM Act, 2012.
7. Low performance in local revenue collection, which stood at 38.7 per cent of the annual target as at March 2015.

The County should implement the following recommendations in order to improve on budget execution:

1. *The County Treasury should adhere to the budget and expenditure lines as defined in IFMIS. All expenditure should be posted to an appropriate line.*
2. *The County should establish an effective Monitoring and Evaluation Unit in order to enhance oversight and reporting on project implementation.*
3. *The County Treasury should submit quarterly financial reports on all established County Funds in line with section 167 and 168 of the PFM Act, 2012.*
4. *The County should expedite finalization of the Supplementary Budget to regularize budget lines that have been overdrawn.*
5. *The County should enhance capacity in procurement, project management, and develop and operationalize appropriate structures and systems to improve absorption of development funds.*
6. *Establish an Internal Audit Committee as require by Section 155(5) of the PFM Act, 2012 to enhance management controls in financial management.*
7. *The County should adopt tangible strategies to optimize local revenue collection. The enactment of requisite revenue laws should be expedited.*

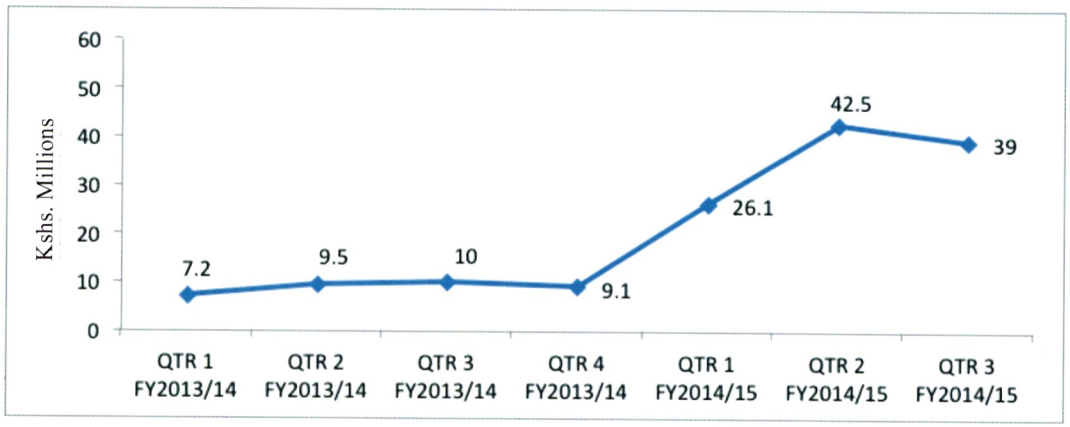
Garissa County

In the FY 2014/15, the approved Budget for Garissa County amounts to Kshs.7.5 billion with Kshs.3.1 billion (48 per cent) allocated to recurrent expenditure and Kshs.4.4 billion (52 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 10. In order to finance this budget, the County expects to receive Kshs.5.04 billion (67 per cent) as transfers from the National Government, collect 500 million (6.6 per cent) from local sources, Conditional grants of Kshs.254.31 million (2.2 per cent), a conditional grant from DANIDA of Kshs.15.6 million (0.2 per cent) and Kshs.1.8 billion (24 per cent) as projected cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.3.26 billion from the National Government as a direct transfer to the CRF, raised Kshs.107.68 million from local sources and had Kshs.1.8 billion as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.39.08 million which is an improvement from Kshs.26.1 million collected in the first quarter and slight decline from Kshs.42.5 million collected in the second quarter of FY 2014/15. The total local revenue raised in the period accounted for 21.5 per cent of the annual local revenue target. Figure 30 shows the trend of local revenue

collection by quarter.

Figure 30: Garissa County Trend in Local Revenue Collection by Quarter



During the reporting period, the county accessed **Kshs.5.19 billion** from the CRF which is 69.2 per cent of the Approved Budget, an improvement from 52.1 per cent in the same period of FY 2013/14. This amount consisted of Kshs.2.85 billion (54.8 per cent) for recurrent expenditure and Kshs.2.34 million (45.2 per cent) for development activities.

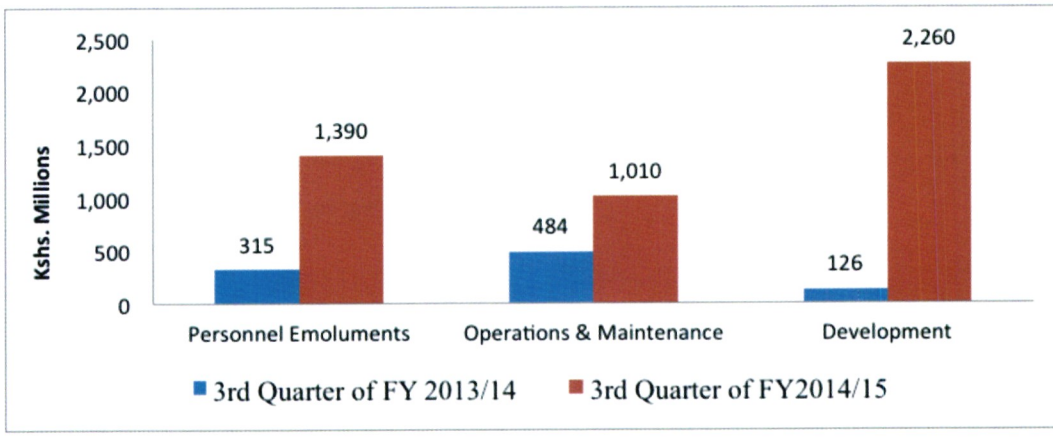
The County spent a total of **Kshs.4.64 billion** during the first nine months of FY 2014/15 which is 89.6 per cent of the total funds released for operations and an improvement from the Kshs.926 million spent in the same period of FY 2013/14. A total of Kshs.2.39 billion (51.4 per cent) was spent on recurrent activities while Kshs 2.25 billion (48.6 per cent) on development activities. Recurrent expenditure was 83.8 per cent of the funds released for recurrent activities while development expenditure accounted for 96.1 per cent for development activities. This expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs 460.0 million for recurrent expenditure and Kshs.80.0 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **76.4 per cent** of the annual recurrent budget, an increase from an absorption rate of 24.4 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of **51.5 per cent** of the annual development budget, an

improvement from an absorption rate of 8 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.2.39 billion shows that the County spent Kshs.1.38 billion (57.74 per cent) on personnel emoluments and Kshs.1.01 billion (42.26 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.315.0 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in **Figure 31**.

Figure 31: Garissa County, Third Quarter Expenditure by Economic Classification



Source: *Garissa County Treasury*

A breakdown of expenditure by department shows that Roads and Infrastructure Department had the highest absorption rate of the recurrent budget at 90.2 per cent while department of Finance and Economic Planning had the highest absorption rate of development budget at 97.0 per cent. Similarly, the Culture and Gender Department had the lowest absorption rate of recurrent budget at 83 per cent while the County Executive Department had the lowest absorption rate of development budget at 84 per cent. The expenditure of various departments is summarised in **Table 10**.

Table 10: Garissa County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

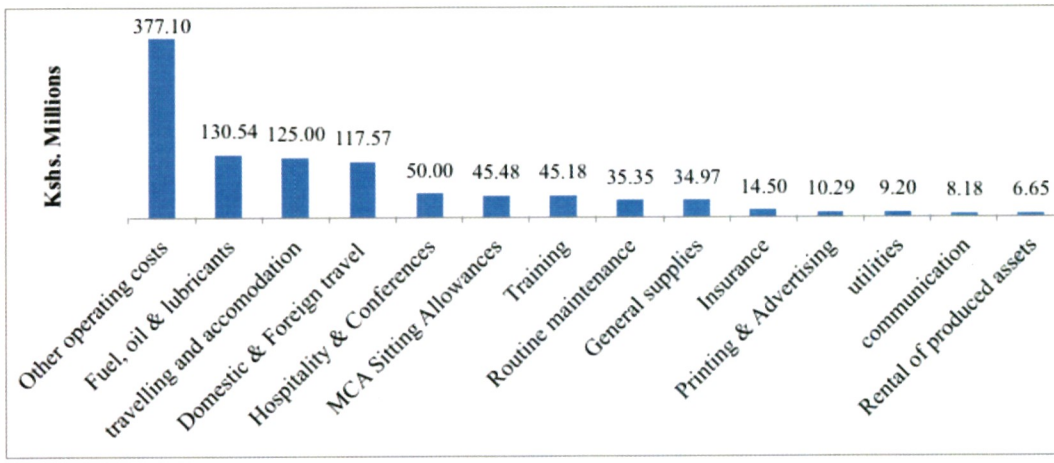
DEPARTMENT	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENSITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Executive and Affairs	838	473	646	82	582	78	90.1	95.1	69.5	16.5
Finance and Economic Planning	442.96	201.8	297.6	82.5	288	75	96.8	90.9	65.0	37.2
Transport and Infrastructure	63.5	1000	53.6	879.2	45	800	84.0	91.0	70.9	80.0
Health Services	770	518	613	354	535	340	87.3	96.0	69.5	65.6
Culture & Gender and Children Development	57	62	115	25	95	22	82.6	88.0	166.7	35.5
Trade and Cooperative	60	30	36	6.7	32	5.8	88.9	86.6	53.3	19.3
Water and Sanitation	118.6	1010	106.4	549.9	192	528	180.5	96.0	161.9	52.3
Lands, Housing & Physical planning	89.14	295	119	9.9	70	78	58.8	787.9	78.5	26.4
Energy ,Environment and Natural Resources	100.6	477.5	88.58	233.9	78	225	88.1	96.2	77.5	47.1
Education,Youth,Sport and Polytechnics	70	100	54.4	36	45	32	82.7	88.9	64.3	32.0
Agriculture	155	294	277	90.9	245	83	88.4	91.3	158.1	28.2
County Assembly	363	0	230.6	0	200	0	86.7	0	55.1	0
Total	**3127.8**	**4461.3**	**2637.18**	**2350**	**2389**	**2250**	**90.6**	**95.7**	**76.4**	**50.4**

Source: *Garissa County Treasury*

The County spent Kshs.45.48 million on sitting allowances to the 49 MCAs, representing an absorption rate of 62 per cent of the annual budget, an increase from the Kshs.41 million spent in the same period of FY 2013/14. Each MCA received an average monthly sitting allowance of Kshs.103,131 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.131.77 million compared to Kshs.128.75 million in the same period of FY 2013/14, representing an increase of 2.4 per cent. This expenditure comprised of Kshs.26.72 million by the County Assembly and Kshs.105.05 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 32.**

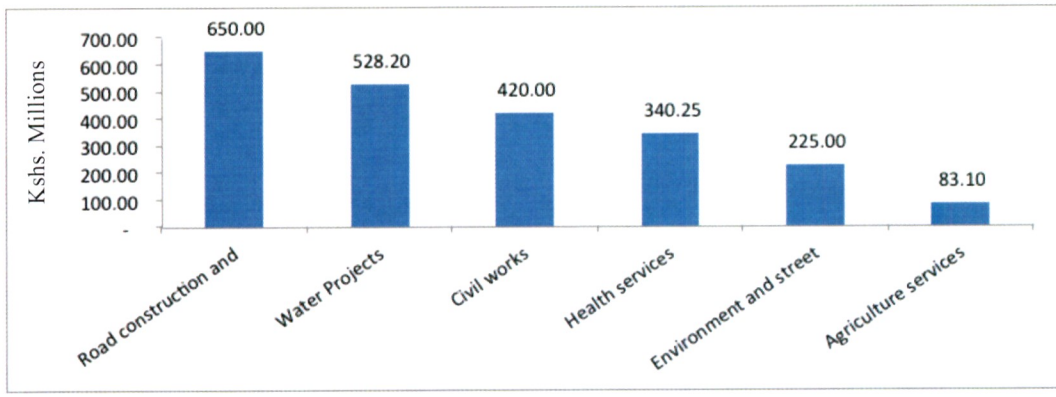
Figure 32: Garissa County, Operations and Maintenance Expenditure



Source: *Garissa County Treasury*

Analysis of the development expenditure for the reporting period of Kshs.2.25 billion shows that the County spent Kshs.650 million on tarmacking of 6 kilometres of road, Kshs.528 million on water projects, Kshs.420 million on civil works, Kshs.340 million on health services and Kshs.225 million on street lighting and environmental conservation. Also, a total of Kshs.83 million was spent on purchase of agricultural equipment. Figure 33 shows a summary of the development expenditure.

Figure 33: Garissa County Analysis of Development Expenditure



Source: *Garissa County Treasury*

In the previous CBRRs, the office made recommendations to address the challenges facing budget execution in the County. The following issues have been addressed: (i) full operationalization of IFMIS, (ii) human capacity building, (iii) compliance with budgetary timelines, and (iv) designation of departmental accounting officers.

The following challenges continued to hamper effective budget implementation in the reporting period;

1. Inadequate internal audit arrangements.
2. Low revenue collection against annual targets.
3. Delay in submission of quarterly report by the County Treasury.
4. Inefficient monitoring and evaluation systems for development projects.
5. Failure to designated substantive Receivers of Revenue.
6. Failure to designated administrators for established County Funds such as, the Bursary Fund.

The County should implement the following recommendations in order to improve budget execution:

1. *The County should focus on building a strong internal audit unit in order to enhance management controls.*
2. *The County Treasury should institute measures to boost internal revenue collection.*
3. *The Country Treasury should submit quarterly reports on a timely basis.*
4. *The county should institute adequate systems to monitor and report on development projects.*
5. *The County Treasury should designate substantive Receivers of Revenue in order to effectively manage local revenue collection.*
6. *The responsible CECs should designate Administrators for all established County Funds in line with the requirements of Section 116 of the PFM Act, 2012.*

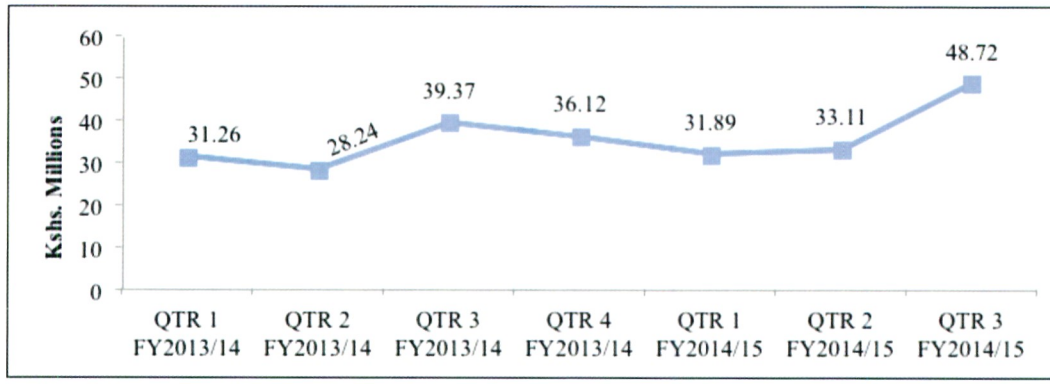
Homa Bay County

In the 2014/15 financial year, the approved Budget for Homa Bay County amounts to Kshs.5.32 billion with Kshs.3.63 billion (68.3 per cent) allocated to recurrent expenditure and Kshs.1.69 billion (31.7 per cent) to development expenditure. The

budget allocation and expenditure by departments is shown in Table 11. In order to finance this budget, the County expects to receive Kshs.4.91 billion (91.8 per cent) as transfers from the National Government, collect Kshs.403.9 million (7.5 per cent) from local sources, receive a grant from DANIDA of Kshs.22.39 million (0.4 per cent), and Kshs.19.77 million (0.3 per cent) as projected cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.3.34 billion from the National Government as a direct transfer to the CRF, raised Kshs.113.71 million from local sources and had Kshs.19.77 million as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.48.72 million which is an improvement from Kshs.31.89 million collected in the first quarter and Kshs.33.11 million in the second quarter of FY 2014/15. The total local revenue raised as at March 2015 accounted for 28.2 per cent of the annual local revenue target. Figure 34 below shows the trend of local revenue collection by quarter.

Figure 34: Homa Bay County Trend in Local Revenue Collection by Quarter



Source: *Homa Bay County Treasury*

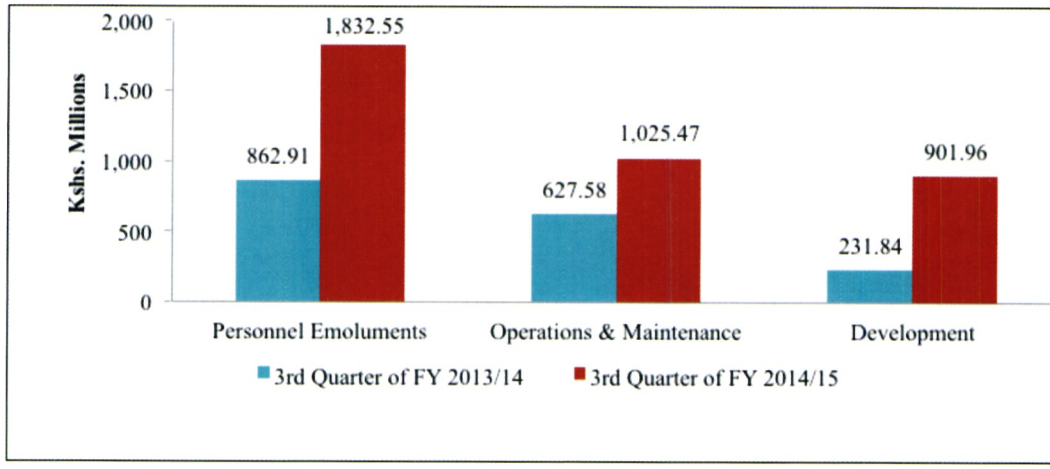
During the reporting period, the county accessed **Kshs.3.27 billion** from the CRF which is 61.5 per cent of the approved Supplementary Budget, an improvement from 56 per cent in the same period of FY 2013/14. This amount consisted of Kshs.2.26 billion (69.1 per cent) for recurrent expenditure and Kshs.1.01 billion (30.9 per cent) for development activities.

The county spent a total of Kshs.3.76 billion during the first nine months of FY 2014/15 which was 115.1 per cent of the total funds released for operations, an improvement from the Kshs.1.72 billion spent in the same period of FY 2013/14. A total of Kshs.2.86 billion (76.0 per cent) was spent on recurrent activities while Kshs.901.96 million (24.0 per cent) on development activities. Recurrent expenditure was 126.5 per cent of the funds released for recurrent activities while development expenditure accounted for 89.4 per cent of the funds released for development activities. This expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.106.01 million for recurrent expenditure and Kshs.3.73 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **78.7 per cent** of the annual recurrent budget, an increase from an absorption rate of 46.8 per cent realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of **53.5 per cent** of the annual development budget, an improvement from an absorption rate of 10.9 per cent realized in the same period of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.2.86 billion shows that the County spent Kshs.1.83 billion (64.1 per cent) on personnel emoluments and Kshs.1.03 million (35.9 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period of the financial year 2013/14 when the County spent Kshs.862.91 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 35 below.

Figure 35: Homa Bay County, Third Quarter Expenditure by Economic Classification



Source: *Homa Bay County Treasury*

A breakdown of expenditure by department shows that the Lands, Housing and Physical Planning Department had the highest absorption rate of recurrent budget at 134.6 per cent while the Office of the Governor had the highest absorption rate of development budget at 46.6 per cent. On the other hand, the County Public Service Board had the lowest absorption rate of recurrent budget at 9.4 per cent while Lands, Housing & Physical Planning Department did not report any development expenditure. The expenditure by the various departments is summarised in **Table 11**.

Table 11: Homa Bay County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

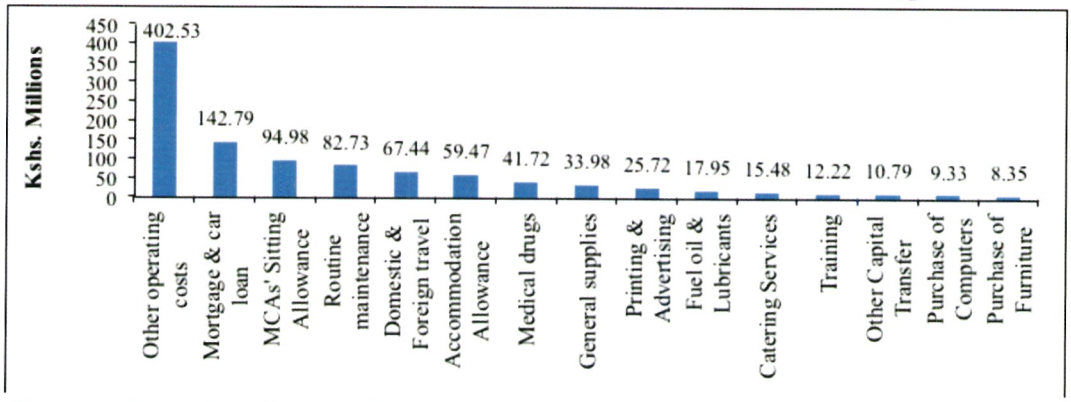
DEPARTMENT	BUDGET ALLOCATION (Kshs.millions)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% of Expenditure To Exchequer Issues		% of Expenditure to Budget Allocation	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Office of the Governor	336.62	36.4	191.21	23.5	237.81	17	124.4	72.3	**70.6**	**46.7**
Finance and Economic Planning	273.33	466.09	193.33	212.63	91.09	86.69	47.1	40.8	**33.3**	**18.6**
Education & ICT	280.39	66.8	191.9	45.9	149.49	27.33	77.9	59.5	**53.3**	**40.9**
Health Services	1077.56	124.8	750.52	79.5	416.1	19.72	55.4	24.8	**38.6**	**15.8**
Tourism, Culture & sports	106.5	33	57.15	21	24.42	1.8	42.7	8.6	**22.9**	**5.5**
Transport & Infrastructure	53.36	547	34.73	375.22	40.77	128.9	117.4	34.4	**76.4**	**23.6**
County Assembly	948.23	44.41	469.59	32.21	648.41	20.68	138.1	64.2	**68.4**	**46.6**
Lands, Housing & Physical planning	59.66	14	37.09	10	80.32	0	216.6	0.0	**134.6**	**0.0**
Trade, industrialisation and Investment	128.04	112	93.41	82.55	42.86	13.41	45.9	16.2	**33.5**	**12.0**
County Public Service Board	69.72	0	25.97	0	6.56	0	25.3		**9.4**	
Agriculture, Livestock & fisheries	208.27	112.27	150.19	34.16	29.5	17.77	19.6	52.0	**14.2**	**15.8**
Water & Environment	60.17	95.27	40.09	70.33	13.8	9.47	34.4	13.5	**22.9**	**9.9**
Energy and Natural Resources	28.95	34.55	18.65	22	30.46	4.21	163.3	19.1	**105.2**	**12.2**
TOTAL	**3,630.80**	**1,686.59**	**2,253.83**	**1,009.00**	**1,811.59**	**346.98**	**80.4**	**34.4**	**49.9**	**20.6**

Source: *Homa Bay County Treasury*

The County spent Kshs.94.98 million on sitting allowances to the 64 MCAs representing an absorption rate of 63.3 per cent of the annual budget, an increase from the Kshs.26.98 million spent in the same period of FY 2013/14. Each MCA was paid an average monthly sitting allowance of Kshs.164,893 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.67.43 million compared to Kshs.144.24 million in the same period of FY 2013/14, representing a decrease of 53.1 per cent. This expenditure comprised of Kshs.45.87 million incurred by the County Assembly and Kshs.21.56 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Table 36.

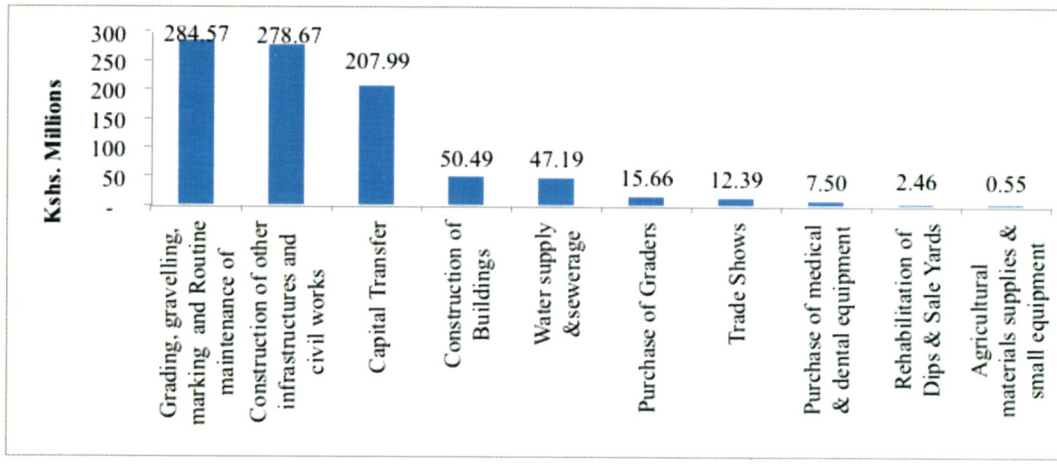
Figure 36: Homa Bay County, Operations and Maintenance Expenditure



Source: *Homa Bay County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.284.57 million on grading, gravelling, marking and routine maintenance of roads; Kshs.278.67 million on construction of other infrastructure and civil works; Kshs.207.98 million on capital transfer; Kshs.50.49 million on construction of buildings; Kshs.47.19 million on water supply and sewerage; Kshs.15.66 million on purchase of graders, Kshs.12.39 million on trade shows; Kshs.7.49 million on purchase of medical & dental equipment; Kshs.2.46 million on rehabilitation of dips and sale yards, and Kshs.550,000 on agricultural material supplies & small equipment. Figure 37 presents a summary of the development expenditure.

Figure 37: Homa Bay County Analysis of Development Expenditure



Source: *Homa Bay County Treasury*

In the previous CBIRRs, the office made some recommendations to address the challenges facing budget execution in the County. Already, the Country has improved on it human capacity and complied with the legal budgetary timelines.

The following challenges continued to hamper effective budget implementation in the reporting period;

1. Diversion of funds to activities rather than those in the funded work plan.
2. Lack of Internal Audit Committee contrary to Section 155(5) of the PFM Act, 2012.
3. Late submission of expenditure reports.
4. Lack of designated administrators for the established County Public Funds, i.e. Bursary Fund and Emergency Fund, which are already in operation.
5. Failure to fully adopt IFMIS by both the County Executive and County Assembly.

The County should implement the following recommendations in order to improve budget execution:

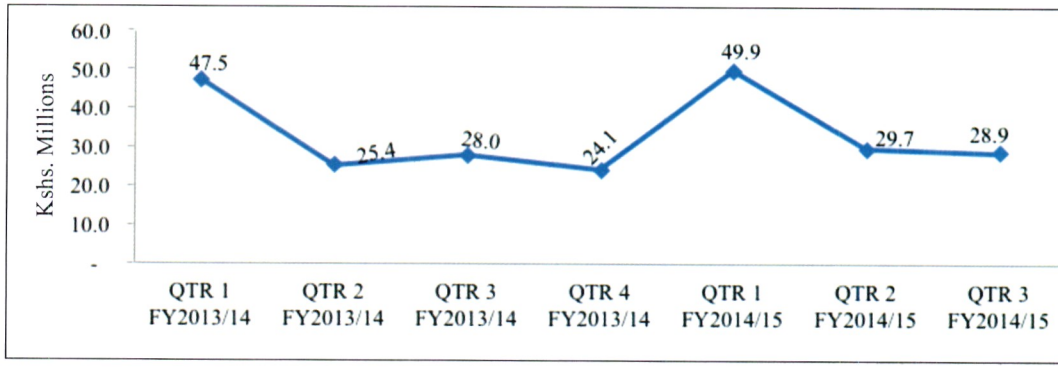
1 *The County Treasury should ensure that Exchequer Releases are spent on the intended purposes.*
2 *The County should establish an internal audit committee in line with Section 155(5) of the PFM Act 2012.*
3 *The County Treasury should submit financial reports on a timely basis.*
4 *For every established Public Fund, the County Executive Committee Member for Finance should designate a person to administer the Fund in line with section 116 of the PFM Act, 2012.*
5 *The County Government should ensure that all financial transactions are processed in IFMIS for both the Executive and the Assembly.*

Isiolo County

In the 2014/15 financial year, the approved Budget for Isiolo County amounts to Kshs.2.97 billion with Kshs.1.90 billion (64.1 per cent) allocated to recurrent expenditure and Kshs.1.07 billion (35.9 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 12. In order to finance this budget, the County expects to receive Kshs.2.60 billion (79.1 per cent)

as transfers from the National Government, collect Kshs.360.96 million (11.0 per cent) from local sources, a grant from DANIDA of Kshs.5.59 million (0.2 per cent) and Kshs.319.97 million (9.7 per cent) as projected cash balance from FY 2013/14. During the first nine months of FY 2014/15, the County received Kshs.1.73 billion from the National Government as a direct transfer to the CRF, raised Kshs.108.49 million from local sources and had Kshs.319.97 million as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.28.87 million which is a decline from Kshs.49.90 million collected in the first quarter and Kshs.29.72 million collected in the second quarter of FY 2014/15. The total local revenue raised as at March 2015 accounted for 30.1 per cent of the annual local revenue target. Figure 38 below shows the trend of local revenue collection by quarter.

Figure 38: Isiolo County Trend in Local Revenue Collection by Quarter



Source: *Isiolo County Treasury*

During the reporting period, the county accessed Kshs.1.86 billion from the CRF which is 62.7 per cent of the Approved Budget, an improvement from 38.5 per cent in the same period of FY 2013/14. This amount consisted of Kshs.1.26 billion (66.3 per cent) for recurrent expenditure and Kshs.600 million (33.7 per cent) for development activities.

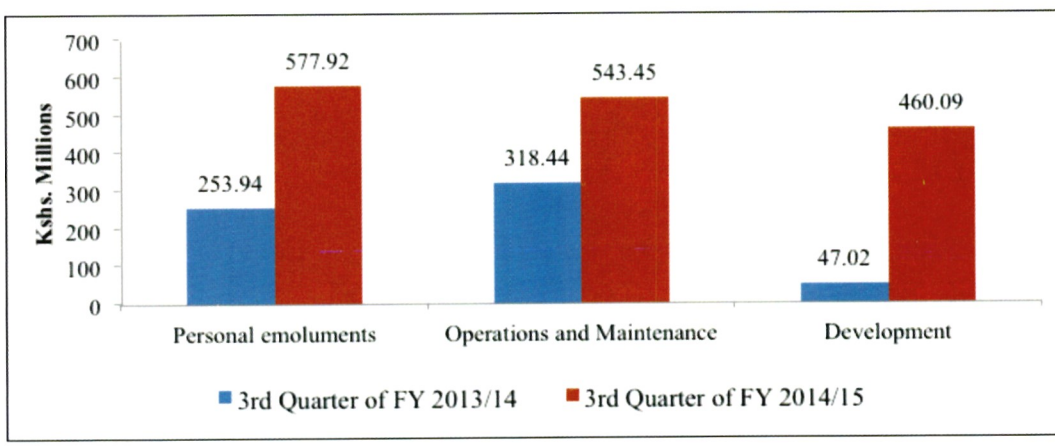
The county spent a total of Kshs.1.58 billion during the first nine months of FY 2014/15 which is 89.4 per cent of the total funds released for operations and an improvement from the Kshs.619 million spent in the same period of FY 2013/14. A total of Kshs.1.12 billion (70.9 per cent) was spent on recurrent activities while Kshs.460.09 million (29.1 per cent) on development activities. Recurrent

expenditure was 88.8 per cent of the funds released for recurrent activities while development expenditure accounted for 76.7 per cent for development activities. This expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.126.52 million for recurrent expenditure and Kshs.181.87 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **59.0 per cent** of the annual recurrent budget, an increase from an absorption rate of 32.9 per cent realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of **43.1 per cent** of the annual development budget, an improvement from an absorption rate of 4.5 per cent realized in the same period of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.1.12 billion shows that the County spent Kshs.577.92 million (51.5 per cent) on personnel emoluments and Kshs.543.45 million (48.5 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.253.94 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 39.

Figure 39: Isiolo County, Third Quarter Expenditure by Economic Classification



Source: *Isiolo County Treasury*

A breakdown of expenditure by department shows that the Cohesion and Intergovernmental Relations Department had the highest absorption rate of the recurrent budget at 189.5 per cent while the County Assembly had the lowest absorption rate at 37.7 per cent. Similarly, the Tourism, Culture and Social Services Department had the highest absorption rate of development budget at 217.0 per cent while the Agriculture and Lands Department had the lowest absorption rate at 4.0 per cent. The expenditure of various departments is summarised in **Table 12**.

Table 12: Isiolo County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% of Expenditure to Exchequer Issues		% of Expenditure to Budget Allocation	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Assembly	328.8	30	101.67	-	124.03	-	122.0		**37.7**	
Office of the Governor	281.56	156.83	178.19	66.38	175.75	125.69	98.6	189.3	**62.4**	**80.1**
Town Administration	9.6	-	5.96	24.13	17.65	-	296.1		**183.9**	
County Public Service Board	64.99	-	36	-	23.54	-	65.4		**36.2**	
County Treasury and Planning	391.9	93.5	292.56	-	244.51	43.43	83.6		**62.4**	**46.4**
Roads, Housing and Works	24.45	178	17.03	105.19	12.15	73.34	71.3	69.7	**49.7**	**41.2**
Agriculture and Lands	44.61	36.86	41.04	25.81	29.22	1.49	71.2	5.8	**65.5**	**4.0**
Livestock and Fisheries	60.48	67.58	44.79	47.4	39.24	3.38	87.6	7.1	**64.9**	**5.0**
Cohesion and Intergovernmental relations	12.51	80.02	9.5	24.76	23.7	10.39	249.5	42.0	**189.4**	**13.0**
Education Sports and culture	58.71	84.11	44.4	56.03	34.4	50.31	77.5	89.8	**58.6**	**59.8**
Tourism, Culture and Social Services	89.16	29.65	73.62	67.85	52.84	64.34	71.8	94.8	**59.3**	**217.0**
Public Service Management and ICT	24.81	-	29.27	14.2	13.03	-	44.5		**52.5**	
Water, Environment and Natural resources	58.27	173.02	42.63	115.01	29.05	53.42	68.1	46.4	**49.9**	**30.9**
Health Services	451.86	137.67	345.88	53.27	302.26	34.3	87.4	64.4	**66.9**	**24.9**
TOTAL	**1,901.71**	**1,067.24**	**1,262.54**	**600.03**	**1,121.37**	**460.09**	**88.8**	**76.7**	**59.0**	**43.1**

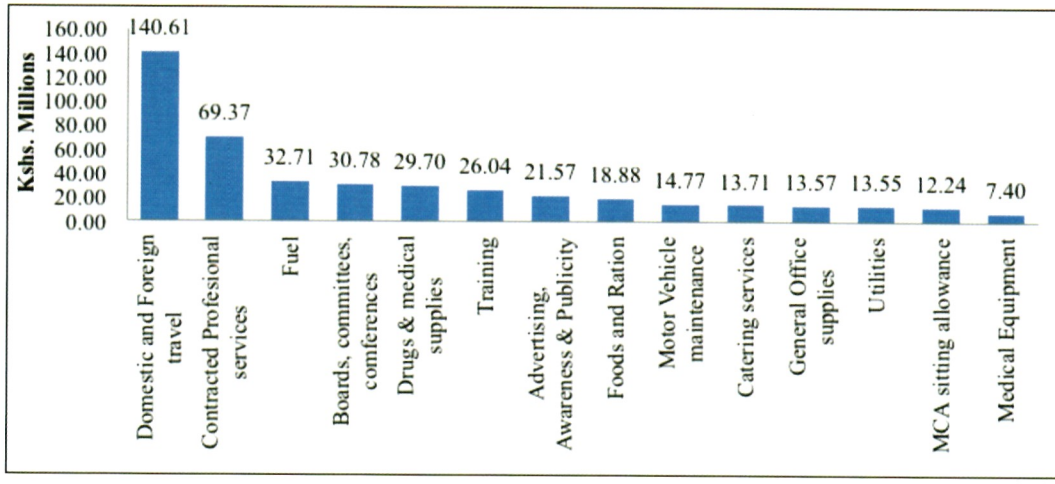
Source: *Isiolo County Treasury*

The County spent Kshs.12.24 million on sitting allowances to the 21 MCAs, representing an absorption rate of 48.6 per cent of the annual budget, an increase from the Kshs.3.10 million spent in the same period of 2013/14 financial year. Each MCA was paid an average monthly sitting allowance of Kshs.64,780 compared to

the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.140.61 million compared to Kshs.30.83 million in the same period of FY 2013/14, representing an increase of 215.7 per cent. This expenditure comprised of Kshs.40.14 million incurred by the County Assembly and Kshs.100.47 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 40.

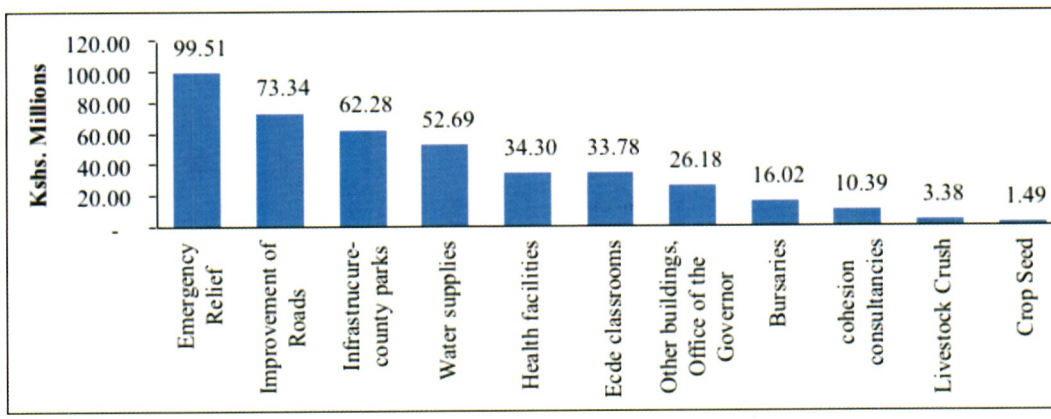
Figure 40: Isiolo County, Operations and Maintenance Expenditure



Source: *Isiolo County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.99.51 million on emergency relief supplies; Kshs.62.30 million on construction of the Serena Bridge; Kshs.73.34 million on improvement of roads; Kshs.52.69 million on water supplies; Kshs.31.57 million on construction and refurbishment of health facilities; Kshs.16.02 million on bursaries and Kshs.33.78 million on construction of ECDE class rooms as shown in **Figure 41**.

Figure 41: Isiolo County Analysis of Development Expenditure



Source: *Isiolo County Treasury*

In the previous CBIRRs, the office made some recommendations to address the challenges facing budget execution in the County. So far, the following issues have been addressed: full operationalization of IFMIS; low absorption of development vote; automation of revenue collection, and, human capacity development.

The following challenges continued to hamper effective budget implementation in the reporting period;

1. Inadequate internal audit arrangements which needs to be addressed by establishing an effective Internal Audit Department and an Audit Committee.
2. Failure to develop regulations for the operationalization of the County Emergency Fund.
3. Failure to open separate accounts for the Bursary Fund and the Emergency Fund operations.
4. Inadequate budget monitoring/control by the County Treasury leading to expenditure on unfunded items, such as expenditure on bursaries/ emergencies

The County should implement the following recommendations in order to improve on budget execution:

1. *The County should build a strong internal audit unit and also, establish an*

internal audit committee to enhance the effectiveness of the internal audit unit.

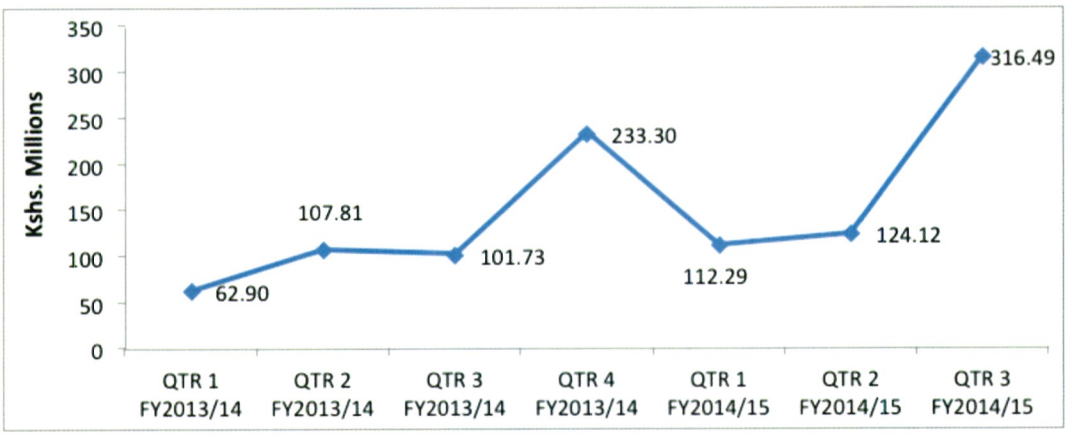
2. *Develop regulations to operationalize the Emergency Fund.*
3. *For all established County Public Funds, the responsible CEC should designate a Fund Administrator in line with requirements of section 116 of the PFM Act, 2012.*
4. *All County departments should closely monitor their budgets to ensure that funds are only utilized per approved work plans.*

Kajiado County

In the 2014/15 financial year, the approved Supplementary Budget for Kajiado County amounts to Kshs.5.67 billion with Kshs.3.62 billion (63.9 per cent) allocated to recurrent expenditure and Kshs.2.04 billion (36.1 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 13. In order to finance this budget, the County expects to receive Kshs.3.83 billion (67.6 per cent) as transfers from the National Government, collect Kshs.959.05 million (16.9 per cent) from local sources, receive a grant from DANIDA of Kshs.15.51 million (0.3 per cent) and Kshs.862.27 million (15.2 per cent) as projected cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.2.81 billion from the National Government as direct transfer to the CRF, raised Kshs.552.90 million from local sources and had Kshs. 862.27 million as cash balance brought forward from FY 2013/14. The local revenue raised in the period under review was Kshs.316.49 million which is an improvement from Kshs.112.29 million collected in the first quarter and Kshs.124.12 million collected in the second quarter of FY 2014/15. The Local revenue raised as at March 2015 accounted for 57.7 per cent of the annual local revenue target. Figure 42 shows the trend of local revenue collection by quarter.

Figure 42: Kajiado County Trend in Local Revenue Collection by Quarter



Source: *Kajiado County Treasury*

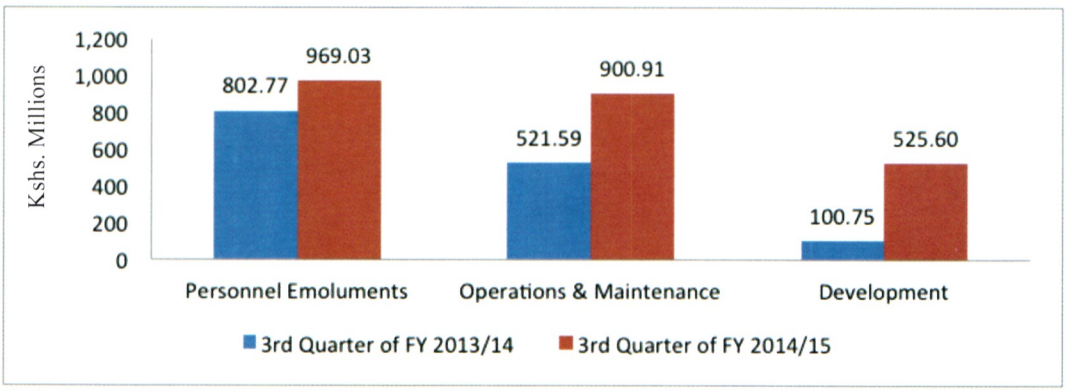
During the reporting period, the county accessed **Kshs.2.42 billion** from the CRF which is 42.7 per cent of the approved Supplementary Budget, an improvement from 38 per cent in the same period of FY 2013/14. This amount consisted of Kshs.1.88 billion (77.7per cent) for recurrent expenditure and Kshs.540 million (22.3 per cent) for development activities.

The county spent a total of **Kshs.2.55 billion** during the first nine months of FY 2014/15 which is **105.37 per cent** of the total funds released for operations and an improvement from the Kshs.1.43 billion spent in the same period of FY 2013/14. A total of Kshs.2.02 billion (79.4 per cent) was spent on recurrent activities while Kshs.525.6 million (20.6 per cent) on development activities. Recurrent expenditure was 107.34 per cent of the funds released for recurrent activities while development expenditure accounted for 97.3 per cent of the funds released for development activities. The expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs. 29.48 million for recurrent expenditure and Kshs.1.42 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **55.8 per cent** of the annual recurrent budget, an increase from an absorption rate of 52.6 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of **25.7 per cent** of the annual development budget, an improvement from an absorption rate of 8.1 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.2.02 billion shows that the County spent Kshs.969.03 million (51.8 per cent) on personnel emoluments and Kshs.900.91 million (48.2 per cent) on operations and maintenance expenditure. A total of Kshs.23.78 million was incurred on emergencies, Kshs.75.84 million on bursary and Kshs.51.2 million for MCA cars & mortgages. Expenditure on personnel emoluments has increased slightly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.802.77 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in 43 below.

Figure 43: Kajiado County, Third Quarter Expenditure by Economic Classification



Source: *Kajiado County Treasury*

A breakdown of expenditure by department shows that the Education Department had the highest absorption rate of recurrent budget at 85.0 per cent while Department of Lands had the highest absorption rate of development budget at 72 per cent. On the other hand the County Assembly had the lowest absorption rate of recurrent budget at 29 per cent while the County Executive had the lowest absorption rate of development budget at 13 per cent. The expenditure of various departments is summarised in **Table 13**.

Table 13: Kajiado County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs. Millions)		EXCHEQUER ISSUES (Kshs. Millions)		EXPENDITURE (Kshs. Millions)		% of Expenditure to Exchequer Issues		% of Expenditure to Budget Allocation	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Health	371.33	265.48	187.05	65.31	169.36	77.68	91	119	**46**	**29**
Agriculture	146.12	30.39	88.54	14.15	75.24	17.82	85	126	**51**	**59**
County Assembly	680	111.17	224.31	34.55	198.56	15.58	89	45	**29**	**14**
County Executive (Office of the Governor and Deputy Governor)	178.43	40.45	127.86	10	106.76	5.32	83	53	**60**	**13**
County Public Sevice	1,372	0	788.15	0	829.12	0	105	-	**60**	-
Finance and Economic Planning	356.03	38.39	156.58	25	166.97	19.38	107	78	**47**	**50**
Lands & Physical Planning	80.33	47.56	47.96	31.45	31.92	34.25	67	109	**40**	**72**
Education	142.06	457.51	86.32	104.69	121.13	123.31	140	118	**85**	**27**
Public Works & Roads	63.56	616.83	47.2	162.85	29.56	154.38	63	95	**47**	**25**
Water & Irrigation	45.95	260	27.97	68	20.99	53.86	75	79	**46**	**21**
Industrialization, Trade & Enterprise Development	54.81	123.44	35.26	16	34.93	24.02	99	150	**64**	**19**
Information & Citizen Participation	63.4	53.59	41.46	8	48.15	0	116	0	**76**	**0**
County Public Service Board	69.59	0	23.97	0	37.25	0	155	-	**54**	-
TOTAL	**3623.7**	**2044.81**	**1882.63**	**540**	**1869.94**	**525.6**	**99.3**	**97.3**	**51.6**	**25.7**

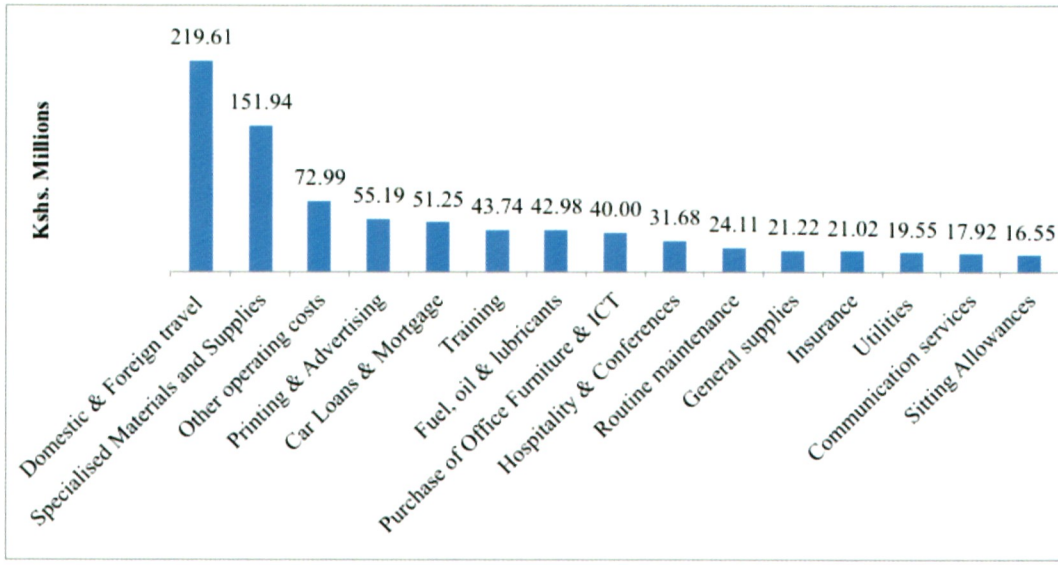
Source: *Kajiado County Treasury*

Note: Recurrent expenditure does not include payments under the established County Funds.

The County spent Kshs.16.55 million on sitting allowances to the 42 MCAs, representing an absorption rate of 27.0 per cent of the annual budget, an increase from the Kshs.13.30 million spent in the same period of FY 2013/14. Each MCA received an average monthly sitting allowance of Kshs.43,777 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.219.61 million compared to Kshs.196.80 million in the same period of FY 2013/14, representing an increase of 10.4 per cent. This expenditure consisted of Kshs.57.5 million incurred by the County Assembly and Kshs.162.1 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 44.

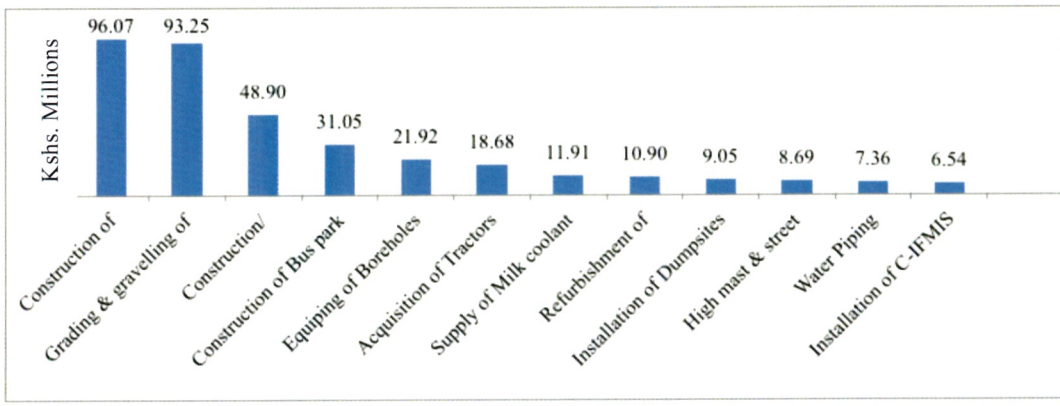
Figure 44: Kajiado County, Operations and Maintenance Expenditure



Source: *Kajiado County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.96.07 million on construction of classrooms and rehabilitation of schools; Kshs.93.25 million on development and maintenance of access roads; Kshs.48.90 million on construction and rehabilitation of health centres; Kshs.31.05 million on construction of the Kitengela Bus Park; Kshs.21.92 million on equipping of boreholes and Kshs.18.68 million on acquisition of tractors and tippers. Figure 45 presents a summary of the development expenditure.

Figure 45: Kajiado County Analysis of Development Expenditure



Source: *Kajiado County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution. The County has successfully addressed the following challenges: (i) Computerization of revenue collection, (ii) Operationalization and roll out of I-Procurement to the departments, and (iii) Staff capacity building on IFMIS and I-Procurement.

The following challenges continued to hamper effective budget implementation in the reporting period;

1. Poor IFMIS connectivity which has affected roll out of the system to departments.
2. Inadequate internal audit arrangements.
3. Inadequate staff especially, in the Accounts Section which has resulted in backlog of financial transactions.
4. Diversion of Exchequer Releases to activities not contained in the funded work plan.

The County should implement the following recommendations in order to improve budget execution:

1. *The County Treasury should liaise with the National Treasury to address IFMIS connectivity.*
2. *The County should revamp the internal audit department to enhance its*

effectiveness.

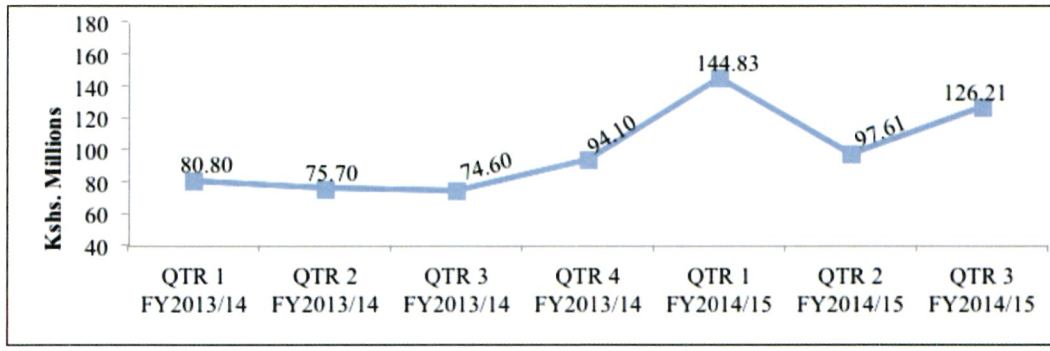
3. *The County Treasury should enhance staff levels and staff capacity in the Accounts Department.*
4. *The County Treasury should ensure issued funds are utilised for intended purposes through timely exchequer notifications to the departments and stringent controls on application of funds.*

Kakamega County

In the 2014/15 financial year, the approved Budget for Kakamega County amounts to Kshs.10.32 billion with Kshs.5.69 billion (55.1 per cent) allocated to recurrent expenditure and Kshs.4.63 billion (44.9 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 14. In order to finance this budget, the County expects to receive Kshs.7.77 billion (75.3 per cent) as transfers from the National Government, collect Kshs.874.24 million (8.5 per cent) from local sources, receive a conditional grant from DANIDA of Kshs.21.12 million (0.2 per cent), and utilise Kshs.1.68 billion (16.2 per cent) projected cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.5.17 billion from the National Government as direct transfer to the CRF, raised Kshs368.65 million from local sources and had Kshs.1.68 billion as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.126.21 million which is a decline from Kshs.144.83 million collected in the first quarter but an improvement from Kshs.97.61million collected in the second quarter of FY 2014/15. The total local revenue raised as at March 2015 accounted for 42.2 per cent of the annual local revenue target. Figure 46 below shows the trend of local revenue collection by quarter.

Figure 46: Kakamega County Trend in Local Revenue Collection by Quarter



Source: *Kakamega County Treasury*

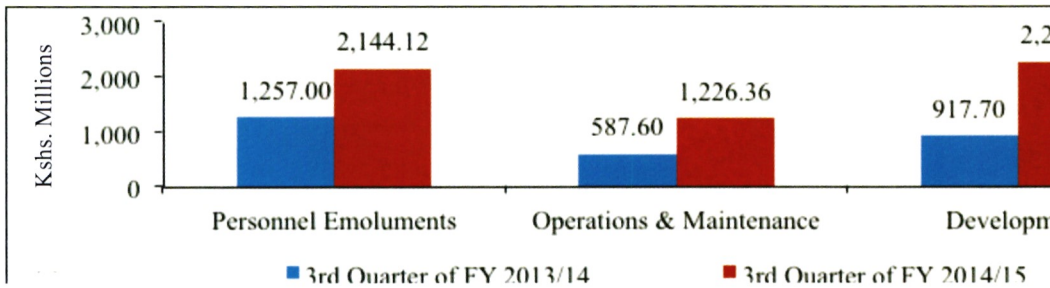
During the reporting period, the county accessed **Kshs.6.78 billion** from the CRF which is 65.7 per cent of the approved Budget, an improvement from 30.3 per cent in the same period of FY 2013/14. This amount consisted of Kshs.3.96 billion (58.3 per cent) for recurrent expenditure and Kshs.2.82 billion (41.7 per cent) for development activities.

The county spent a total of **Kshs.5.63 billion** during the first nine months of FY 2014/15 which is 83.0 per cent of the total funds released for operations and an improvement from the Kshs.2.81 billion spent in the same period of FY 2013/14. This expenditure includes Kshs.200 million for the Sugar Development Fund and Kshs.3 million under the Emergency Fund. A total of Kshs.3.37 billion (59.9 per cent) was spent on recurrent activities while Kshs.2.26 billion (40.1 per cent) on development activities. Recurrent expenditure was 85.2 per cent of the funds released for recurrent activities while development expenditure accounted for 79.9 per cent of the funds for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **59.3 per cent** of the annual recurrent budget, an increase from an absorption rate of 30.5 per cent realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of **48.7 per cent** of the annual development budget, an improvement from an absorption rate of 12.9 per cent realized in the same period of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.3.37 billion shows that the County spent Kshs.2.14 billion **(63.6 per cent)** on personnel emoluments and Kshs.1.23 billion **(36.4 per cent)** on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period of FY 2013/14 when the County spent Kshs.1.26 billion. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 47 below.

Figure 47: Kakamega County, Third Quarter Expenditure by Economic Classification



Source: *Kakamega County Treasury*

A breakdown of expenditure by department shows that Public Service and Administration Department had the highest recurrent budget absorption rate at 96.7 per cent while the County Assembly had the highest absorption rate of development budget at 464 per cent, as a result of unbudgeted expenditure on car loans and mortgages that was erroneously classified as development expenditure. At the time of finalizing this report, the County Executive had tabled a Supplementary Budget to regularize the unbudgeted expenditure.

Similarly, the Agriculture, Livestock, Fisheries and Co-operatives Department had the lowest absorption rate of recurrent budget at 5.4 per cent while the office of the Governor had the lowest absorption rate of development budget at 1.6 per cent. The expenditure by the various departments is summarised in **Table 14**.

Table 14: Kakamega County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

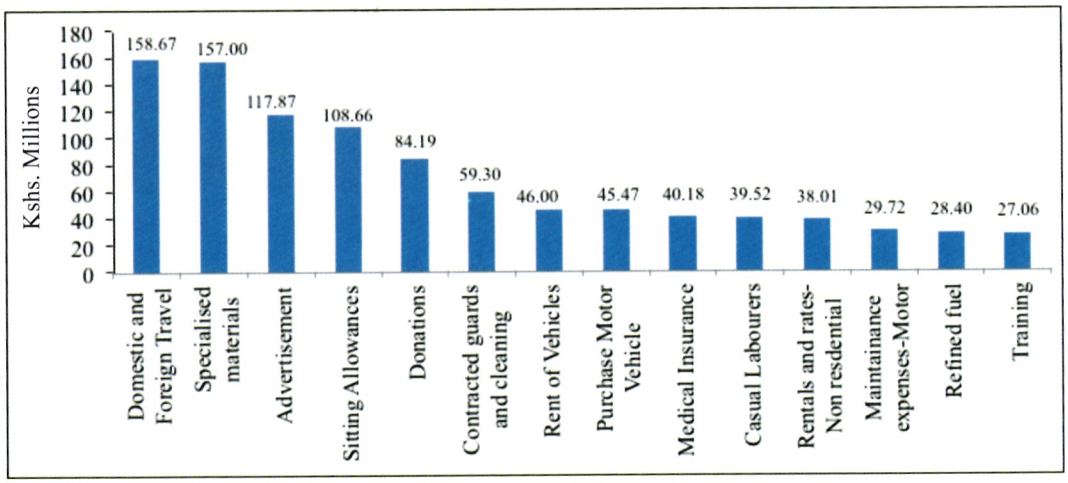
DEPARTMENT	BUDGET ALLOCATION (Kshs.million)		EXCHEQUER ISSUES (Kshs.million)		EXPENDITURE (Kshs.million)		% of Expenditure to Exchequer Issues		(%) of Expenditure to Budget Allocation	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Office of the Governor	216.12	55	162.85	30	114.98	0.87	70.6	2.9	53.2	1.6
Public Service and Administration	1,861.25	185	1367.9	115.25	1,800.13	9.67	131.6	8.4	96.7	5.2
County Treasury and Economic Planning	180.31	300	140.19	90	91.04	25.68	64.9	28.5	50.5	8.6
Environment, Natural Resource, Water and Forestry	102.27	173.2	75.52	99.11	58.56	34.88	77.5	35.2	57.3	20.1
Labour, Social Services, Youth & Sports	39.78	236.25	29.18	95.61	9.54	37.99	32.7	39.7	24	16.1
Transport, Infrastructure & Public Works	62.69	1077	45.7	718.95	20.38	632.54	44.6	88	32.5	58.7
Lands, Housing, Urban Areas and Physcal Planning	72.54	292	53.65	192.64	9.81	21.64	18.3	11.2	13.5	7.4
Health Services	1,749.07	629	1,214.60	413.52	939.92	225.28	77.4	54.5	53.7	35.8
Agriculture, Livestock, Fisheries and Co-oporatives	310.2	730	215.83	446.61	16.61	380.59	7.7	85.2	5.4	52.1
Industrialization, Trade & Tourism	69.95	340	49.94	183.2	20.83	170.63	41.7	93.1	29.8	50.2
Education , Science & Technology & ICT	316.44	500	206.68	406.47	109.87	425.3	53.2	104.6	34.7	85.1
Public Service Board	55.26	0	38.01	0	12.17	0	32	0	22	0
County Assembly	651	100	356.56	32.91	167.89	464	47.1	1410	25.8	464
Total	**5686.88**	**4617.45**	**3956.61**	**2824.27**	**3371.73**	**2429.07**	**85.2**	**79.9**	**59.3**	**48.9**

Source: *Kakamega County Treasury*

The County spent Kshs.108.66 million on sitting allowances to the 88 MCAs, representing an absorption rate of 61.0 per cent of the annual budget, an increase from the Kshs.82.60 million spent in the same period of FY 2013/14. Each MCA received an average monthly sitting allowance of Kshs.137,196 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.158.67 million compared to Kshs.157.80 million in the same period of FY 2013/14. This expenditure consisted of Kshs.77.37 million incurred by the County Assembly and Kshs.81.31 million by the County Executive. A summary of the operations and maintenance expenditure for the period under review is shown in Figure 48.

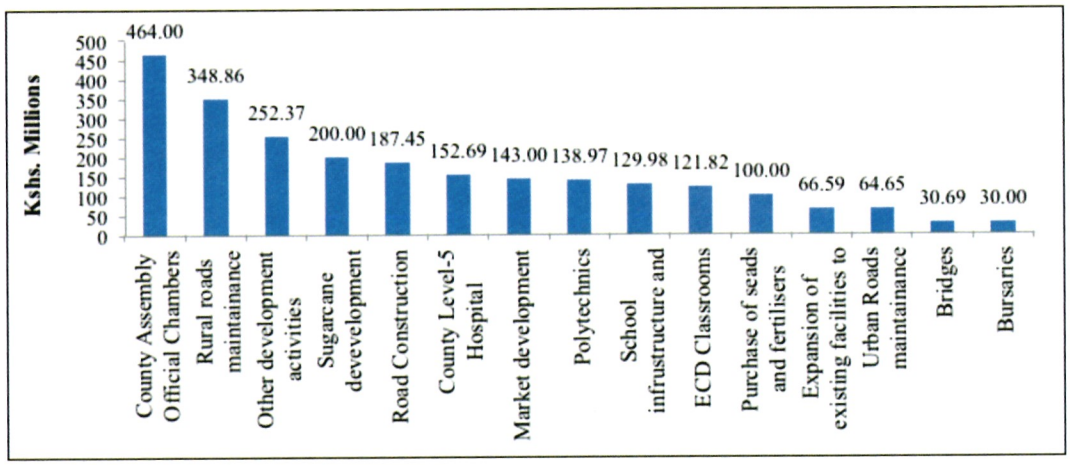
Figure 48: Kakamega County, Operations and Maintenance Expenditure



Source: *Kakamega County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.444 million on the MCA car loans and mortgages, Kshs.348.86 million on rural roads maintenance, Kshs.200 million on sugarcane development, Kshs.187.45 million on road construction, Kshs.152.69 million on hospital improvements, Kshs.143.00 million on market development and Kshs.138.97 million on infrastructure development of youth polytechnics. A summary of the development expenditure is shown in Figure 49.

Figure 49: Kakamega County Analysis of Development Expenditure



Source: *Kakamega County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. However, these recommendations are yet to be addressed and continue to hamper effective budget implementation. They include:

1. A high wage bill which is partly due to a huge workforce inherited from the former Local Authorities. This has constrained funding to key development projects and operations.
2. Lack of a functional Audit Committee.
3. Diversion of funds released for development expenditure to recurrent activities. For instance, exchequer releases were diverted to fund MCA housing and car loans, which had not been included in the budget. Also, there were instances where funds were diverted to other departments, indicating weak budgetary control. This is evidenced by the absorption rate of 131% by the Department of Public Service and Administration.
4. Failure to budget for some non-discretionary items such as MCA sitting allowances, which was not clearly captured in the budget.

The County should implement the following recommendations in order to improve budget execution:

1. *The County should liaise with the National Government to evaluate its staff levels under the CARPS programme.*
2. *The County should establish an Audit Committee in order to strengthen internal oversight mechanisms.*
3. *The County Treasury should ensure that funds are utilized for intended purposes through timely exchequer notifications to the departments and stringent controls on disbursements.*
4. *All non-discretionary expenditure items must be appropriately budgeted for.*

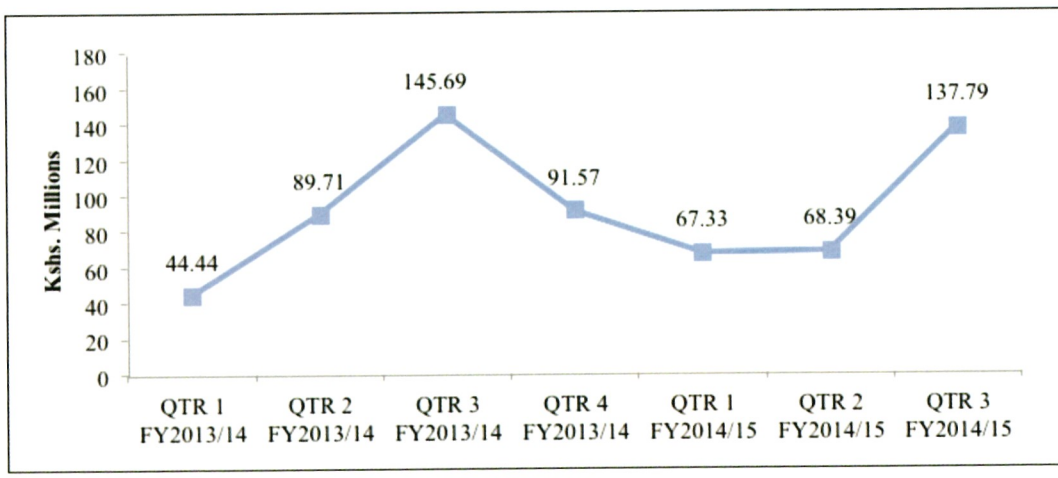
Kericho County

In the 2014/15 financial year, the approved Budget for Kericho County amounts to Kshs.4.55 billion with Kshs.3.09 billion (68.0 per cent) allocated to recurrent expenditure and Kshs.1.46 billion (32.0 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 15. In order to

finance the budget, the County expects to receive Kshs.3.84 billion (84.2 per cent) as transfers from the National Government, collect Kshs.671.28 billion (14.7 per cent) from local sources, a grant from DANIDA of Kshs.46.19 million (1.0 per cent) and Kshs.183.65 million as projected cash balance from FY 2013/14 that will be re-voted in the supplementary budget.

During the first nine months of FY 2014/15, the County received Kshs.2.82 billion from the National Government as direct transfer to the CRF, raised Kshs.273.52 million from local sources and had Kshs.183.64 million as cash balance brought forward from FY 2013/14.The local revenue raised in the period under review was Kshs.137.79 million which is an improvement from Kshs.67.33 million collected in the first quarter and Kshs.68.39 million collected in the second quarter of FY 2014/15.The total local revenue raised as at March 2015 accounted for 40.7 per cent of the annual local revenue target. Figure 50 below shows the trend of local revenue collection by quarter.

Figure 50: Kericho County Trend in Local Revenue Collection by Quarter



Source: *Kericho County Treasury*

During the reporting period, the County accessed Kshs.3.14 billion from the CRF which is 69.0 per cent of the approved budget, an improvement from 45.6 per cent in the same period of FY 2013/14. This amount consisted of Kshs.2.36 billion (75.2 per cent) for recurrent expenditure and Kshs.778.08 million (24.8 per cent) for development activities.

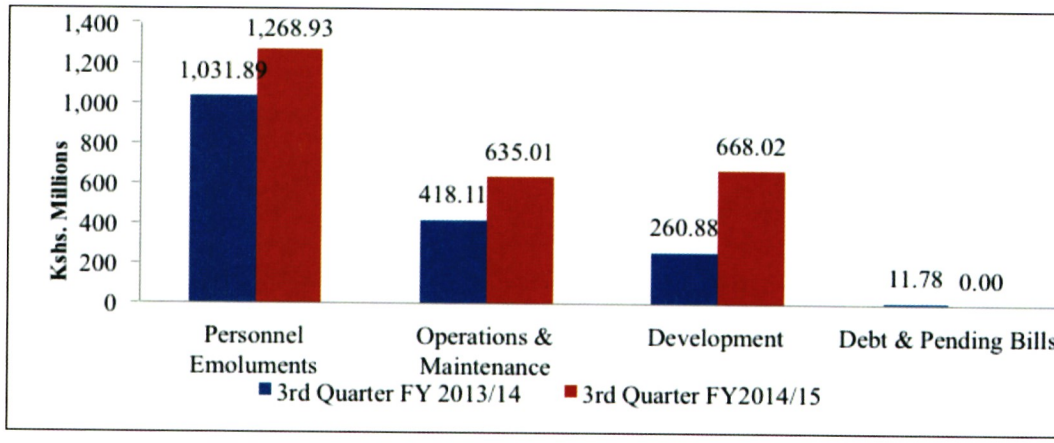
The county spent a total of Kshs.2.75 billion during the first nine months of FY 2014/15 which is 87.6 per cent of the total funds released for operations and an improvement from the Kshs.1.72 billion spent in the same period of FY 2013/14. A total of Kshs.1.90 billion (69.2 per cent) was spent on recurrent activities while Kshs.668.02 million (24.3 per cent) on development activities and Kshs.177.80 (6.5 per cent) was disbursed through the County established Funds.

Recurrent expenditure was 88.2 per cent of the funds released for recurrent activities while development expenditure accounted for 85.9 per cent of the funds released for development activities. The expenditure does not include outstanding commitments as at March, 2015, which amounted to Kshs.156.65 million for development expenditure. There was no outstanding recurrent expenditure commitment.

The recurrent expenditure for the period under review represented an absorption rate of 67.3 per cent of the annual recurrent budget, an increase from an absorption rate of 55.2 per cent realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of 45.8 per cent of the annual development budget, an improvement from an absorption rate of 31.2 per cent realized in the same period of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.1.90 billion shows that the County spent Kshs.1.27 billion **(66.7 per cent)** on personnel emoluments and Kshs.635.01 million **(33.3 per cent)** on operations and maintenance expenditure. Expenditure on personnel emoluments has increased slightly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.1.03 billion. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 51 below.

Figure 51: Kericho County, Third Quarter Expenditure by Economic Classification



Source: *Kericho County Treasury*

A breakdown of expenditure by department shows that the Public Service Department had the highest absorption rate of recurrent budget at 83.2 per cent. Similarly, the Agriculture, Livestock & Fisheries Department, and the Public Works, Roads & Transport Department registered the highest absorption rates of the development budget at 80.2 per cent and 70.0 per cent respectively. Conversely, the County Public Service Board had the lowest absorption rate of recurrent budget at 42.1 per cent, while the Finance & Economic Planning Department had the lowest absorption rate of development budget at 1.2 percent. The expenditure of various departments is summarised in **Table 15**.

Table 15: Kericho County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		Expenditure to exchequer issues (%)		(%) of Expenditure to Budget Allocation	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Assembly Services	632.96	-	435.88		411.15		94.3		**65.0**	
Public Service and Administration	244.87	-	269.56	-	203.82	-	75.6		**83.2**	
Office of the Governor & Deputy Governor	104.35	-	67.19	-	54.32	-	80.8		**52.1**	
County Public Service Board	53.71	-	38.23	-	22.59	-	59.1		**42.1**	
Finance &Economic Planning	186.37	20.54	131.9	-	131.88	0.25	100		**70.8**	**1.2**
Agriculture, Livestock &Fisheries	153.3	78	123.67	56.22	99.15	62.52	80.2	111.2	**64.7**	**80.2**
Environment, Water, Energy & Natural Resources	56.41	159.48	42.52	80.83	34.47	40.58	81.1	50.2	**61.1**	**25.4**
Education, Youth, Culture & Social services	270.93	127.15	202.96	84.75	202.83	9.09	99.9	10.7	**74.9**	**7.1**
Health Services	1,215.21	173.19	910.25	103.67	811.71	6.8	89.2	6.6	**66.8**	**3.9**
Land, Housing & Physical Planning	35.54	43.62	24.3	32.27	21.27	18.03	87.5	55.9	**59.8**	**41.3**
Public Works, Roads & Transport	55.64	738	49.84	374.48	29.68	516.35	59.6	137.9	**53.3**	**70.0**
ICT & E-Government	18.12	20	14.7	20	12.06	5.44	82.0	27.2	**66.6**	**27.2**
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	67.43	98.32	50.42	25.86	46.81	8.95	92.8	34.6	**69.4**	**9.1**
TOTAL	**3094.82**	**1458.31**	**2361.42**	**778.08**	**2081.74**	**668.02**	**88.2**	**85.9**	**67.3**	**45.8**

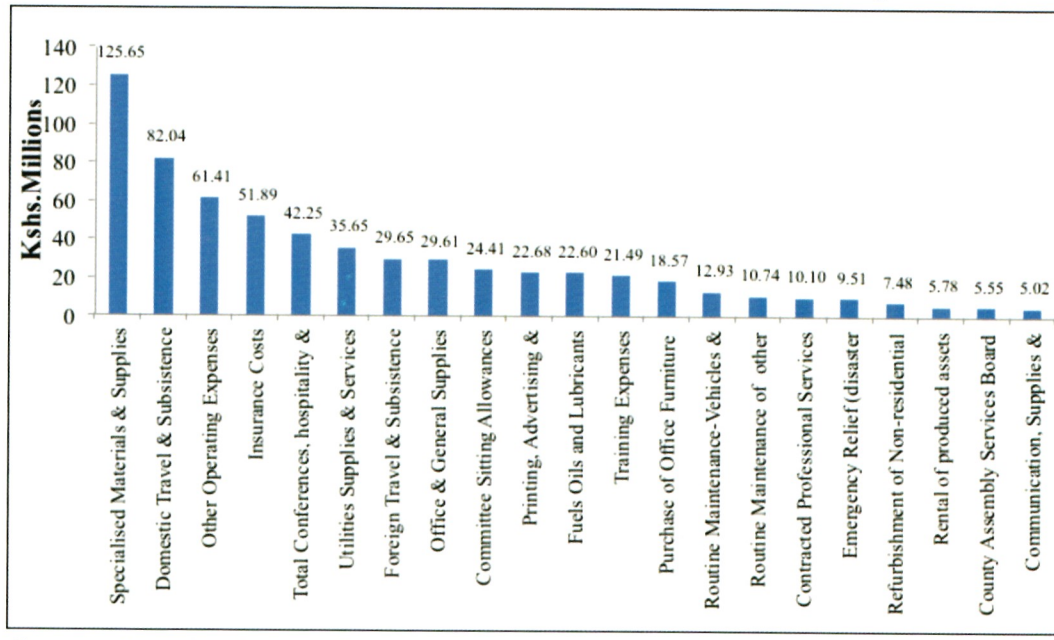
Source: *Kericho County Treasury*

The County spent Kshs.40.83 million on sitting allowances to the 48 MCAs, representing an absorption rate of 48.1 per cent of the annual budget, an increase

from the Kshs.30.3 million spent in the same period of 2013/14 financial year. Each MCA was paid an average monthly sitting allowance of Kshs.94,521 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.111.69 million compared to Kshs.111.85 million in the same period of FY 2013/14. This amount comprised of Kshs.39.81 million incurred by the County Assembly and Kshs.71.87 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 52.

Figure 52: Kericho County, Operations and Maintenance Expenditure

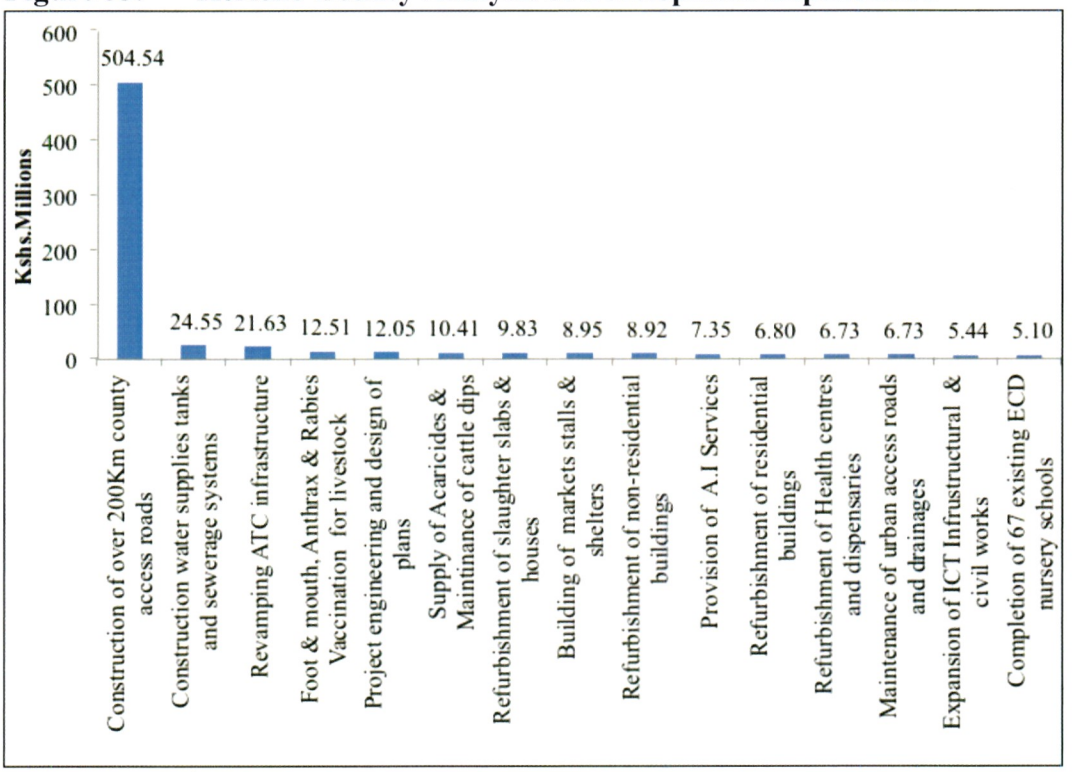


Source: *Kericho County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.504.54 million on construction of over 200 kilometres of county access roads across the 30 wards; Kshs.24.55 million on water supplies, construction of water tank and improvement of sewerage systems; Kshs.21.63 million in revival of existing ATC infrastructures; Kshs.12.51 million to combat Foot & mouth disease, Anthrax and Rabies vaccination programmes for over 59,000 livestock; Kshs.12.05 million for project engineering and design plans for hydro projects; Kshs.10.41 million on supply of acaricides and maintenance of cattle dips; Kshs.9.83 million on refurbishment of

existing slaughter slabs and houses; Kshs.8.95 million on market stalls and shelters in open air market centres across the wards and Kshs.7.35 million on artificial insemination services for over 13,900 livestock among others as shown in Figure 53.

Figure 53: Kericho County Analysis of Development Expenditure



Source: *Kericho County Treasury*

In the previous CBIRRs, the office made some recommendations to address the challenges facing budget execution in the County. The following issues have been addressed: (i) computerization of revenue collection, (ii) designation of departmental chief officers as receivers and collectors of revenues, and (iii) establishment of task force team for monitoring and evaluation of executed county projects and programmes.

The following challenges continued to hamper effective budget implementation in the reporting period;

1. Delayed roll-out of IFMIS and IPPD systems in the County Assembly.

2. Inadequate capacity to use IFMIS in financial reporting and generation of expenditure reports.
3. Failure to operationalize the E-procurement module of IFMIS.
4. Inadequate monitoring and evaluation mechanisms for development programs

The County should implement the following recommendations in an effort to improve budget execution:

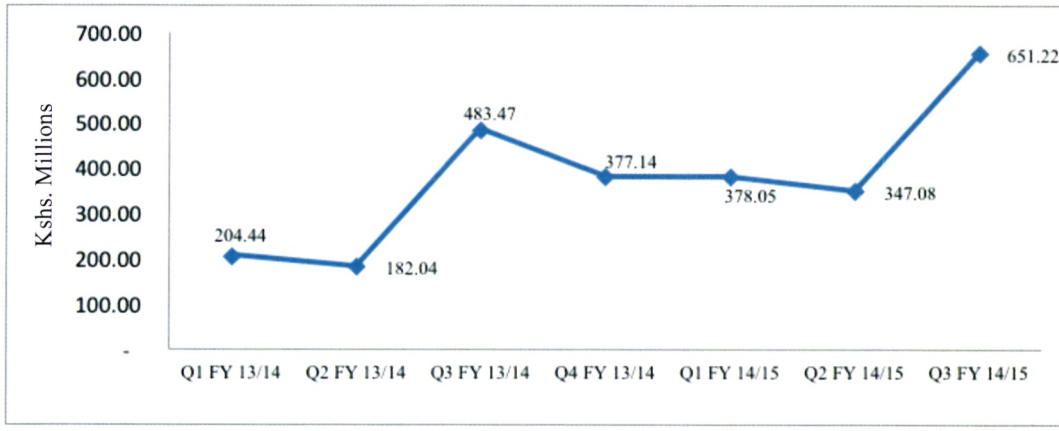
1. *The County should roll out IFMIS and IPPD at the County Assembly.*
2. *The County Treasury should liaise with the IFMIS Directorate to build staff capacity on the use of IFMIS.*
3. *The County should liaise with IFMIS directorate to for roll -out and training of staff on the use of the E-procurement.*
4. *The County should develop an appropriate project monitoring and evaluation framework that will comprehensively track the execution of development projects and ensure regular reporting.*

Kiambu County

In the 2014/15 financial year, the approved Budget for Kiambu County amounts to Kshs.9.99 billion with Kshs.6.85 billion (68.6 per cent) allocated to recurrent expenditure and Kshs.3.13 billion (31.4 per cent) to development expenditure. The budget allocation by department is shown in Table 16. In order to finance this budget, the County expects to receive Kshs.6.29 billion (63 per cent) as transfers from the National Government, collect Kshs.3.60 billion (36 per cent) from local sources, a conditional from DANIDA of Kshs.100 million (1 per cent) and Kshs. 389.38 million as projected cash balance from FY 2013/14.

During first nine months of FY 2014/15, the County received Kshs.4.27 billion from the National Government as direct transfer to the CRF, raised Kshs.1.38 billion from local sources and had Kshs.389.38 million as cash balance brought forward from FY 2013/14.The local revenue raised in the period under review of Kshs.651.22 million was an improvement from Kshs.378.05 million collected in the first quarter and Kshs.347.08 million collected in the second quarter of FY 2014/15.The total local revenue as at March 2015 accounted for 38.2 per cent of the annual local revenue target. Figure 54 shows the trend in local revenue generation by quarter.

Figure 54: Kiambu County Trend in Local Revenue Collection by Quarter



Source: *Kiambu County Treasury*

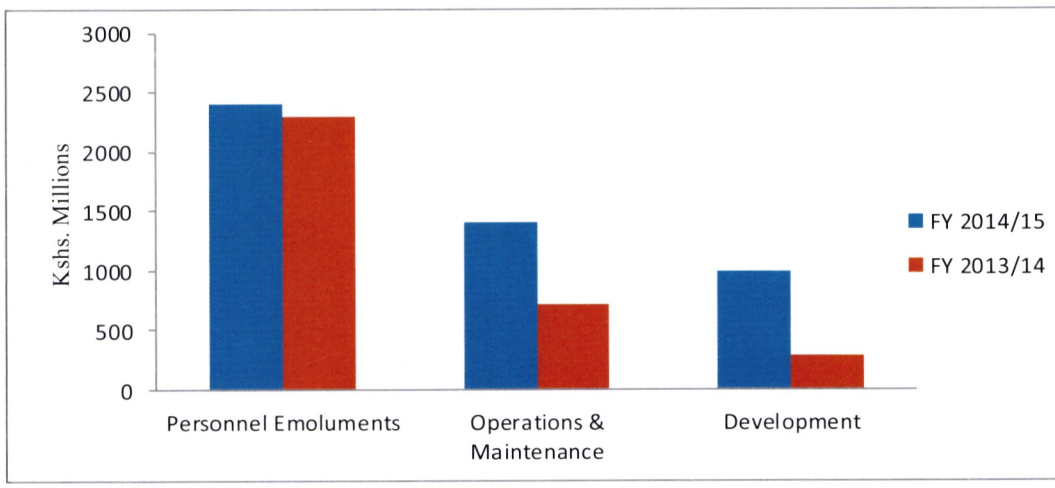
During the reporting period, the county accessed **Kshs.5.94 billion** from the CRF which is 59 per cent of the approved Budget, an improvement from 42.7 per cent in the same period of FY 2013/14. This amount consisted of Kshs.4.94 billion (83 per cent) for recurrent expenditure and Kshs.1.01 billion (17 per cent) for development activities.

The county spent a total of **Kshs.4.79 billion** during the first nine months of FY 2014/15 which is 80.6 per cent of the total funds released and an improvement from the Kshs.3.3 billion spent in the same period of FY 2013/14. A total of Kshs.3.80 billion (79.4 per cent) was spent on recurrent activities while Kshs.988.64 million (20.6 per cent) on development activities. Recurrent expenditure was 77.2 per cent of the funds released for recurrent activities while development expenditure accounted for 98 per cent for development activities. This expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.1.42 billion for recurrent expenditure and Kshs. 46.9 million for Development activities. The recurrent expenditure for the period under review represented an absorption rate of **55.5 per cent** of the annual recurrent budget, an increase from an absorption rate of 37.4 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of **31.6 per cent** of the annual development budget, an improvement from an absorption rate of 9.3 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.3.8 billion shows that the County

spent Kshs.2.4 billion (63.2 per cent) on personnel emoluments and Kshs.1.4 billion (36.8 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased slightly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.2.30 billion. A comparison of the total expenditure between the period under review and the same period last financial year is shown in **Figure 55**, below.

Figure 55: Kiambu County, Third Quarter Expenditure by Economic Classification



Source: *Kiambu County Treasury*

A breakdown of expenditure by department shows that the County Assembly had the highest recurrent budget absorption rate at 67.8 per cent. The Health Department and the Water, Environment and Natural Resources Department recorded the second and third highest absorption rates at 63.4 per cent and 57.9 per cent, respectively. On the other hand, the Youth and Sports Department had the lowest absorption rate at 23.4 per cent, followed by County Public Service Board with an absorption rate of 24.8 per cent. The expenditure by the various departments is summarised in Table 16.

Table 16: Kiambu County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (In. Kshs. Million)		EXCHEQUER ISSUES (Kshs.Million)		EXP3NDITURE (Kshs. Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		(%) OF EXPENDITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Public Service & Administration	413.75	102.00	320.25	14.00	164.95	8.71	51.5	62.2	39.9	8.5
Agriculture Livestock & Fisheries	412.16	232.00	327.52	83.89	224.57	62.13	68.6	74.1	54.5	26.8
County Assembly	918.60	70.00	528.07	1.57	623.05	5.70	118.0	363.1	67.8	8.1
Education, Culture and Social Services	367.29	310.00	238.52	129.97	186.90	90.62	78.4	69.7	50.9	29.2
County Executive	325.90	30.00	186.01	3.77	151.23	3.15	81.3	83.6	46.4	10.5
Finance and Economic Planning	618.75	105.56	488.17	25.40	304.50	39.60	62.4	155.9	49.2	37.5
Health Services	2,828.40	358.80	2,076.22	18.25	1,793.26	139.12	86.4	762.3	63.4	38.8
Land, Housing and Planning	127.25	197.00	99.29	28.73	39.06	18.80	39.3	65.4	30.7	9.5
CPSB	52.42	-	33.28	-	12.98	-	39.0	-	24.8	
Road, Transport and Public Works	325.15	895.00	254.99	532.12	129.58	540.62	50.8	101.6	39.9	60.4
Youth and Sports	146.75	400.00	132.30	11.25	34.28	15.39	25.9	136.8	23.4	3.8
Trade, Tourism & Industry	156.38	185.00	119.53	114.73	44.83	23.25	37.5	20.3	28.7	12.6
Water, Environment & Nat. Resources	161.48	245.50	124.02	45.00	93.54	41.47	75.4	92.2	57.9	16.9
Total	**6,854.28**	**3,130.86**	**4,928.17**	**1,008.68**	**3,802.73**	**988.56**	**77.16**	**98.01**	**55.5**	**31.6**

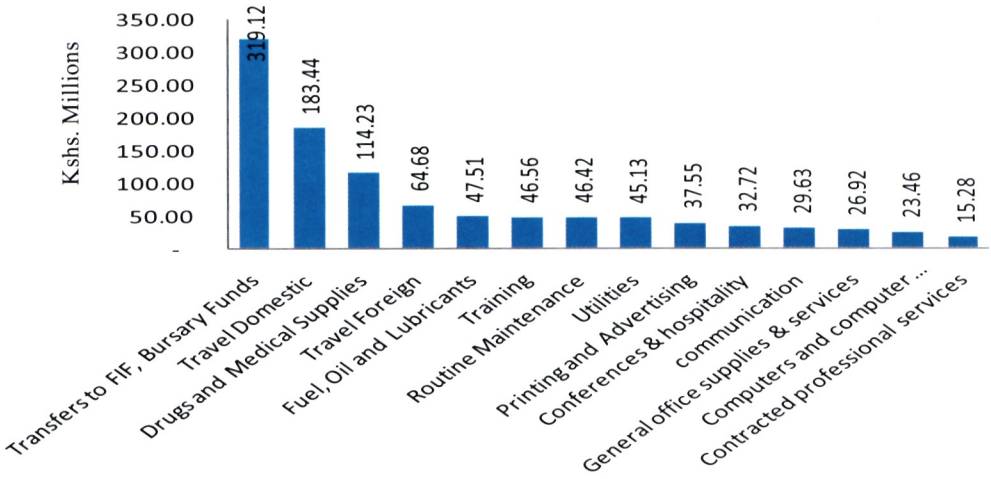
Source: *Kiambu County Treasury*

The County spent Kshs.65.89 million on sitting allowances to the 86 MCAs, representing an absorption rate of 48.8 per cent of the annual budget, an increase from the Kshs.32.2 million spent in the same period of 2013/14 financial year. Each MCA was paid an average monthly sitting allowance of Kshs.83,194 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.248.1 million compared to Kshs.176.8 million in the same period of FY 2013/14, representing an increase of 40.9 per cent. This expenditure comprised of Kshs.132.08 million incurred by the County Assembly and Kshs.116.02 million by the County Executive.

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 56**.

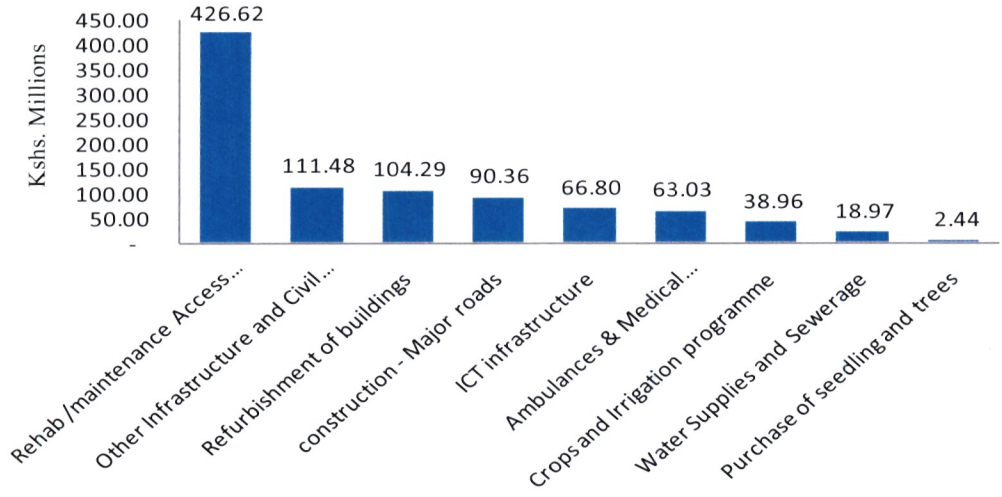
Figure 56: Kiambu County, Operations and Maintenance Expenditure



Source: *Kiambu County Treasury*

Analysis of the development expenditure shows that the county spent Kshs.426.6 million on rehabilitation and development of access roads, Kshs.111.5 million on other infrastructure and civil works including street lighting, Kshs.104.3 million on refurbishment of buildings, Kshs.90 million on construction of major roads, Kshs.66.8 million on development of ICT infrastructure networking, revenue system and server room, Kshs.63.3 million on purchase of ambulances and medical equipment among others as shown in **Figure 57**.

Figure 57: Kiambu County Analysis of Development Expenditure



Source: *Kiambu County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget implementation in the County. So far, the following issues have been addressed: (i) full operationalization of IFMIS, (ii) automation of revenue collection that has resulted in increased revenue collection, (iii) human capacity building, (iv) compliance with budgetary timelines, and (v) designation of departmental accounting officers.

The following challenges continued to hamper effective budget implementation in the reporting period;

1. Delay in submission of quarterly reports by Administrators of the established County Funds contrary to Section 168 (3) of PFM Act, 2012.
2. Lack of Internal Audit committee.

The County should implement the following recommendations in an effort to improve budget execution:

1. Administrators of the established County Funds should submit quarterly reports on the Established County Funds to OCOB in line with Section 168 (3) of the PFM Act 2012.

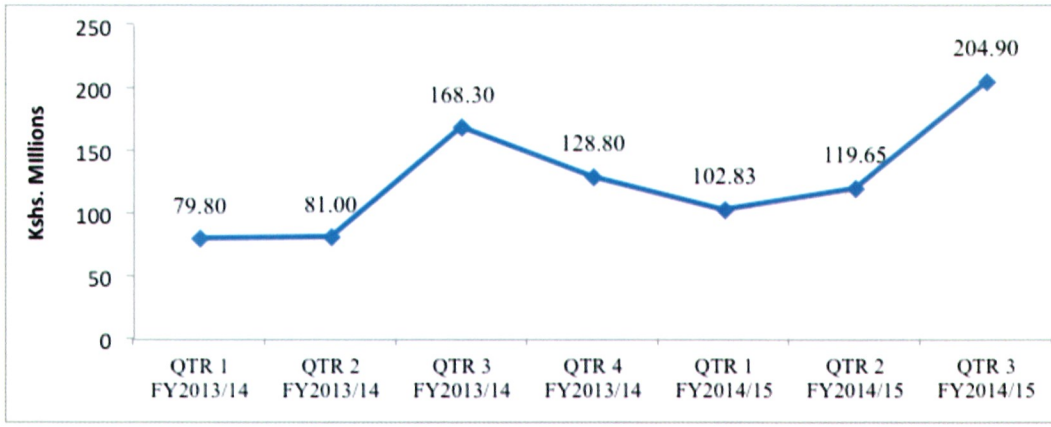
2. *The County should establish an Internal Audit Committee to strengthen internal oversight and management mechanisms of the Internal Audit Department.*

Kilifi County

In the 2014/15 financial year, the approved Budget for the County amounts to Kshs.8.43 billion consisting of Kshs.4.75 billion (54.4 per cent) allocated to recurrent expenditure and Kshs.3.69 billion (45.6 per cent) to development expenditure. The budget allocation by department is shown in Table 17. In order to finance this budget, the County expects to receive Kshs.6.34 billion (75.1 per cent) as transfers from the National Government, collect Kshs.1 billion (11.9 per cent) from local sources, and, Kshs. 1.1 billion (13 per cent) as projected cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.3.58 billion from the National Government as direct transfer to the CRF, raised Kshs.428.38 million from local sources and had Kshs.1.1 billion as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.204.90 million which is an improvement from Kshs.102.83 million collected in the first quarter, and Kshs.119.65 million collected in the second quarter of the year. The total local revenue generated as at March 2015 accounted for 20.5 per cent of the annual local revenue target. Figure 58, shows the trend of local revenue collection by quarter.

Figure 58: Kilifi County Trend in Local Revenue Collection by Quarter



Source: *Kilifi County Treasury*

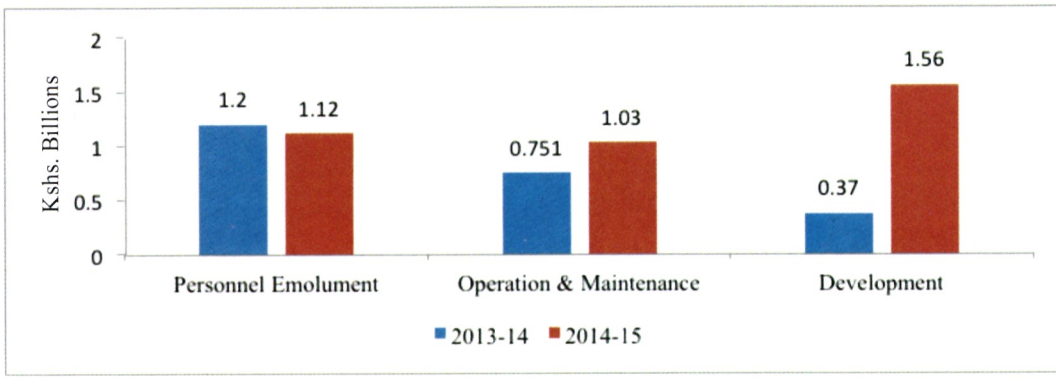
During the reporting period, the county accessed **Kshs.4.75 billion** from the CRF which is 56.4 per cent of the Approved Budget, an improvement from 46.3 per cent in the same period of FY 2013/14. This amount consisted of Kshs.2.97 billion (62.5 per cent) for recurrent expenditure and Kshs.1.78 billion (37.5 per cent) for development activities.

The county spent a total of **Kshs.3.95 billion** during the first nine months of FY 2014/15 which is 83.1 per cent of the total funds released and an improvement from the Kshs.2.4 billion spent in the same period of FY 2013/14. A total of Kshs.2.39 billion (60.5 per cent) was spent on recurrent activities while Kshs.1.56 billion (39.5 per cent) on development activities. Recurrent expenditure was 80.4 per cent of the funds released for recurrent activities while development expenditure accounted for 87.5 per cent for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **50.3 per cent** of the annual recurrent budget, an increase from an absorption rate of 47.6 per cent realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of **42.3 per cent** of the annual development budget, an improvement from an absorption rate of 17.5 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.2.39 billion shows that the County spent Kshs.1.12 billion **(46.9 per cent)** on personnel emoluments and Kshs.1.03 billion **(43.1 per cent)** on operations and maintenance expenditure. Kilifi County also spent Kshs.238.96 million **(10 per cent)** on Emergency and scholarship funds. Expenditure on personnel emoluments has declined significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.1.2 billion. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 59 below.

Figure 59: Kilifi County, Third Quarter Expenditure by Economic Classification



Source: *Kilifi County Treasury*

A breakdown of expenditure by department shows that County Executive Department had the highest absorption rate of the recurrent budget at 80.4 per cent. The ICT & E-Government Department and the Health Services Department recorded the second and third highest absorption rates of 68.7 per cent and 68.4 per cent respectively. Similarly, the ICT & E-government Department had the highest development budget absorption rate at 99 per cent.

On the other hand, the Environment and Natural Resources Department had the lowest absorption rate of recurrent budget at 19.5 per cent, followed by Trade, Development and Regulation Department with an absorption rate of 20.7 per cent, while the County Public Service Board did not report any development expenditure. The expenditure under the various departments is summarised in Table 17.

Table 17: Kilifi County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENDITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Assembly	738.72	171.45	329.95	162.14	346.96	112.66	105.2%	69.5%	47.0%	65.7%
County Executive	470.35	277.61	179.55	37.61	377.97	151.74	210.5%	403.5%	80.4%	54.7%
Finance and Economic Planning	425.86	525.00	308.00	41.01	182.47	-	59.2%	0.0%	42.8%	0.0%
Agriculture	370.49	449.21	277.87	287.35	81.69	141.74	29.4%	49.3%	22.0%	31.6%
Environment and Natural Resources	145.75	220.69	100.67	154.69	28.48	135.19	28.3%	87.4%	19.5%	61.3%
Education & Natural Resources	740.36	355.20	441.51	291.05	293.64	282.17	66.5%	96.9%	39.7%	79.4%
Health Services	1,251.85	530.23	938.40	102.31	855.97	211.98	91.2%	207.2%	68.4%	40.0%
Lands, Housing & Physical planning	117.87	573.06	82.19	195.61	50.05	102.41	60.9%	52.4%	42.5%	17.9%
Public Works, Roads and Transport	223.46	363.10	155.95	360.02	60.98	300.10	39.1%	83.4%	27.3%	82.6%
ICT & E-Government	63.24	72.18	42.64	71.80	43.42	71.47	101.8%	99.5%	68.7%	99.0%
Trade, Development and Regulation	103.42	151.35	72.19	80.93	21.44	52.25	29.7%	64.6%	20.7%	34.5%
County Public Service Board	94.50	-	41.37	-	44.74	-	108.1%	0.0%	47.3%	0.0%
Total	4,745.85	3,689.08	2,970.28	1,784.52	2,387.80	1,561.69	80.4%	87.5%	50.3%	42.3%

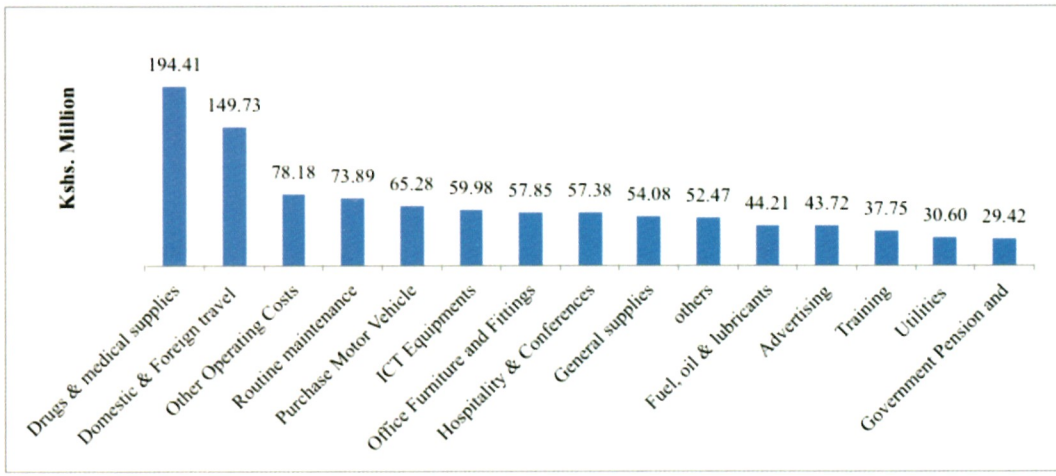
Source: *Kilifi County Treasury*

The County spent Kshs.52.19 million on sitting allowances to the 54 MCAs, representing an absorption rate of 54.9 per cent of the annual budget, an increase from the Kshs.22 million spent in the same period of FY 2013/14. Each MCA was paid an average monthly sitting allowance of Kshs.107,394 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.149.73 compared to Kshs.72.6 million in the same period of FY 2013/14, representing an

increase of 106.2 per cent. This consisted of Kshs.80.71 million incurred by the County Assembly and Kshs.69.02 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 60.

Figure 60: Kilifi County, Operations and Maintenance Expenditure

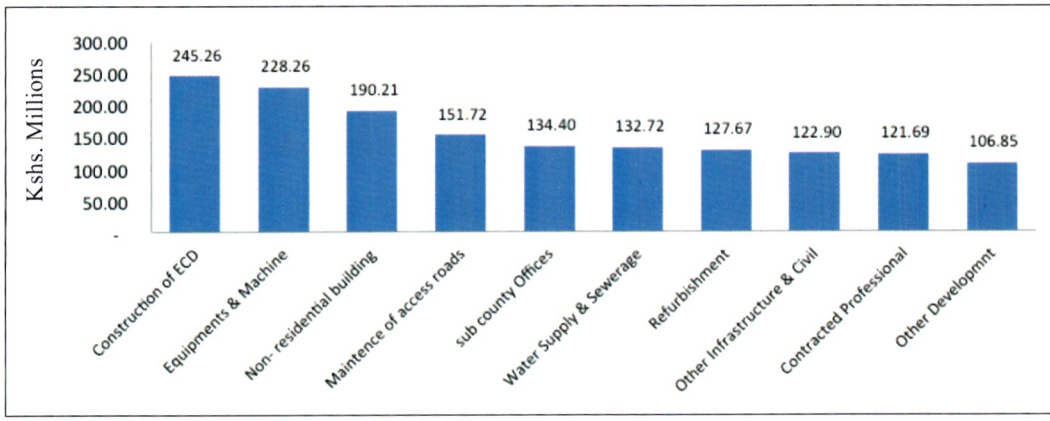


Source: *Kilifi County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.245.26 million on construction of Early Childhood Development Centres (ECDC), Kshs.228.26 million on purchase of equipment & machinery, Kshs.190.21 million on construction of non-residential buildings, Kshs.151.72 million on construction and maintenance of access roads, Kshs.134.40 million on construction of sub-county offices, Kshs.132.72 million on water supply & sewerage, Kshs.127.67 million on refurbishment of buildings, Kshs.122.9 million on other infrastructure & civil works, Kshs.121.69 million on contracted professional services, and Kshs.106.85 million on other development as shown in Figure 61.

During the period under review, the County launched its agriculture mechanization programme which was able to offer subsidize ploughing services to farmers and is aimed at achieving food security. A water distribution project was also launched in Chakama, an area that is known to be water deficient.

Figure 61: Kilifi County Analysis of Development Expenditure



Source: *Kilifi County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. So far, the following issues have been addressed: (i) recruitment of more staff, which enhanced capacity in the technical departments, such as the Procurement Section, (ii) strengthened controls in imprest management, and (iii) identification of additional office space to accommodate staff.

The following challenges continued to hamper effective budget implementation in the reporting period;

1. Inadequate internal audit arrangements.
2. Diversion of Exchequer Releases to other activities not contained in the funded work plan. This signifies a weak budgetary control.
3. Lack of clear structures for undertaking monitoring and evaluation of development projects.
4. Lack of project Management Implementation Committees to oversee the implementation of development project at the Sub-county and Ward levels.
5. Delay in the establishment of the County Budget & Economic Forum.

The County should implement the following recommendations in an effort to improve budget execution:

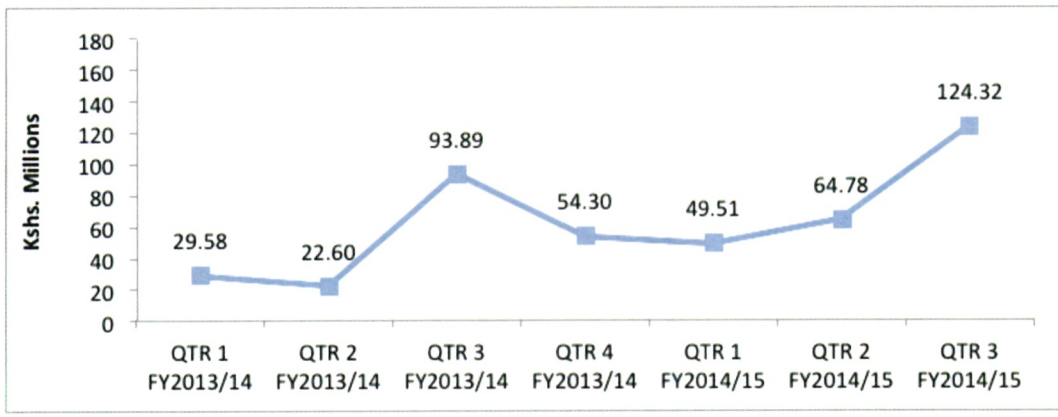
1. *Improve the internal audit capacity through training.*
2. *The County Treasury should ensure Exchequer Releases are utilised for the approved activities through timely exchequer notifications to the departments and controls on application of funds.*
3. *Establish a Monitoring and Evaluation Committee to enhance transparency and accountability in development project implementation.*
4. *Establish ward-level community Project Management Committees to oversee development projects in the wards.*
5. *Expedite the establishment of the County Budget and Economic Forum.*

Kirinyaga County

In the FY 2014/15, the approved Supplementary Budget for Kirinyaga County amounts to Kshs.4.10 billion with Kshs.2.53 billion (61.8 per cent) allocated to recurrent expenditure and Kshs.1.57 billion (38.2 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 18. In order to finance this budget, the County expects to receive Kshs.3.09 billion (75 per cent) as transfers from the National Government, collect Kshs.422.45 million (10.3 per cent) from local sources, receive a conditional grant from DANIDA of Kshs.10.39 million (0.3 per cent) and Kshs.596.19 million (14.5 per cent) as cash balance from FY 2013/14.

During the first nine months of the FY 2014/2015, the County received Kshs.1.71 billion from the National Government as direct transfer to the CRF, raised Kshs.238.62 million from local sources and had Kshs.596.19 million as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.124.32 million which is an improvement from Kshs.49.52 million collected in the first quarter and Kshs.64.78 million collected in the second quarter of FY 2014/15. The Local revenue raised as at March 2015 accounted for 56.5 per cent of the annual local revenue target. Figure 62 below, shows the trend of local revenue collection by quarter.

Figure 62: Kirinyaga County Trend in Local Revenue Collection by Quarter



Source: *Kirinyaga County Treasury*

During the reporting period, the County accessed Kshs.2.41 billion from the CRF which is 58.6 per cent of the approved Supplementary Budget, an improvement from 46.1 per cent in the same period of financial year 2013/14. This amount consisted of Kshs.1.83 billion (75.7 per cent) for recurrent expenditure and Kshs.582.95 million (24.3 per cent) for development activities.

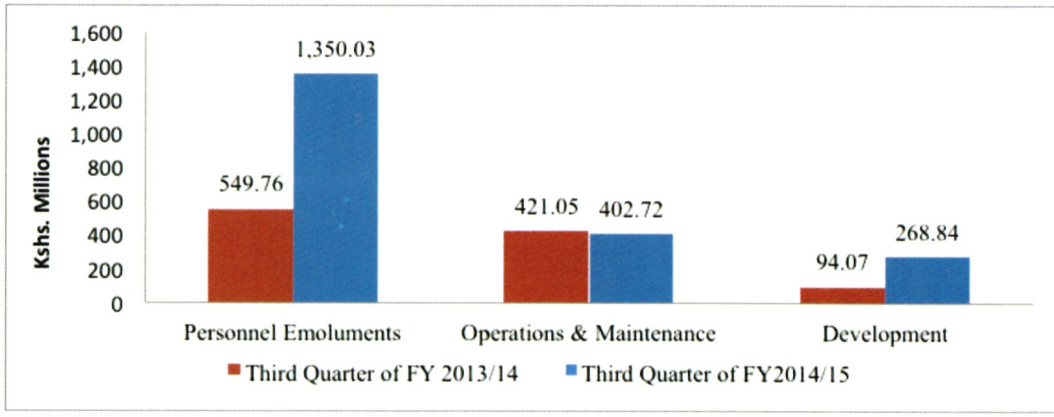
The county spent a total of Kshs.2.02 billion during the nine months of FY 2014/15 which was 84.2 per cent of the total funds released for operations and an improvement from the Kshs.1.06 billion spent in the same period of FY 2013/14. A total of Kshs.1.75 billion **(86.6 per cent)** was spent on recurrent activities and Kshs.268.84 million **(13.3 per cent)** on development activities. Recurrent expenditure was 96.2 per cent of the funds released while development expenditure accounted for 46.1 per cent. This expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.28.21 million for recurrent expenditure and Kshs.58.45 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **69.2 per cent** of the annual recurrent budget, an increase from an absorption rate of **42.6 per cent** realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of **17.2 per cent** of the annual development budget, an improvement from an absorption rate of **9.5 per cent** realized in the

same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.1.75 billion shows that the County spent Kshs.1.35 billion **(77.0 per cent)** on personnel emoluments and Kshs.402.72 million **(23.0 per cent)** on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.549.76 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 63, below.

Figure 63: Kirinyaga County, Third Quarter Expenditure by Economic Classification



Source: *Kirinyaga County Treasury*

A breakdown of expenditure by department shows that the County Assembly had the highest absorption rate of recurrent budget at 95.7 per cent, while the Public Works, Roads and Transport Department had the highest absorption rate of development budget at 31.2 per cent. Similarly, the Education Department had the lowest absorption rate of recurrent budget at 8.6 per cent, while the County Assembly and the Finance and Economic Department did not report any development expenditure. Expenditure by the various departments is summarised in Table 18.

Table 18: Kirinyaga County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENDITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Executive	178.22	100.00	129.90	28.96	50.82	20.00	39.12	69.05	28.51	20.00
Finance and Economic Planning	1,657.79	50.00	1,263.75	22.08	1,234.45	0	97.68	0.00	74.46	0.00
Education, Sport, Youth & ICT	85.16	121.78	42.62	88.32	7.31	1.07	17.16	1.21	8.59	0.88
Health Services	185.48	314.47	76.60	82.28	113.75	28.20	148.51	34.28	61.33	8.97
Gender, Culture & Social Development	15.00	29.87	9.55	9.33	6.43	4.24	67.36	45.42	42.90	14.19
Public Works, Roads and Transport	14.43	357.29	8.55	147.08	7.43	111.35	86.91	75.71	51.49	31.16
County Assembly	309.77	50.74	239.31	8.05	296.37	-	123.84	0.00	95.67	0.00
Lands, Housing & Physical planning	10,38	75.59	3.97	25.78	3.19	7.97	80.45	30.93	30.76	10.55
Trade, industralisation and tourism	17.57	66.69	12.14	14.98	6.46	0.97	53.24	6.44	36.79	1.45
Agriculture	37.54	55.45	18.89	42.24	16.12	14.74	85.35	34.90	42.93	26.58
Water, sanitation & natural resources	23.56	344.82	15.71	113.85	10.41	80.30	66.28	70.53	44.19	23.29
Total	**2,534.89**	**1,566.70**	**1,820.97**	**582.95**	**1,752.75**	**268.84**	**96.25**	**46.12**	**69.14**	**17.16**

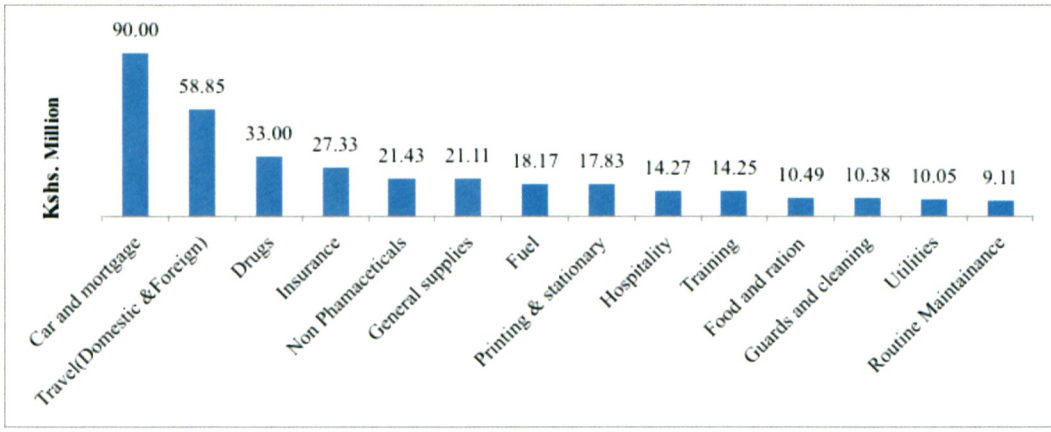
Source: *Kirinyaga County Treasury*

The County spent Kshs.38.41 million on sitting allowances to the 30 MCAs representing an absorption rate of 54.1 per cent of the annual budget, an increase from the Kshs.16.6 million spent in the same period of 2013/14 financial year. Each MCA was paid an average monthly sitting allowance of Kshs.142,257 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.58.85 million compared to Kshs.72.6 million in the same period of FY 2013/14, representing

a decrease of 18.9 per cent. This expenditure comprised of Kshs.23.81 million incurred by the County Assembly and Kshs.35.04 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 64.

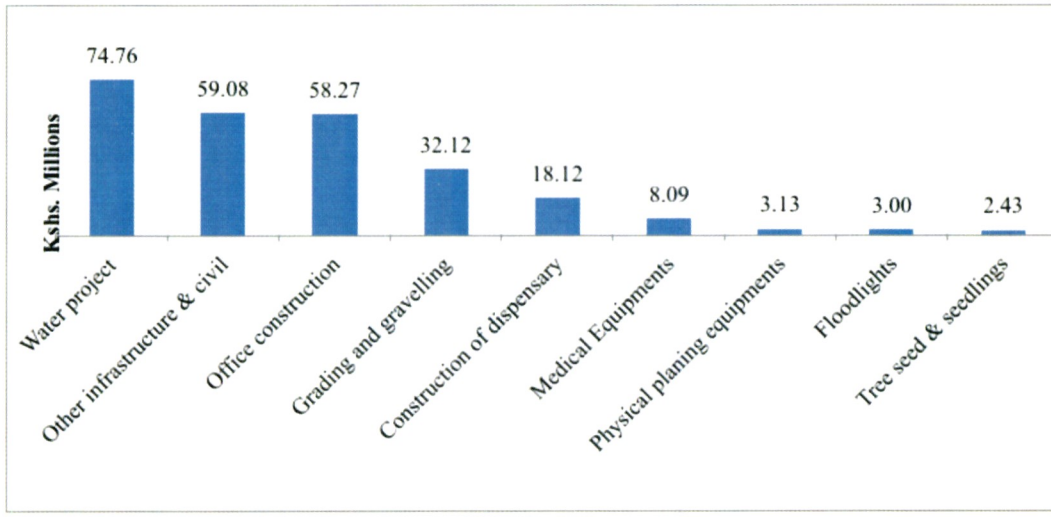
Figure 64 Kirinyaga County, Operations and Maintenance Expenditure



Source: *Kirinyaga County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.74.76 million on 48 water and irrigation projects, Kshs.59.08 million on construction of culverts and bridges, Kshs.58.27 million on construction of the County headquarters, Kshs.32.12 million on improvement of access roads, Kshs.18.12 million on construction of 10 dispensaries, maternity wards and laboratories, Kshs.8.09 million on purchase of laboratory and assorted medical equipment, and Kshs.6.13 million on flood lights installation and physical planning equipment. Figure 65 provides a summary of development expenditure by the main programmes.

Figure 65: Kirinyaga County Analysis of Development Expenditure



Source: *Kirinyaga County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget implementation in the County. So far, the following issues have been addressed: (i) revision of the local revenue targets, (ii) automation of revenue collection, (iii) enhancement of staff capacity, and (iv) designation of departmental accounting officers.

The following challenges continued to hamper effective budget implementation in the reporting period;

1. Inadequate internal audit arrangements.
2. Failure to develop regulations for administration of the established County Funds, i.e. the Alcoholic Drink and Substance Abuse Control Fund and the Emergency Fund.
3. Low absorption of development funds which stood at 17.2 per cent of the annual development budget as of March 2015.
4. Lack of an adequate monitoring and evaluation and reporting framework to assess and track progress of development projects implementation.
5. Use of manual system to process financial transaction by the County Assembly.

The County should implement the following recommendations in order to improve budget execution:

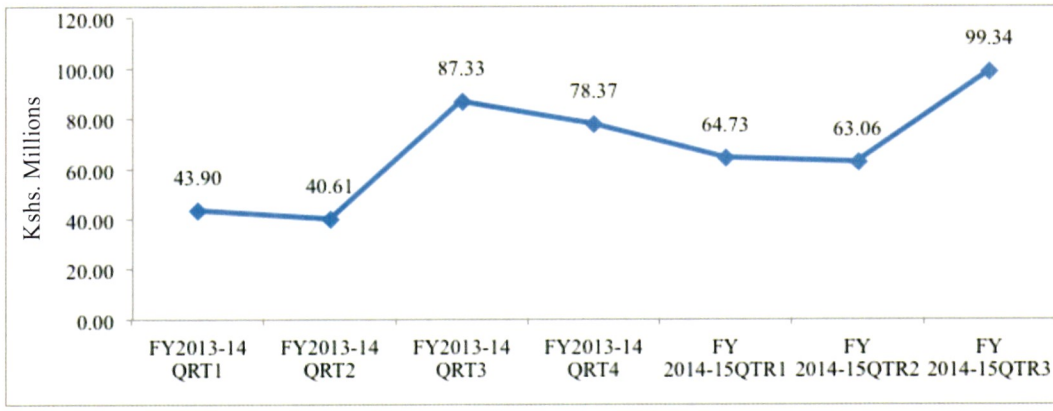
1. *The County should build capacity of its internal audit department.*
2. *The County Treasury should develop regulations to operationalise all established County Funds in line with the Section 116 of the PFM Act, 2012.*
3. *All departments should establish causes of delay in project implementation and take corrective actions to expedite project delivery.*
4. *The County should develop and implement a monitoring and evaluation framework to monitoring and report on project implementation.*
5. *The County Treasury should ensure that all financial transactions reprocessed in IFMIS.*

Kisii County

In the FY 2014/15, the approved Supplementary Budget for Kisii County amounts to Kshs.7.79 billion with Kshs.4.63 billion (59.4 per cent) allocated to recurrent expenditure and Kshs.3.16 billion (40.6 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 19. In order to finance this budget, the County expects to receive Kshs.6.27 billion (80.5 per cent) as transfers from the National Government, collect Kshs.974 million (12.5 per cent) from local sources, receive a grant of Kshs.20.57 million (0.3 per cent) from DANIDA, and utilize the Kshs.526.11 million (6.8 per cent) projected cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.4.07 billion from the National Government as direct transfer to the CRF, raised Kshs.227.14 million from local sources and had Kshs.527.12 million as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.99.25 million which is an improvement from Kshs.64.73 million collected in the first quarter and Kshs.63.06 million collected in the second quarter of FY 2014/15. The Local revenue raised as at March 2015 accounted for 23.3 per cent of the annual local revenue target. Figure 66 below, shows the trend of local revenue collection by quarter.

Figure 66: Kisii County Trend in Local Revenue Collection by Quarter



Source: *Kisii County Treasury*

During the reporting period, the County accessed Kshs.4.77 billion which is 61.2 per cent of the approved estimates, an improvement from 45.7 per cent in the same period of financial year 2013/14. This amount consisted of Kshs.3.26 billion (68.2 per cent) for recurrent expenditure and Kshs.1.52 billion (31.8 per cent) for development activities.

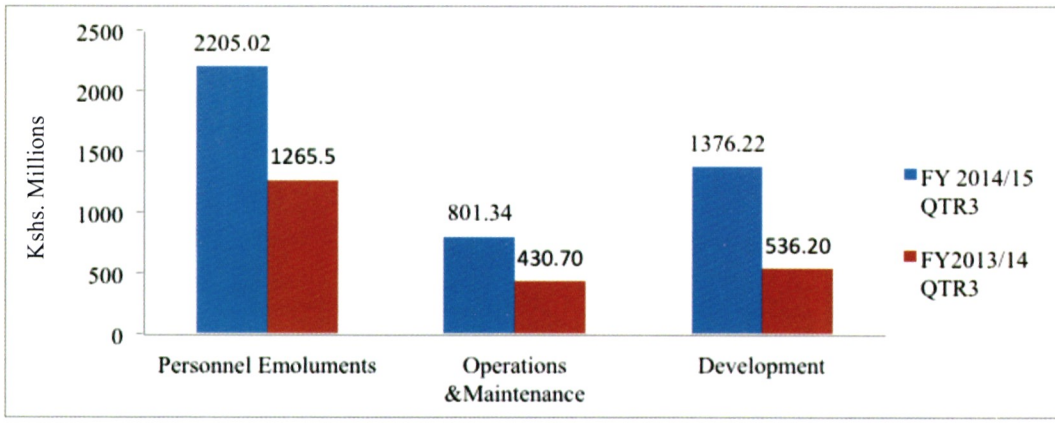
The county spent a total of Kshs 4.38 billion including Kshs.110 million transferred to County Assembly Mortgages and Car Loan Fund Account during the nine months of FY 2014/15 which was 91.8 per cent of the total funds released and an improvement from the Kshs.2.20 billion spent in the same period of FY 2013/14. A total of Kshs.3.01 billion (66.8 per cent) was spent on recurrent activities and Kshs.1.37 billion (33.2 per cent) on development activities. Recurrent expenditure was 92.3 per cent of the funds released for recurrent activities while development expenditure accounted for 90.7 per cent of the funds released for development activities.

The recurrent expenditure for the period under review represented an absorption rate of 64.9 per cent of the annual recurrent budget, an increase from an absorption rate of 41.3 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of 43.5 per cent of the annual development budget, an improvement from an absorption rate of 18.2 per cent realized in the same period of FY2013/14.This expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.121.24 million for recurrent expenditure and

Kshs.671.11 million for development activities.

Analysis of the recurrent expenditure of Kshs.3.06 billion shows that the County spent Kshs.2.21 billion (73.3 per cent) on personnel emoluments and Kshs.801.34 million (26.7per cent) on operations and maintenance expenditure.KShs.110 million reported under recurrent expenditure was transferred to County Assembly Mortgages and Car loan fund for disbursement to the members of county assembly . Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.1.27 billion. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 67 below.

Figure 67: Kisii County, Third Quarter Expenditure by Economic Classification



Source: *Kisii County Treasury*

A breakdown of expenditure by department shows that the Education and Youth Development Department had the highest absorption rate of recurrent budget at 81.3 per cent while Finance and Economic Planning department had the highest absorption rate of development budget at 66.9 per cent. On the other hand the County Service Board had the lowest absorption rate of recurrent budget at 32.6 per cent while Environment and Water department had the lowest absorption rate development budget at 7.3 per cent. The expenditure of various departments is summarised in **Table 19**.

Table 19: Kisii County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

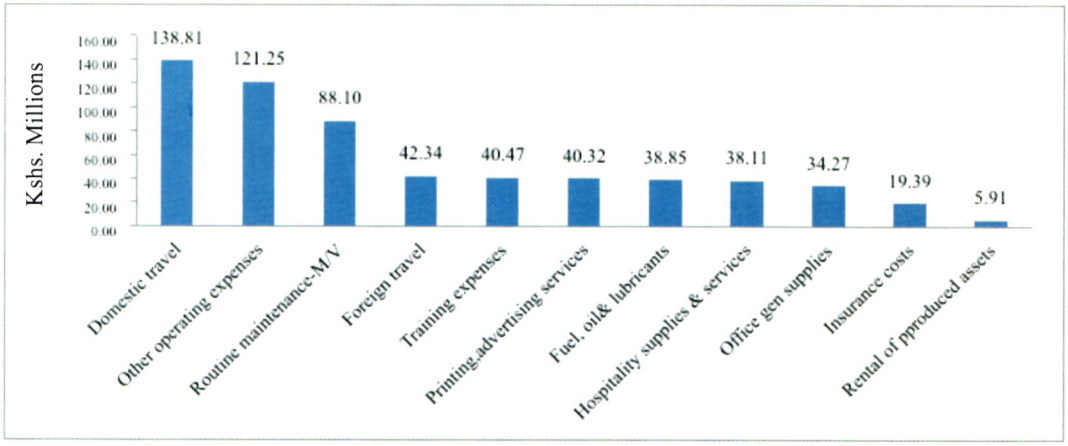
DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENDITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Health	1,517.41	503.12	1,075.33	201.76	1061.24	210.44	98.7	104.3	69.9	41.8
Agriculture	285.83	182.74	218.03	71.50	200.25	42.93	91.8	60.0	70.1	23.5
County Assembly	538.06		378.43	0.00	413.01	-	109.1	-	76.8	-
County Executive (Office of the Governor and Deputy Governor)	235.80	87.00	133.04	22.50	151.59	22.50	113.9	100.0	64.3	25.9
County Administration	496.35	60.00	367.88	49.00	321.64	31.35	87.4	64.0	64.8	52.3
County Public Service Board	58.25		31.65	0.00	19.01	-	60.1	-	32.6	-
Finance and Economic Planning	832.35	530.35	578.15	410.35	394.32	354.61	68.2	86.4	47.4	66.9
Environment & Water	108.80	176.90	76.47	27.89	55.83	13.00	73.0	46.6	51.3	7.3
Education & youth Dev't	223.83	289.50	172.61	100.25	182.03	60.59	105.5	60.4	81.3	20.9
Land, Physical planning & urban dev't	81.58	235.00	41.92	72.00	40.40	71.32	96.4	99.1	49.5	30.3
Public works and transport	113.77	695.00	84.02	439.76	75.91	450.78	90.3	102.5	66.7	64.9
Trade regulations& development	38.56	161.25	26.67	60.50	26.47	48.64	99.3	80.4	68.6	30.2
Culture and Social services	47.10	197.50	35.13	51.50	28.06	57.56	79.9	111.8	59.6	29.1
Kisii Town	52.51	45.00	36.13	10.50	36.60	12.50	101.3	119.0	69.7	27.8
Total	**4,630.20**	**3,163.36**	**3,255.47**	**1,517.51**	**3006.36**	**1,376.22**	**92.3**	**90.7**	**64.9**	**43.5**

Source: *Kisii County Treasury*

The County spent Kshs.94.27 million on sitting allowances to the 72 MCAs representing an absorption rate of 107.2 per cent of the annual budget, an increase from the Kshs.82.40 million spent in the same period of 2013/14 financial year. Each MCA was paid an average monthly sitting allowance of Kshs.145,484 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.181.14 million compared to Kshs.144.90 million in the same period of FY 2013/14, representing an increase of 25.0 per cent. This expenditure consisted of Kshs.64.42 million incurred by the County Assembly and Kshs.116.73 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 68 below.

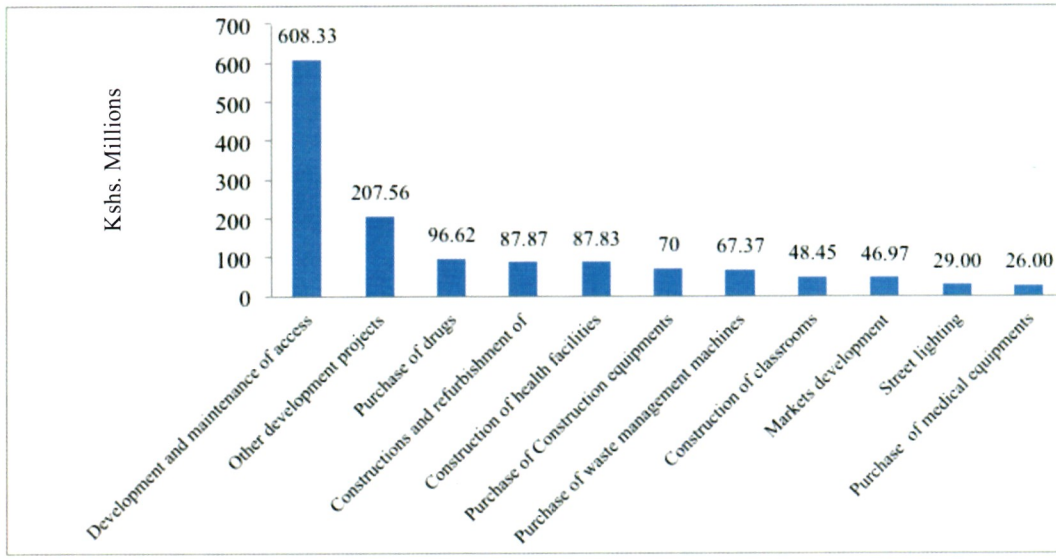
Figure 68: Kisii County, Operations and Maintenance Expenditure



Source: *Kisii County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.608.33 million on development and maintenance of access roads including 270 kilometres of compacted gravel roads and 100 kilometres of village roads across all the 45 wards , Kshs.277.56 million on other development projects, Kshs.96.62 million on purchase of drugs and non-pharmaceuticals, Kshs.87.87 million on construction and refurbishment of buildings mainly at the sub counties, Kshs.87.83 million on construction of health facilities including a male ward at Kisii Level-5 hospital, Kshs.70.00 million on purchase of plant and machinery for road construction which included two crawler excavators, a wheel loader, and a tipper, Kshs.67.37 million on purchase of waste management machines consisting of two compactors and two exhausters, and Kshs.48.45 million on construction of ECDE and youth polytechnic classrooms. Figure 69 shows a summary of the development expenditure.

Figure 69: Kisii County Analysis of Development Expenditure



Source: *Kisii County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. So far, the following issues have been addressed: (i) enactment of the Finance Act 2014, (ii) human capacity building, and, (iii) designation of departmental accounting officers.

The following challenges continued to hamper effective budget implementation in the reporting period:

1. Failure to deposit all local revenue into the County Revenue Fund account.
2. Failure to utilize IFMIS in processing all financial transactions.
3. Low local revenue collection which stood at 23.3 per cent of the projected revenue for the year.
4. The exchequer requisitions by some departments are not aligned to departmental cash flow projections. For instance the County Assembly, Office of the Governor, and Education and Youth Development Department reported higher expenditure compared to the released funds released.
5. MCA's receive sitting allowances despite not attending meetings or house sessions. For instance, sitting allowances were paid in January 2015 when the County Assembly was in recess.

6. Failure to approve regulations for the administration of County Emergency Fund.
7. Failure to designated Administrators of established County Funds such as the County Assembly Mortgage and Car loan Funds.

The County should implement the following recommendations in order to improve budget execution:

1. *The County Treasury must ensure that all locally generated revenue is deposited into the CRF.*
2. *The County Treasury should process all financial transactions in IFMIS.*
3. *The County should develop strategies to enhance local revenue collection and seal all revenue leakages.*
4. *Departmental expenditure must be aligned to cash flow projections.*
5. *Sitting allowances should only be paid for the meetings attended by MCAs.*
6. *The County Treasury should develop regulations to operationalize the established County Funds.*
7. *The CEC- Finance should appoint Administrators to manage all established County Funds.*

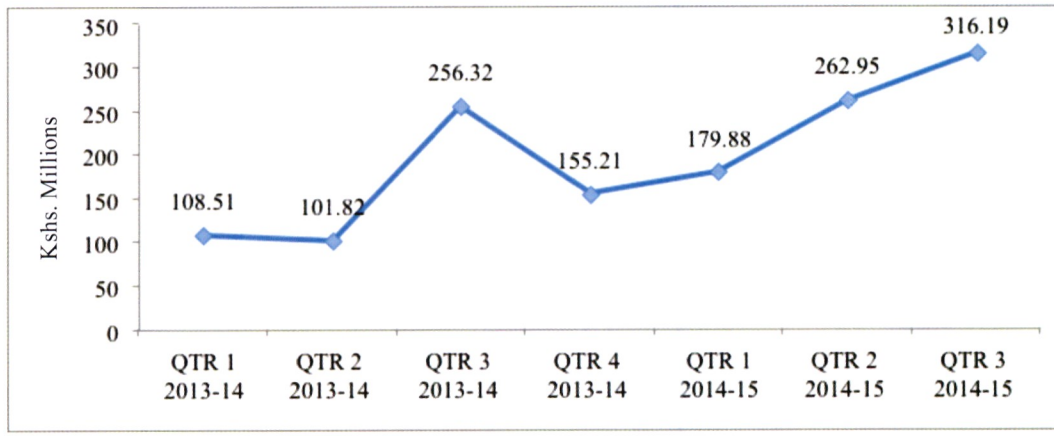
Kisumu County

In the FY 2014/15, the approved Supplementary Budget for Kisumu County amounts to Kshs.7.57 billion with Kshs.5.09 billion (67.2 per cent) allocated to recurrent expenditure and Kshs.2.49 billion (32.9 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 20. In order to finance this budget, the County expects to receive Kshs.5.40 billion (71.3 per cent) as transfers from the National Government, collect Kshs.1.13 billion (14.9 per cent) from local sources, receive a grant of Kshs.14.2 million (0.2 per cent) from DANIDA, and utilise the projected cash balance from FY 2013/14 of Kshs.1.02 billion (13.5 per cent).

During the first nine months of FY 2014/15, the County received Kshs.2.86 billion from the National Government as direct transfer to the CRF, raised Kshs.759.02 million from local sources and had Kshs.1.02 billion as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.316.19 million which is an improvement from Kshs.179.88 million collected in the first

quarter and Kshs.262.95 million collected in the second quarter of FY 2014/15. The Local revenue raised as at March 2015 accounted for 66.9 per cent of the annual local revenue target. Figure 70 below, shows the trend of local revenue collection by quarter.

Figure 70: Kisumu County Trend in Local Revenue Collection by Quarter



Source: *Kisumu County Treasury*

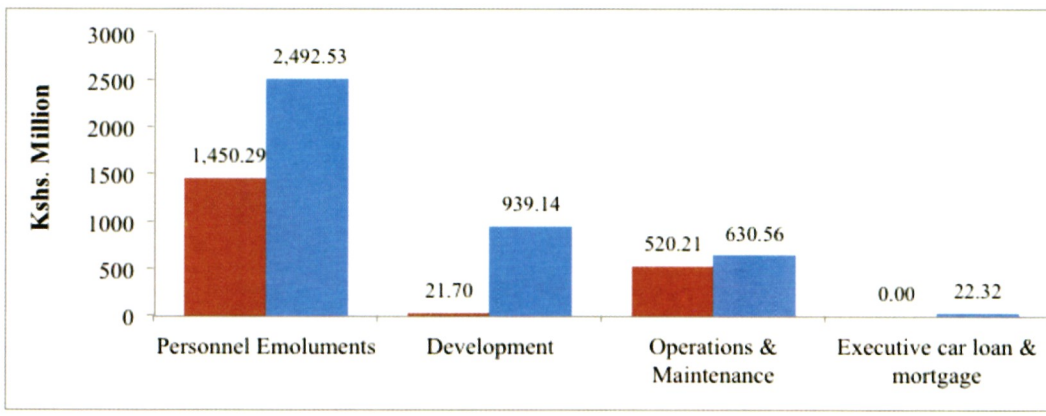
During the reporting period, the County accessed Kshs.4.58 billion from the CRF which is 60.5 per cent of the approved Supplementary Budget, an improvement from 28.6 per cent in the same period of financial year 2013/14. This amount consisted of Kshs.3.48 billion (76.0 per cent) for recurrent expenditure and Kshs.1.10 billion (24.0 per cent) for development activities.

The county spent a total of Kshs.4.08 billion during the nine months of FY 2014/15 which was 89.1 per cent of the total funds released for operations and an improvement from the Kshs.1.99 billion spent in the same period of FY 2013/14. A total of Kshs.3.15 billion (77.0 per cent) was spent on recurrent activities while Kshs.939.14 million (23.0 per cent) was spent on development activities. Recurrent expenditure was 90.5 per cent of the funds released for recurrent activities while development expenditure accounted for 85.4 per cent of the funds released for development expenditure. This expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.47.02 million for recurrent expenditure and Kshs.14.96 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of 61.8 per cent of the annual recurrent budget, an increase from an absorption rate of 33.6 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of 37.8 per cent of the annual development budget, an improvement from an absorption rate of 0.9 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.3.15 billion shows that the County spent Kshs.2.49 billion (79.3 per cent) on personnel emoluments, Kshs.630.55 million (20.0 per cent) on operations and maintenance expenditure and Kshs.22.32 million (0.7 per cent) on executive car loan and mortgages. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.1.45 billion. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 71 below.

Figure 71: Kisumu County, Third Quarter Expenditure by Economic Classification



Source: *Kisumu County Treasury*

A breakdown of expenditure by department shows that Office of the Governor and County Administration Department had exceeded its annual recurrent budget by 457.8 per cent due to use of below the line IFMIS item codes to pay personnel emoluments without regard to the department's annual personnel emoluments budget. Also, the department of Agriculture, Livestock and Fisheries had exceeded

its annual development budget by 50 per cent. On the other hand, the City of Kisumu Department had the lowest recurrent budget absorption rate at 9.2 per cent while Health Services Department, Transport and Infrastructure Department, Industrialization and Enterprise Development Department, Land, Housing and Physical Planning Department and Water, Environment and Natural Resources Department did not incur any development expenditure. The expenditure of various departments is summarised in Table 20.

Table 20: Kisumu County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENDITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Office of the Governor and County Aadministration	375.57	82.83	183.26	0.00	2,095.03	9.06	1143.2		557.8	10.9
City of Kisumu	757.58	0.00	531.48	0.00	69.76	0.00	13.1		9.2	
Finance and Planning	856.42	1,257.87	582.75	1,001.37	356.27	829.09	61.1	82.8	41.6	65.9
Education, Youth, Sports, Gender, Culture and Social services	94.36	263.25	90.01	100.00	43.12	55.80	47.9	55.8	45.7	21.2
Health Services	1,981.20	102.00	1,360.10	0.00	255.48	0.00	18.8		12.9	0.0
Industrialization and Enterprise Development	40.74	12.00	28.60	0.00	3.92	0.00	13.7		9.6	0.0
Transport and Infrastructure	109.21	518.09	86.07	0.00	16.29	0.00	18.9		14.9	0.0
County Assembly	371.34	0.00	246.49	0.00	208.70	0.00	84.7		56.2	
Lands, Housing & Physical planning	28.59	55.00	19.19	0.00	2.69	0.00	14.0		9.4	0.0
Energy and Mining	24.21	44.40	19.78	0.00	7.91	30.00	40.0		32.7	67.6
Tourism, Trade and Hertage	64.70	63.91	48.96	0.00	10.47	0.20	21.4		16.2	0.3
Agriculture, Livestock and Fisheries	298.22	10.00	208.52	0.00	59.76	15.00	28.7		20.0	150.0
Water, Environment and Natural Resources	86.83	76.10	71.33	0.00	16.02	0.00	22.5		18.5	0.0
Total	**5,088.97**	**2,485.45**	**3,476.54**	**1,101.37**	**3,145.42**	**939.15**	**90.5**	**85.3**	**61.8**	**37.8**

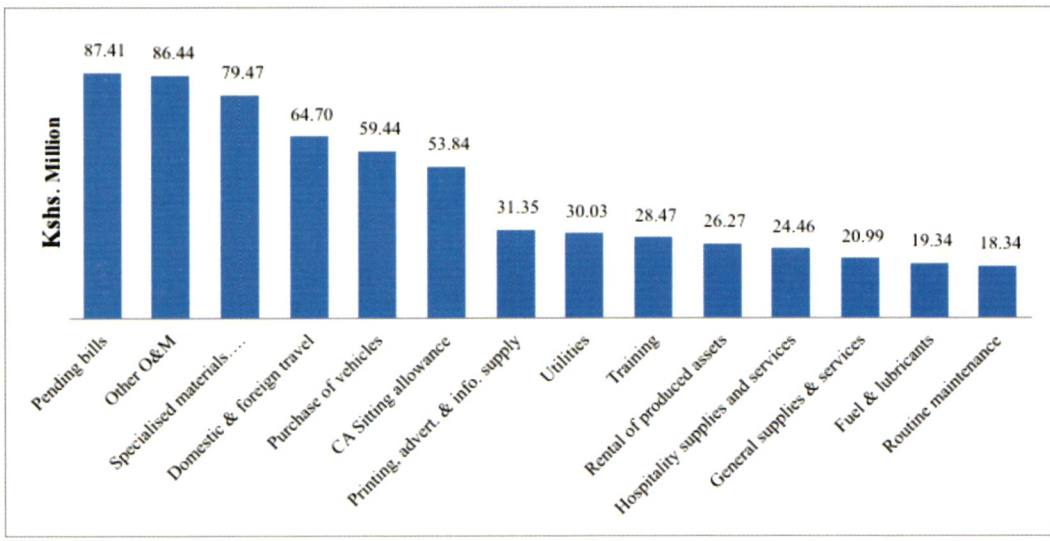
Source: *Kisumu County Treasury*

The County spent Kshs.53.84 million on sitting allowances to the 50 MCAs representing an absorption rate of 44.8 per cent of the annual budget, an increase from the Kshs.32.15 million spent in the same period of 2013/14 financial year. Each

MCA was paid an average monthly sitting allowance of Kshs.119,652 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.76.24 million compared to Kshs.57.41 million in the same period of FY 2013/14, representing an increase of 12.7 per cent. This comprised of Kshs.11.54 million incurred by the County Assembly and Kshs.64.70 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 72.

Figure 72: Kisumu County, Operations and Maintenance Expenditure

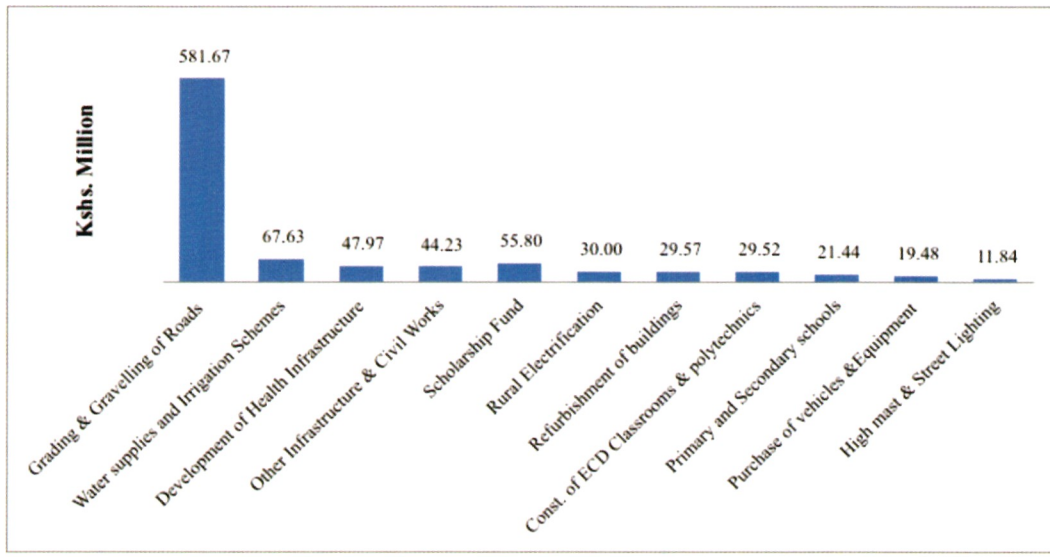


Source: *Kisumu County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.581.67 million on development and maintenance of 231 access roads. Under this category, the highest expenditure was on Nyamonge Landi Masawa access road (Kshs.10.74 million), followed by Lolwe to Forems road (Kshs.8.49 million) and Gesoko by-pass to St. Pennina Baby Shine road (Kshs.7.00 million). A total of Kshs.67.63 million was spent on construction and maintenance of eight water supplies, four irrigation schemes, drilling of one borehole and pipeline extension; Kshs.55.80 million on scholarships; Kshs.47.97 million on construction of eight dispensaries, five maternity wings, two wards and one health centre administration block while Kshs.30.0 million was spent on rural electrification matching fund.

Also Kshs.29.57 million went to refurbishment of the County Assembly Chambers and the County Executive offices, renovation of classrooms at five primary schools and a youth centre, and rehabilitation of river Miriu bank; Kshs.29.52 million on construction of classrooms and workshops at nine ECD centres and seven youth polytechnics; Kshs.21.44 million on construction of eighteen classrooms and two administration blocks in thirteen primary schools and two secondary schools; Kshs.19.48 million on purchase of vehicles and other equipment, Kshs.11.84 million on installation of flood lights at Makasembo estate and street lighting within CBD, Nyalenda ring road and Otieno road; and Kshs.44.3 million on development of other infrastructure and civil works including solar installations, construction of two community halls and emergency and disaster projects. Figure 73 shows a summary of the development expenditure.

Figure 73: Kisumu County Analysis of Development Expenditure



Source: *Kisumu County Treasury*

In the previous CBIRRs the office made recommendations to address the challenges facing budget execution in the County. The following issues have been addressed: (i) revising annual local revenue budget to remove unrealistic projections, (ii) automation of revenue collection, (iii) human capacity building, (iv) improvement on uptake of development funds, and (v) remittance of revenues by devolved entities into County Revenue Fund (CRF).

The following challenges continued to hamper effective budget implementation in the reporting period:

1. Failure to establish an audit committee to ensure effective oversight of the internal audit operations and thereby improve internal controls.
2. Failure to capture expenditure in IFMIS on a timely basis, especially expenditure by the City of Kisumu Department.
3. Delayed remittance of the level 5 conditional grant to the Jaramogi Oginga Odinga Teaching and Referral Hospital.
4. Failure to recover car loan and mortgages advanced to 5 CEC members who have since been relieved of their duties.
5. Diversion of funds released to other departments signalling weak budgetary control.

The County should implement the following recommendations in an effort to improve budget execution:

1. *The County should institute an internal audit committee to enhance oversight and effective functioning of the internal audit department and thereby enhance internal controls.*
2. *All county expenditure should be captured in IFMIS on a timely basis.*
3. *The County Treasury should ensure timely remittances of level 5 conditional grants to the intended health facility.*
4. *The County should put in place arrangements for loan recoveries from the former CEC members.*
5. *The County Treasury should enhance financial controls to minimize instances of diversion of funds to departments rather than those contained in the funded work plan.*

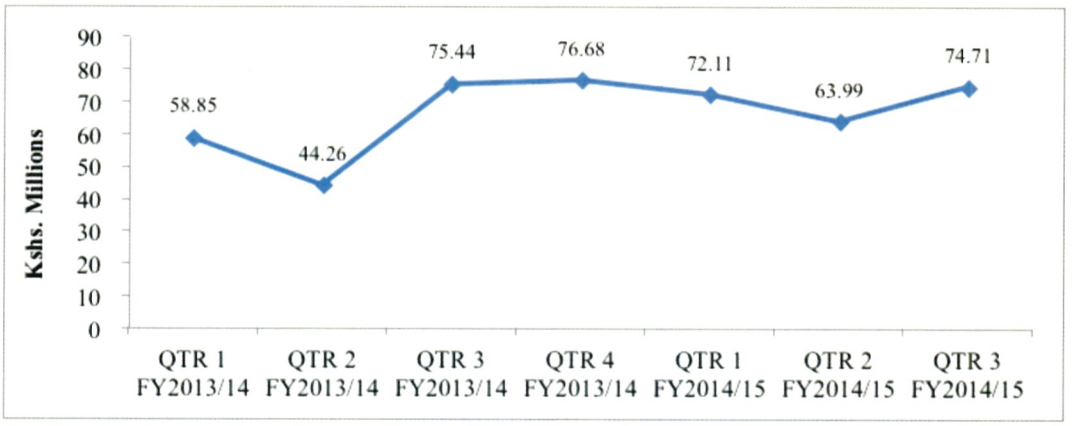
Kitui County

In the FY 2014/15, the approved Budget for Kitui County amounts to Kshs.9.36 billion comprising of Kshs.4.58 billion (49.0 per cent) for recurrent expenditure and Kshs.4.77 billion (51.0 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 21. In order to finance the budget, the County expects to receive Kshs.6.32 billion (67.6 per cent) as transfers from the National Government, Kshs.2.08 billion (22.3 per cent) as projected cash balance

from FY 2013/14, collect Kshs.650.00 million (6.9 per cent) from local sources, receive conditional grant allocation of Kshs.265.11 million (2.8 per cent), and a DANIDA grant of Kshs.34.61 million (0.4 per cent).

During the first nine months of FY 2014/15, the County received Kshs.3.52 billion from the National Government as direct transfer to the CRF, Kshs.2.25 billion as cash balance brought forward from FY 2013/14, raised Kshs.210.81 million from local sources and received DANIDA grant of Kshs.34.61 million. The local revenue raised in the third quarter was Kshs.74.71 million which is an improvement from Kshs.72.11 million collected in the first quarter and Kshs.63.99 million collected in the second quarter of FY 2014/15. The total local revenue generated as at March 2015 accounted for 32.4 per cent of the annual local revenue target. Figure 74 below, shows the trend of local revenue collection by quarter.

Figure 74: Kitui County Trend in Local Revenue Collection by Quarter



Source: *Kitui County Treasury*

During the reporting period, the County accessed Kshs.4.65 billion from CRF which is 49.7 per cent of the approved budget, an improvement from 34.7 per cent in the same period of FY 2013/14. This amount consisted of Kshs.3.00 billion (64.5 per cent) for recurrent expenditure and Kshs.1.65 billion (35.5 per cent) for development activities.

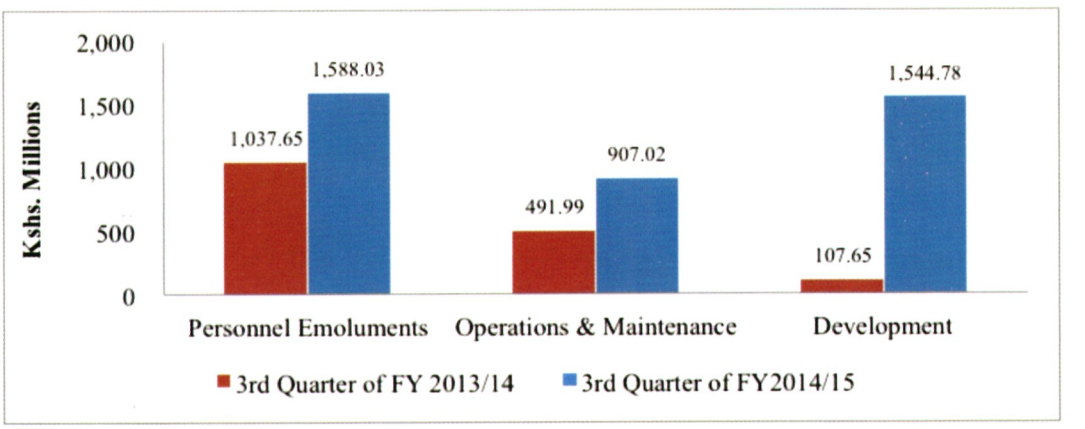
The county spent a total of Kshs.4.04 billion during the first nine months of FY 2014/15 which is 86.9 per cent of the total funds released for operations and an improvement from the Kshs.1.64 billion spent in the same period of FY 2013/14.

A total of Kshs.2.50 billion (61.8 per cent) was spent on recurrent activities while Kshs.1.54 billion (38.2 per cent) on development activities. Recurrent expenditure was 83.3 per cent of the funds released for recurrent activities while development expenditure accounted for 93.6 per cent of the funds released for development activities. This expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.268.69 million for recurrent expenditure and Kshs.1.46 billion for development activities.

The recurrent expenditure for the period under review represented an absorption rate of 54.4 per cent of the annual recurrent budget, an increase from an absorption rate of 42.3 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of 32.4 per cent of the annual development budget, an improvement from an absorption rate of 3.8 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.2.50 billion shows that the County spent Kshs.1.59 billion (63.6 per cent) on personnel emoluments and Kshs.907.02 million (36.4 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period in financial year 2013/14 when the County spent Kshs.1.04 billion. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 75.

Figure 75: Kitui County, Third Quarter Expenditure by Economic Classification



Source: *Kitui County Treasury*

A breakdown of expenditure by department shows that Health and Sanitation Department had the highest absorption rate of recurrent budget at 68.5 per cent while the Basic Education, Training, and Skills Development had the highest absorption rate of development budget at 50.3 per cent. On the other hand the Administration and Coordination of County Affairs Department attained the lowest absorption rate of recurrent budget at 28.0 per cent while the Trade, Industry and Cooperatives Department had the lowest absorption rate of its annual development budget at 7.4 per cent. The expenditure of various departments is summarised in **Table 21**.

Table 21: Kitui County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million)		% of Expenditure to Exchequer Issues		% of Expenditure to Budget Allocation	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	436.61	1,025.47	220.93	318.64	271.42	194.46	122.9	61	62.2	19
Administration and Coordination of County Affairs	418.62	124.13	311.4	21.52	117.18	16	37.6	74.4	28	12.9
Agriculture, Water and Irrigation	412.76	894.27	263.37	285.87	198.68	428.61	75.4	149.9	48.1	47.9
Basic Education, Training and Skills Development	318.83	152.76	211.92	55.27	198.37	76.82	93.6	139	62.2	50.3
Lands, Infrastructure and Urban Development	502.84	1,260.95	382.03	425.5	208.44	583.69	54.6	137.2	41.5	46.3
Health and Sanitation	1,311.57	305.49	913.43	159.47	898.23	89.54	98.3	56.1	68.5	29.3
Trade, Industry and Cooperatives	75.03	331.76	55.57	142.31	33.38	24.71	60.1	17.4	44.5	7.4
Culture, Youth, Sports and Social Services	60.31	135.77	43.72	47.25	30.08	22.24	68.8	47.1	49.9	16.4
Environment, Energy and Mineral Resources	46.79	380.18	33.87	155.03	19.45	74.71	57.4	48.2	41.6	19.7
Natural Resources and Tourism	31.94	27.5	22.46	16.54	18.05	3.01	80.4	18.2	56.5	11
Finance and Economic Planning	138.33	56.58	103.8	23.75	80.44	7.58	77.5	31.9	58.2	13.4
County Assembly Service Board	775.81	77.49	391.97	0	385.77	23.39	98.4	0	49.7	30.2
County Public Service Board	55.25	0	41.15	0	35.56	0	86.4	0	64.4	0
TOTAL	**4,584.69**	**4,772.34**	**2,995.63**	**1,651.13**	**2,495.05**	**1,544.78**	**83.3**	**93.6**	**54.4**	**32.4**

Source: *Kitui County Treasury*

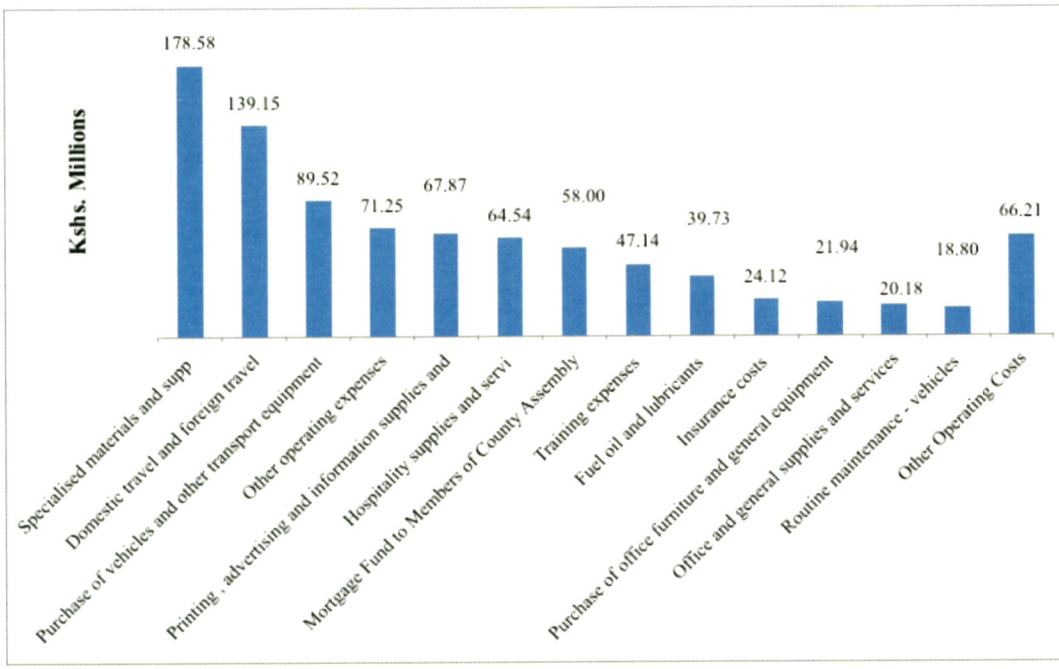
The County spent Kshs.39.99 million on sitting allowances to the 57 MCAs, representing an absorption rate of 41.9 per cent of the annual budget, a decrease from the Kshs.40.48 million spent in the same period of FY 2013/14. Each MCA was paid an average monthly sitting allowance of Kshs.77,949 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.139.15 million compared to Kshs.107.06 million in the same period of FY 2013/14, representing

an increase of 30.0 per cent. This expenditure comprised of Kshs.54.48 million incurred by the County Assembly and Kshs.84.66 million by the County Executive. In addition, the County spent Kshs.58.0 million of the Mortgage Fund to MCAs. However, the Fund Administrator is yet to submit and financial report in line with Section 168 of PFMA, 2012.

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

Figure 76: Kitui County, Operations and Maintenance Expenditure

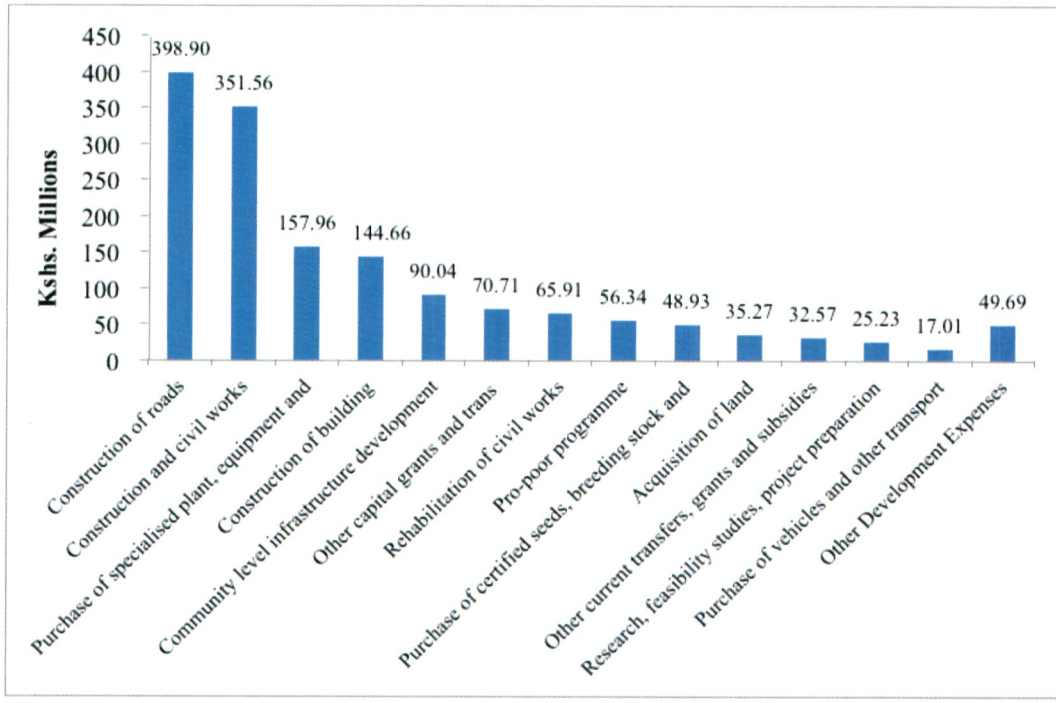


Source: *Kitui County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.398.90 million on road construction, Kshs.351.56 million on construction and civil works, Kshs.157.96 million on purchase of specialised plant, equipment and machinery (includes Kshs.101.87 million on purchase of a drilling rig, Kshs.21.08 million on purchase of graders, Kshs.21.61 million on purchase of agricultural machinery and equipment and Kshs.13.40 million on purchase of other specialized equipment, Kshs.144.66 million on construction of buildings, Kshs.90.04 million on the Community Level Infrastructure Development Programme, Kshs.70.71 million

on other capital grants and transfers, Kshs.65.91 million on rehabilitation of civil works, and Kshs.56.34 million under pro-poor programme as shown in Figure 77. Nonetheless, financial returns for the pro-poor development programme from the County totalled to Kshs.38.57 million while the amount spent as per IFMIS reports was Kshs.56.34 million, indicating a discrepancy of Kshs.17.77 million.

Figure 77: Kitui County Analysis of Development Expenditure



Source: *Kitui County Treasury*

During the reporting period, the County has made considerable progress in establishing the necessary structures to improve budget execution. These include; the full operationalization of IFMIS and G-Pay systems, staff capacity building and compliance with legal budgetary timelines. In addition, development activities have increased as compared to the previous financial year.

The following challenges continued to hamper effective budget implementation in the reporting period;

1. Underperformance in local revenue collection, which stood at 32.4 per cent

of the annual target.

2. Diversion of funds resulting in a number of entities spending more funds than the amounts approved by the OCOB.
3. The Department of Health and Sanitation has continued to spend local revenue at source, contrary to Section 109(2) of the PFM Act, 2012.
4. Delay in preparation of quarterly financial statements for all established County Funds, by the designated administrators as stipulated in section 168 of PFM Act, 2012.

The County should implement the following recommendations in order to improve budget implementation;

1. *Devise strategies to enhance local revenue collection.*
2. *The County Treasury should enhance financial controls to minimize instances of diversion of funds to departments rather than those in the funded work plan.*
3. *All locally raised revenue should be deposited into the CRF.*
4. *Administers of established County Funds should submit quarterly financial reports on a timely basis.*

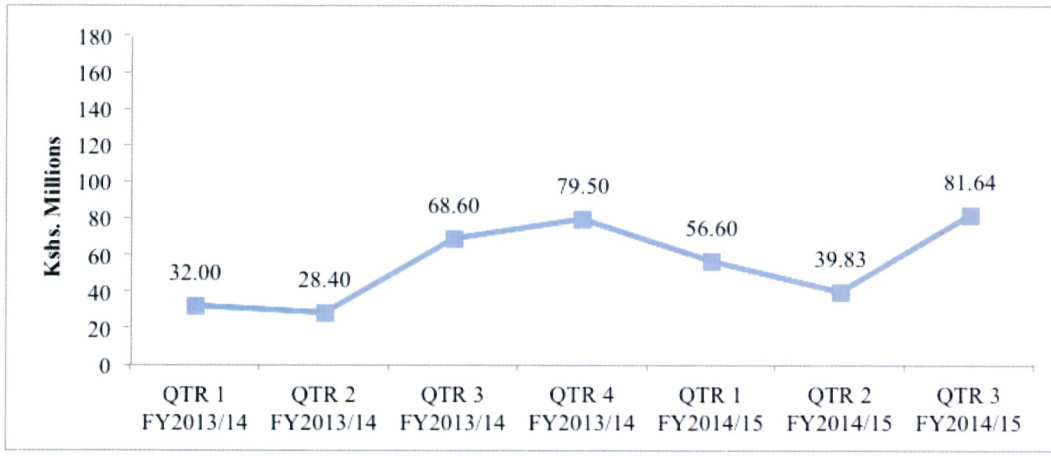
Kwale County

In the FY 2014/15, the approved Budget for Kwale County amounts to Kshs.5.66 billion with Kshs.2.74 billion (48.4 per cent) allocated to recurrent expenditure and Kshs.2.92 billion (51.6 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 22. In order to finance this budget, the County expects to receive Kshs.4.50 billion (79.5 per cent) as transfers from the National Government, collect Kshs.500.00 million (8.8 per cent) from local sources, Kshs.661.87 million (11.7 per cent) as projected cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.2.47 billion from the National Government as direct transfer to the CRF, raised Kshs.178.08 million from local sources and had Kshs.903.30 million as cash balance brought forward from FY 2013/14. The local revenue raised in the period under review was Kshs.81.64 million which is an improvement from Kshs.56.61 million collected in the first quarter and Kshs.39.83 million collected in the second quarter of FY 2014/15. The total local revenue raised as at March 2015 accounted for 35.6 per cent

of the annual local revenue target. Figure 78 below, shows the trend of local revenue collection by quarter.

Figure 78: Kwale County Trend in Local Revenue Collection by Quarter



Source: *Kwale County Treasury*

During the reporting period, the County accessed **Kshs.3.36 billion** from the CRF which is 59.4 per cent of the approved budget, an improvement from 52.3 per cent in the same period of FY 2013/14. This amount consisted Kshs.1.90 billion (56.5 per cent) for recurrent expenditure and Kshs.1.46 billion (43.5 per cent) for development activities.

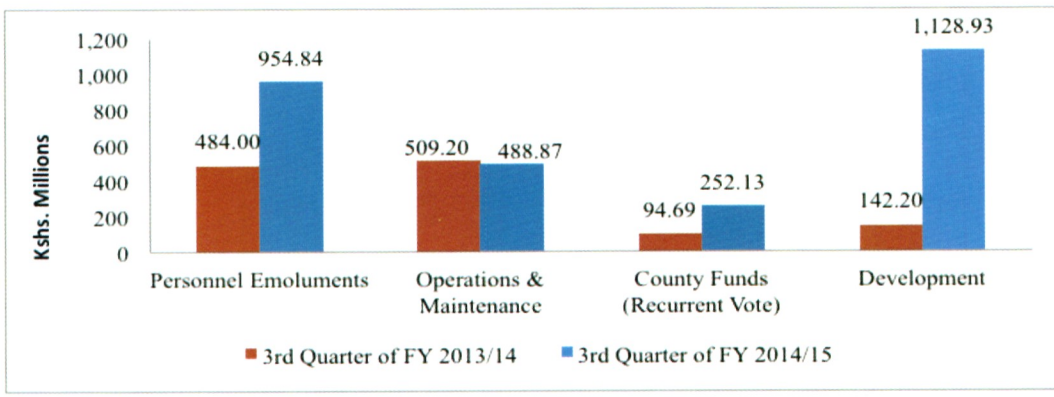
The county spent a total of **Kshs.2.82 billion** during the first nine months of FY 2014/15 which was 84.0 per cent of the total funds released for operations and an improvement from the Kshs.1.24 billion spent in the same period of FY 2013/14. A total of Kshs.1.70 billion (60.0 per cent) was spent on recurrent activities while Kshs.1.13 billion (40.0 per cent) on development activities. Recurrent expenditure was 89.3 per cent of the funds released for recurrent activities while development expenditure accounted for 77.2 per cent of the funds released for development activities. The expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.70.72 million for recurrent expenditure and Kshs.117.01 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **61.9 per cent** of the annual recurrent budget, an increase from an absorption rate

of 38.4 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of 38.6 per cent of the annual development budget, an improvement from an absorption rate of **9.3 per cent** realized in the same period of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.1.70 billion shows that the County spent Kshs.954.84 million (56.3 per cent) on personnel emoluments, Kshs.488.87 million (28.8 per cent) on operations and maintenance and Kshs.252.13 million (14.9 per cent) on funds. These funds were County Assembly car loan and mortgage funds of Kshs. 55 million and education scholarships of Kshs. 197.13 million. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.484.00 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 79 below.

Figure 79: Kwale County, Third Quarter Expenditure by Economic Classification



Source: *Kwale County Treasury* y

A breakdown of expenditure by department shows that Finance and Economic Planning Department had the highest absorption rate of recurrent budget at 131.7 per cent and annual development budget at 94.0 per cent. On the other hand County Public Service Board had the lowest absorption rates of recurrent budget at 32.4 per cent while Office of the Governor and the Decentralized Units Department did not incur any development expenditure. The expenditure by the departments is summarised in Table 22.

Table 22: Kwale County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

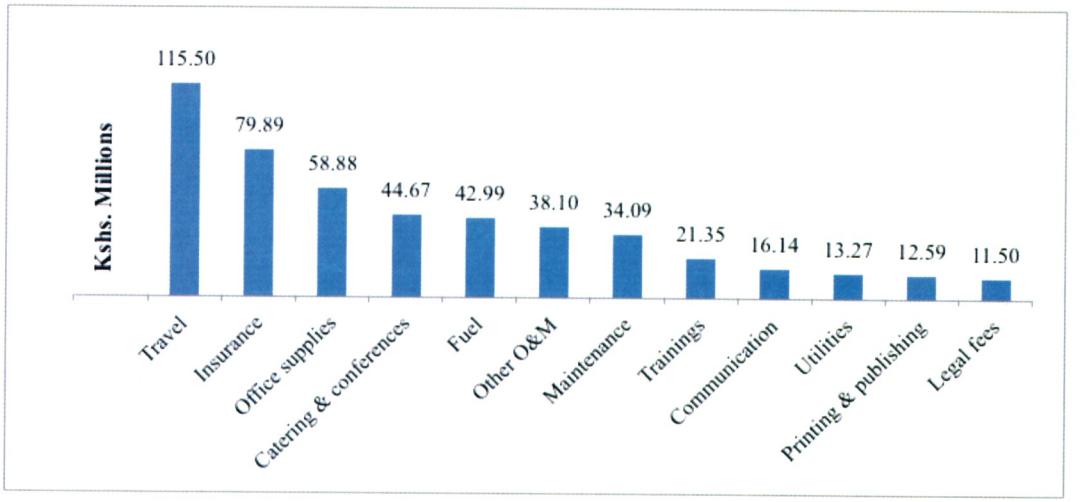
DEPARTMENT	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENDITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Office of the Governor	122.82	61.00	92.12	30.50	72.83	0.00	79.1%	0.0%	59.3%	0.0%
Finance and Economic Planning	153.37	595.25	114.47	496.00	201.94	559.33	176.4%	112.8%	131.7%	94.0%
Education	289.20	258.60	271.90	69.30	236.85	31.99	87.1%	46.2%	81.9%	12.4%
Health Services	787.54	350.00	590.66	165.00	539.48	161.01	91.3%	97.6%	68.5%	46.0%
Community Development, Youth, Women & Social Services	57.42	166.00	43.07	83.00	31.69	44.33	73.6%	53.4%	55.2%	26.7%
Infrastructure & Public Works	110.69	194.00	83.02	97.00	68.10	13.49	82.0%	13.9%	61.5%	7.0%
County Assembly	675.00	291.75	297.48	95.88	264.77	6.78	89.0%	7.1%	39.2%	2.3%
Lands, Environment, Mining & Natural Resources	27.73	88.49	20.80	44.24	17.20	2.41	82.7%	5.4%	62.0%	2.7%
Decentralized Units	170.94	96.40	128.21	48.20	69.04	0.00	53.9%	0.0%	40.4%	0.0%
Industry, Trade & Investment	42.27	140.64	31.70	70.32	19.73	78.05	62.2%	111.0%	46.7%	55.5%
ICT & Tourism	39.86	106.00	29.89	53.00	22.67	24.29	75.8%	45.8%	56.9%	22.9%
County Public Service Board	76.08	0.00	57.06	0.00	24.67	0.00	43.2%	N/A	32.4%	N/A
Agriculture, Livestock & Fisheries	157.54	275.00	118.16	119.50	105.59	107.11	89.4%	89.6%	67.0%	38.9%
Water & Urban Planning	28.27	300.00	21.20	90.00	21.27	100.14	100.3%	111.3%	75.2%	33.4%
Total	2,738.74	2,923.13	1,899.72	1,461.94	1,695.84	1,128.93	89.3%	77.2%	61.9%	38.6%

Source: *Kwale County Treasury*

The County spent Kshs.22.87 million on sitting allowances to the 34 MCAs, representing an absorption rate of 34.6 per cent of the annual budget, a decrease from the Kshs.35.2 million spent in the same period of FY 2013/14. Each MCA was paid an average monthly sitting allowance of Kshs.74,734 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.115.50 million compared to Kshs.98.30 million in the same period of FY 2013/14, representing an increase of 17.5 per cent. This expenditure comprised of Kshs.26.23 million incurred by the County Assembly and Kshs.89.27 million by the County Executive. A breakdown of operations and maintenance expenditure for the period under review is shown in Figure 80.

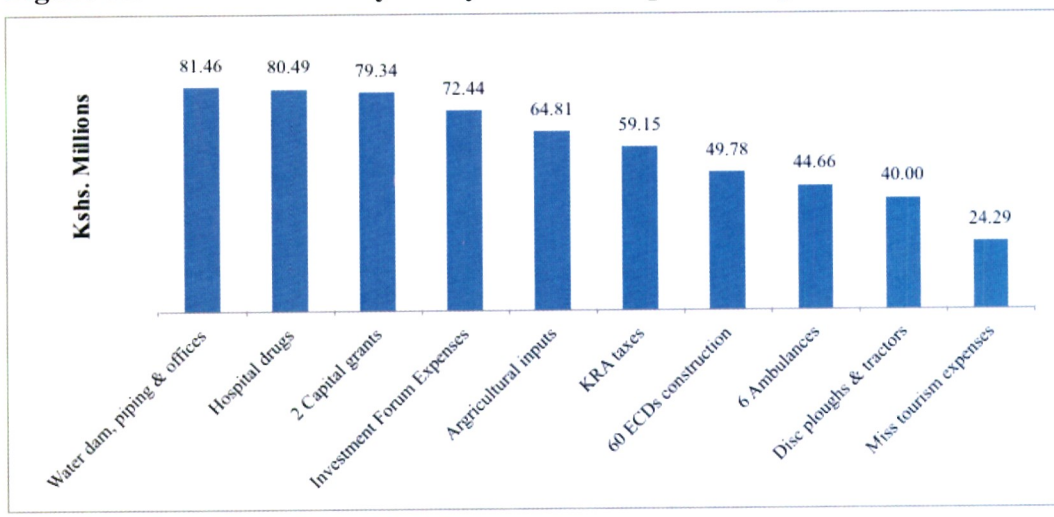
Figure 80: Kwale County, Operations and Maintenance Expenditure



Source: *Kwale County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.125.15 million on purchase of drugs and six ambulances, Kshs.81.46 million on provision of water services, constructions of dam, boreholes and ward offices. Kshs.72.44 million was spent on the Destination Kwale Investment Forum, and Kshs.24.29 million on the Kwale Miss Tourism event. These two activities were meant to promote the County as a tourist destination as well as open it up for investment opportunities. Further, Kshs.64.81million was spent on purchase of agricultural inputs (i.e. fertilizer, certified seeds among others) to boost local farming as shown in Figure 81.

Figure 81: Kwale County Analysis of Development Expenditure



Source: *Kwale County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. So far, the following issues have been addressed: (i) full operationalization of IFMIS by the County Executive and County Assembly, (ii) automation of revenue collection, (iii) human capacity building, (iv) compliance with legal budgetary timelines, and (v) designation of departmental accounting officers.

The following challenges continued to hamper effective budget implementation in the reporting period;

1. Low local revenue collection which was 35.6 per cent of the annual local revenue target.
2. Weak internal control systems resulting in diversion of funds released for development programmes to other activities.
3. Intermittent use of IFMIS by the County Assembly.

The County should implement the following recommendations in order to improve on budget execution:

1. *Devise strategies to enhance local revenue collection.*
2. *The County Treasury should enhance financial controls to minimize*

instances of diversion of funds to departments rather than those contained in the funded work plan.

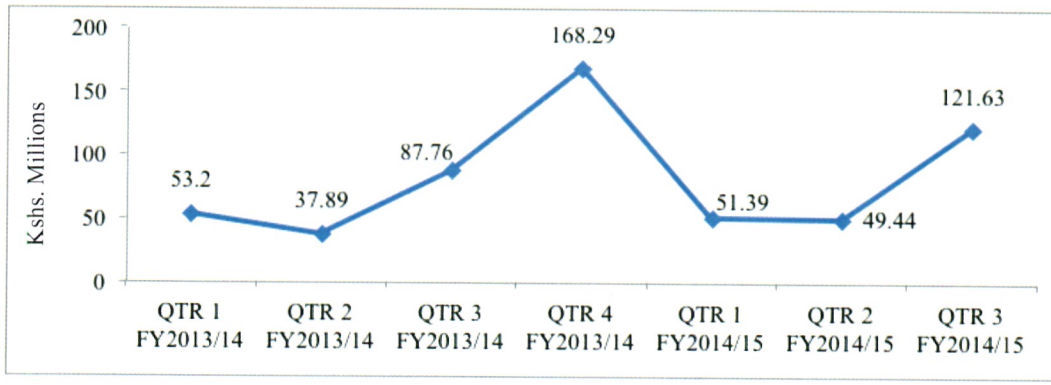
3. *All County Assembly financial transactions should be processed in IFMIS.*

Laikipia County

In the FY 2014/15, the approved Supplementary Budget for Laikipia County for the 2014/15 financial year amounts to Kshs.4.34 billion with Kshs.2.58 billion (59.6 per cent) allocated to recurrent expenditure and Kshs.1.76 billion (40.4 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 23. In order to finance the budget, the County expects to receive Kshs.3.01 billion (80.8 per cent) as transfers from the National Government, collect Kshs.400.00 million (10.7 per cent) from local sources, DANIDA grant of Kshs.9.35 million (0.3 per cent) and Kshs.303.49 million (8.2 per cent) as projected cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.1.95 billion from the National Government as direct transfer to the CRF, raised Kshs.222.45 million from local sources and had Kshs.303.49 million as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.121.63 million which is an improvement from Kshs.51.39 million collected in the first quarter and Kshs.49.44 million collected in the second quarter of FY 2014/15. The total local revenue generated as at March 2015 accounted for 55.6 per cent of the annual local revenue target. Figure 82 below shows the trend of local revenue collection by quarter.

Figure 82: Laikipia County Trend in Local Revenue Collection by Quarter



Source: *Laikipia County Treasury*

During the reporting period, the County accessed **Kshs.2.21 billion** from the CRF which is 51 per cent of the approved Supplementary Budget, an improvement from 45.3 per cent in the same period of FY 2013/14. This amount consisted of Kshs. Kshs.1.57 billion (70.7 per cent) for recurrent expenditure and Kshs.649.52 million (29.3 per cent) for development activities.

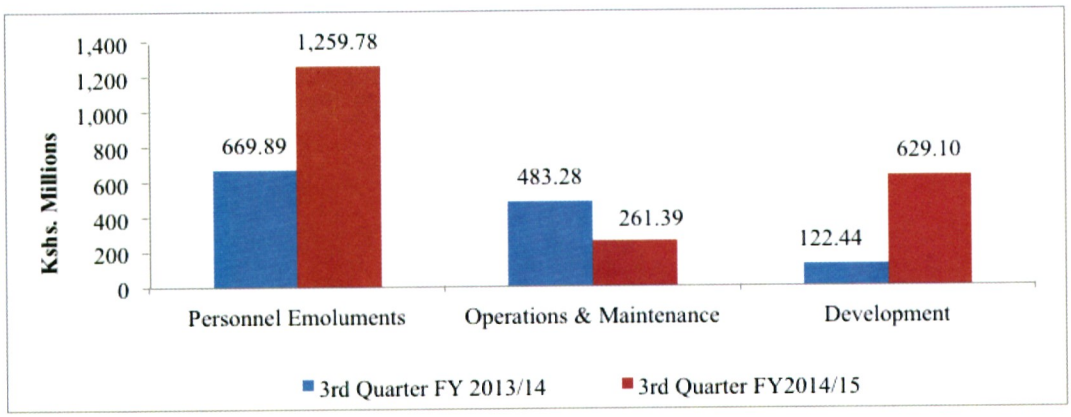
The county spent a total of **Kshs.2.15 billion** during the first nine months of FY 2014/15, which is 97.1 per cent of the total funds released for operations and an improvement from the Kshs.1.50 billion spent in the same period of FY 2013/14. A total of Kshs.1.52 billion (70.7 per cent) was spent on recurrent activities while Kshs.629.10 million (29.3 per cent) on development activities. Recurrent expenditure was 97.2 per cent of the funds released for recurrent activities while development expenditure accounted for 96.9 per cent released for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **58.9 per cent** of the annual recurrent budget, an increase from an absorption rate of 49.03 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of **35.8 per cent** of the annual development budget, an improvement from an absorption rate of 12.7 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.1.52 billion shows that the County spent Kshs.1.26 billion (82.8 per cent) on personnel emoluments and Kshs.261.39

million (17.2 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.669.89 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 83 below.

Figure 83: Laikipia County, Third Quarter Expenditure by Economic Classification



Source: *Laikipia County Treasury*

A breakdown of expenditure by department shows that Education department had the highest a recurrent budget absorption rate at 67.6 per cent while Gender and Culture Department had the highest development budget absorption rate at 139.0 per cent. Similarly, the Water Department had the lowest absorption rate of its annual recurrent and development budgets at 30.3 per cent and 19.0 per cent respectively. The expenditure by the various departments is summarised in Table 23.

Table 23: Laikipia County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENDITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Agriculture	22.00	117.23	12.77	75.31	12.75	75.31	99.9%	100.0%	58.0%	64.2%
Education	8.00	97.03	5.40	87.84	5.40	87.84	100.0%	100.0%	67.6%	90.5%
County Administration	2,024.05	125.18	1,314.55	51.22	1,271.87	51.22	96.8%	100.0%	62.8%	40.9%
Public works, Transport & Infrastructure	15.72	382.59	7.61	126.37	7.61	115.47	100.0%	91.4%	48.4%	30.2%
Finance & Economuc Planning	123.30	406.20	45.71	93.91	45.69	89.93	100.0%	95.8%	37.1%	22.1%
Trade, Industralization, Tourism, Wildlife & Cooperative Development	24.48	39.81	13.19	33.41	13.46	33.41	102.0%	100.0%	55.0%	83.9%
Health	166.43	192.98	53.54	63.92	53.54	63.92	100.0%	100.0%	32.2%	33.1%
Water, Environment, Forestry & Natural Resources	12.00	308.92	3.63	58.77	3.63	58.77	100.0%	100.0%	30.3%	19.0%
Gender, Sports, Culture & Social Services	14.47	18.54	6.56	25.77	6.55	25.77	100.0%	100.0%	45.3%	139.0%
County Assembly	174.00	67.00	102.15	33.00	100.65	27.46	98.5%	83.2%	57.8%	41.0%
Total	**2,584.45**	**1,755.51**	**1,565.11**	**649.52**	**1,521.17**	**629.10**	**98.5%**	**96.9%**	**58.9%**	**35.8%**

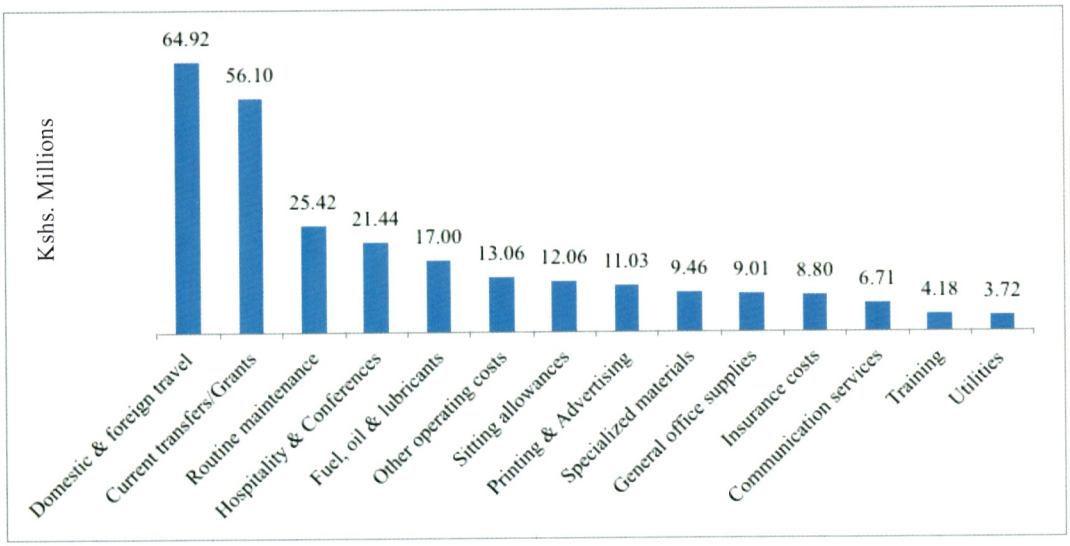
Source: *Laikipia County Treasury*

The County spent Kshs.12.06 million on sitting allowances to the 24 MCAs representing an absorption rate of 70.3 per cent of the annual budget of Kshs.17.15 million, an increase from the Kshs.9.83 million spent in the same period of 2013/14 financial year. Each MCA was paid an average monthly sitting allowance of Kshs.55,842 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.64.92 million compared to Kshs.122.75 million in the same period of FY 2013/14, representing a decrease of 47.1 per cent. This expenditure consisted of Kshs.27.69 million incurred by the County Assembly and Kshs.37.26 billion by the County Executive. The breakdown of operations and maintenance expenditure for the period under review

is shown in Figure 84.

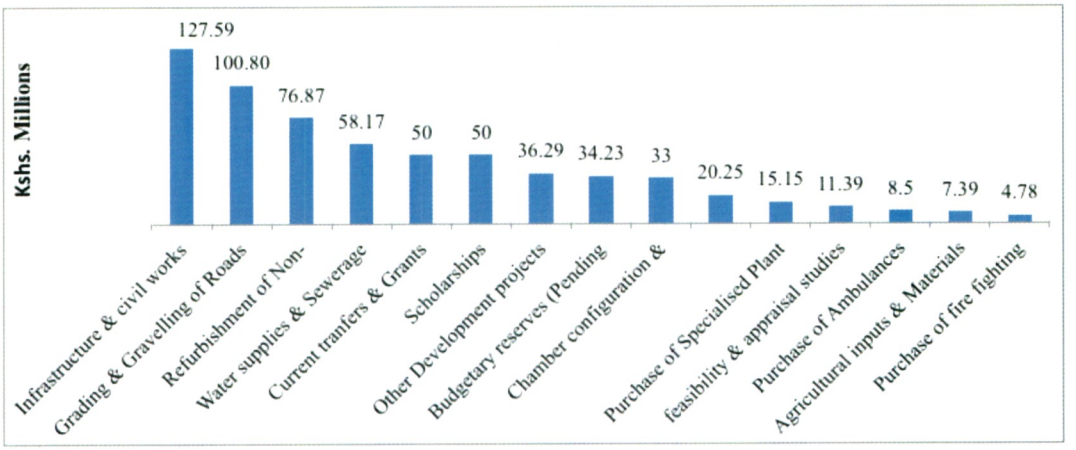
Figure 84: Laikipia County, Operations and Maintenance Expenditure (Kshs. Millions)



Source: *Laikipia County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.127.59 million on infrastructure and civil works, Kshs.100.80 on development and maintenance of access roads, Kshs.76.87 million on refurbishment of buildings, Kshs.58.17 on water supplies and sewerage, Kshs.50.00 million current transfers to semi-autonomous government agencies ,and Kshs.50.00 million on scholarships as shown in Figure 85.

Figure 85: Laikipia County Analysis of Development Expenditure (Kshs. Millions)



Source: *Laikipia County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. So far the following issues have been addressed; i) to address the challenge of low local revenue collection, the county established a semi-autonomous Revenue Board tasked with raising and growing local revenue. In addition, two revenue vehicles have been acquired and a banking hall opened to ease collection of revenue, and ii) the County has also included FY2013/14 pending bills in the FY2014/15 supplementary budget.

The following challenges continued to hamper effective budget implementation in the reporting period;

1. Intermittent use of IFMIS in processing of financial transactions. This has led to manual generation of financial reports.
2. Lack of an audit committee contrary to section 155(5) of the PFM Act.

The County should implement the following recommendations in order to improve budget execution:

1. *All financial transactions should be processed through IFMIS. This will enhance financial transparency and ensure timely and accurate reporting*
2. *The County Treasury should establish an Internal Audit Committee in line*

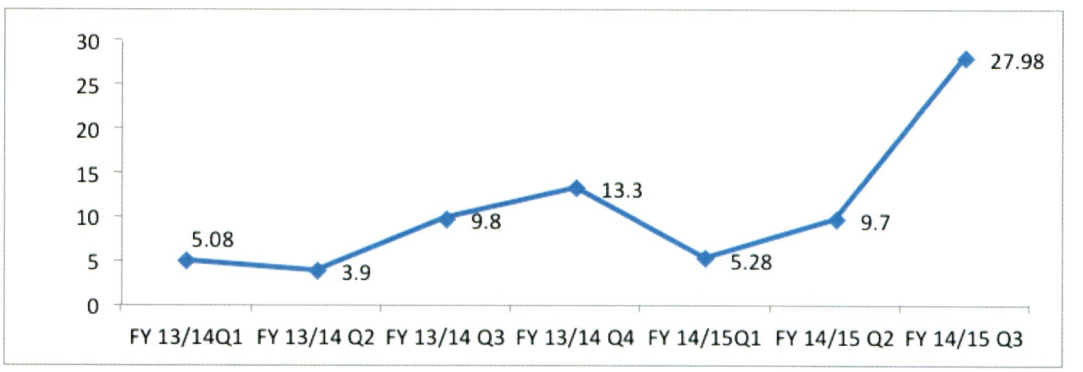
with Section 155(5) of the PFM Act, 2012 to enhance oversight and management controls in financial management.

Lamu County

In the 2014/15 financial year, the approved Budget for Lamu County amounts to Kshs.1.96 billion with Kshs.1.24 billion (63.5per cent) allocated to recurrent expenditure and Kshs.714.75 million (36.5 per cent) to development expenditure. The budget allocation and expenditure by department is shown in Table 24. In order to finance this budget, the County expects to receive Kshs.1.75 billion (89 per cent) as transfers from the National Government, collect Kshs.65.44 billion (3.4 per cent) from local sources, and utilise Kshs.144.34 million (7.4 per cent) as projected cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.963.50 million from the National Government as direct transfer to the CRF, raised Kshs.42.93 million from local sources and had Kshs.691.74 million as actual cash balance brought forward from FY 2013/14. The local revenue raised in the period under review was Kshs.27.98 million which is an improvement from Kshs.5.28 million in the first quarter, and Kshs.9.67 million in the second quarter of FY 2014/15. The total local revenue generated as at March 2015 accounted for 65.6 per cent of the annual local revenue target. Figure 86 below, shows the trend in local revenue collection by quarter.

Figure 86: Lamu County Trend in Local Revenue Collection by Quarter



Source: *Lamu County Treasury*

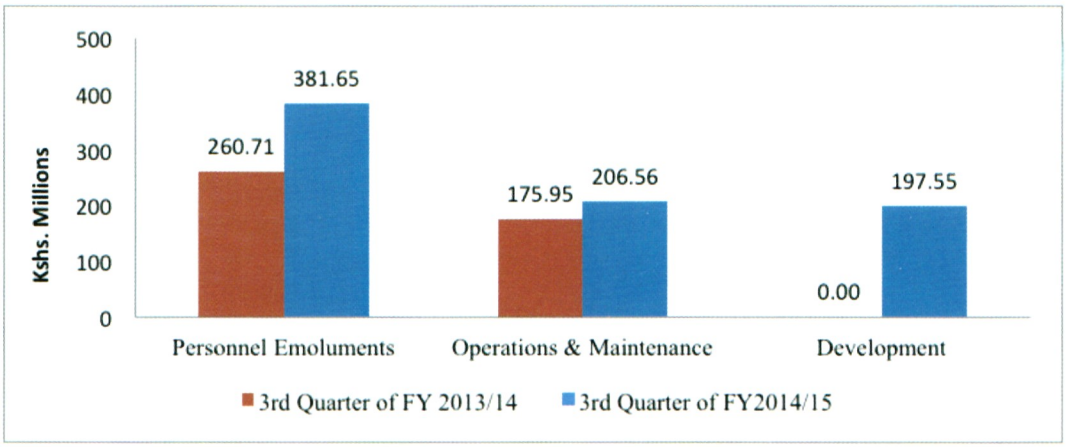
During the reporting period, the county accessed **Kshs.1.15 billion** from the CRF which is 58.9 per cent of the approved Budget, an improvement from 45.7 per cent in the same period of FY 2013/14. This amount consisted of Kshs.818.63 million (71.1 per cent) for recurrent expenditure and Kshs.333.16 million (28.9 per cent) for development activities.

The county spent a total of **Kshs.789.04 million** during the first nine months of FY 2014/15 which was 68.5 per cent of the total funds released for operations and an improvement from the Kshs.436.65 million spent in the same period of FY 2013/14. A total of Kshs.591.49 million (75.0 per cent) was spent on recurrent activities while Kshs.197.55 million (25.0 per cent) on development activities. Recurrent expenditure was 72.3 per cent of the funds released for recurrent activities while development expenditure accounted for 59.3 per cent of funds released for development activities. This expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.17.19 million for recurrent expenditure and Kshs.9.71 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **47.6 per cent** of the annual recurrent budget, an increase from an absorption rate of 39.6 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of **27.6 per cent** of the annual development budget, an improvement from an absorption rate of 0.0 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.591.49 million shows that the County spent Kshs.381.65 million (64.5 per cent) on personnel emoluments and Kshs.206.56 million (34.9 per cent) on operations and maintenance expenditure, Kshs.2.98 million (0.5 per cent) on disaster management and. Kshs.314, 178 (0.1 per cent) on bursary fund. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.260.71 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 87 below.

Figure 87: Lamu County, Third Quarter Expenditure by Economic Classification



Source: *Lamu County Treasury*

A breakdown of expenditure by department shows that the Health and Sanitation Department had the highest recurrent budget absorption rate at 61.4 per cent while department of Fisheries, Livestock & Co-operative Development had the highest absorption rate of development budget at 96.01 per cent. Also, the department of Fisheries, Livestock & Co-operative Development spent Kshs.43.11 million (209 per cent of the exchequer issued) more than what was approved by the OCOB during the period under review. On the other hand Education, Culture, Youth Affairs and Social Services Department had the lowest absorption rate of annual recurrent budget at 25.7 per cent while the Agriculture & Irrigation Department had the lowest absorption rate of annual development budget at 3.2 per cent. The expenditure of various departments is summarised in Table 24.

Table 24: Lamu County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs. million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENDITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
COUNTY ASSEMBLY	267.61	51.50	118.84	26.75	109.06	4.24	91.76	15.85	40.75	8.23
COUNTY EXECUTIVE (OFFICE OF THE GOVERNOR,CPSB & CPSM)	280.03	167.50	181.68	58.00	128.94	37.26	70.97	64.25	46.04	22.25
HEALTH,SANITATION & ENVIRONMENT	317.69	111.17	238.24	55.59	194.89	22.33	81.80	40.17	61.35	20.08
FINANCE,ECONOMY & STRATEGIC PLANNING	111.54	9.67	83.62	4.84	48.61	1.95	58.13	40.40	43.58	20.20
AGRICULTURE AND IRRIGATION	46.23	50.92	34.46	25.46	21.42	1.62	62.17	6.36	46.33	3.18
LAND,PHYSICAL PLANNING,INFRASTRUCTURE,URBAN DEV,WATER AND RESOURCES	47.45	172.54	35.44	89.63	22.28	52.40	62.86	58.46	46.95	30.37
EDUCATION,GENDER,YOUTH AFFAIRS,SPORTS & SOCIAL SERVICES	65.84	71.20	49.38	35.60	16.95	25.65	34.33	72.06	25.74	36.03
TRADE,INVESTMENT,CULTURE & TOURISM	11.81	26.00	8.80	13.00	5.75	8.50	65.37	65.36	48.72	32.68
INFORMATION,COMMUNICATION & E- GOVERNMENT	36.79	9.34	25.34	3.72	12.06	0.49	47.60	13.25	32.79	5.28
FISHERIES,LIVESTOCK,VET. & CO-OPERATIVE DEVT.	57.01	44.90	42.76	20.58	31.53	43.11	73.73	209.51	55.30	96.01
TOTAL	**1,242.01**	**714.75**	**818.56**	**333.16**	**591.49**	**197.55**	**72.26**	**59.30**	**47.62**	**27.64**

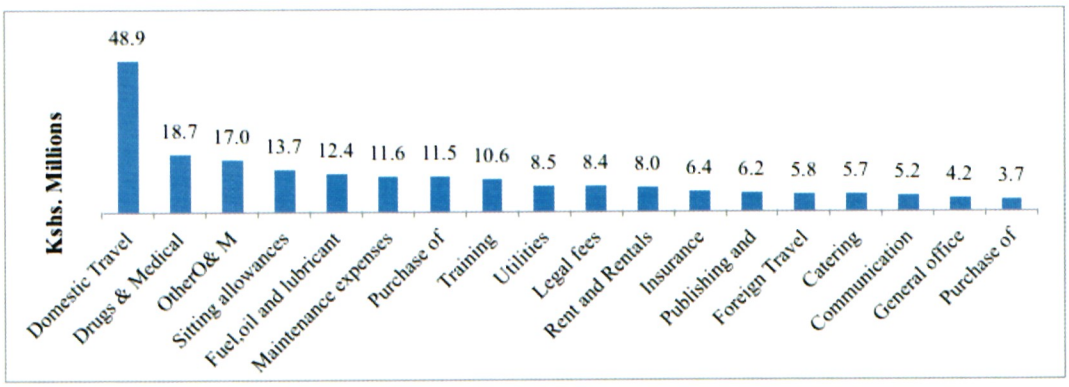
Source: *Lamu County Treasury*

The County spent Kshs.13.69 million on sitting allowances to the 21 MCAs, representing an absorption rate of 44.5 per cent of the annual budget, an increase

from the Kshs.5.54 million spent in the same period of FY 2013/14. Each MCA received an average monthly sitting allowance of Kshs.72,433 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.54.70 million compared to Kshs.36.91 million in the same period of FY 2013/14, representing an increase of 48.2 per cent. This amount comprised of Kshs.19.66 million incurred by the County Assembly and Kshs.35.04 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 88.

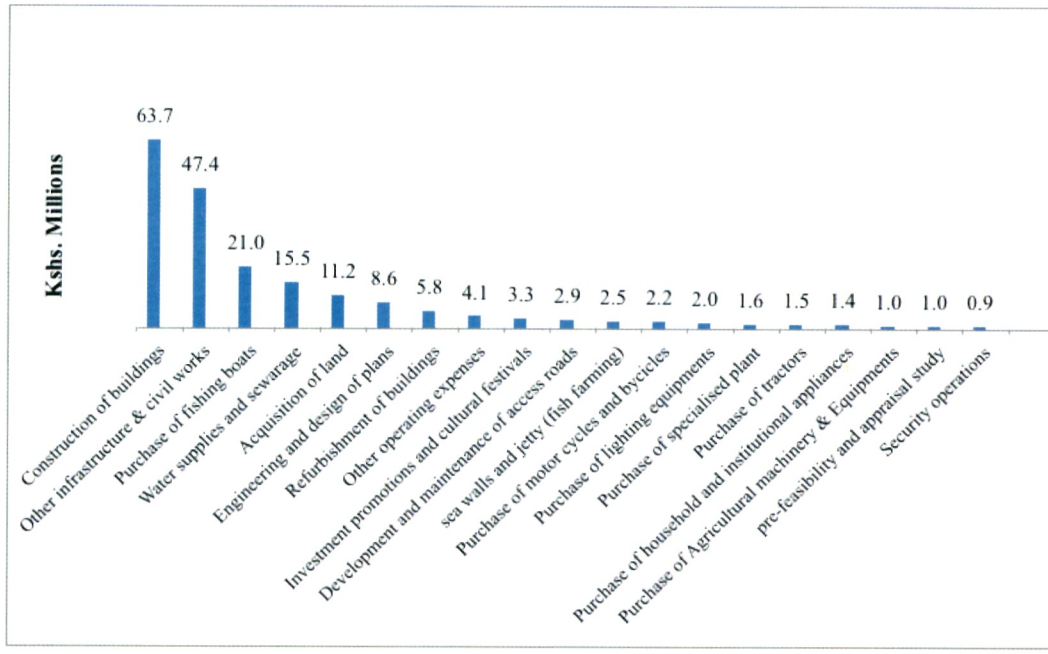
Figure 88: Lamu County, Operations and Maintenance Expenditure



Source: *Lamu County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.63.70 million on construction of buildings and Kshs.5.78 million for refurbishment of buildings, Kshs.1.58 million on purchase of specialised plant, Kshs.2.89 million on development and maintenance of access roads, Kshs.2.19 million was used for purchase of motorcycles and bicycles, Kshs.20.98 million for purchase of fishing boats, Kshs.8.59 million on engineering and design of County plans, Kshs.1.98 million for purchase of lighting equipment, Kshs.15.35 million for water supplies and sewerages and Kshs.2.5 million for sea walls and jetties, Figure 89 show a detailed breakdown of the development expenditure.

Figure 89: Lamu County Analysis of Development Expenditure



Source: *Lamu County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. The County has already taken steps to address some of the challenges as highlighted below: (i) the County has ensured full utilisation of IFMIS, (ii) initiated the process of automating revenue collection, and (iii) conducted training on revenue collection for the enforcement officers.

The following challenges continued to hamper effective budget implementation in the reporting period;

1. Inadequate internal audit arrangements.
2. Failure to develop regulations for administration of the County Emergency Fund.
3. Failure to institute monitoring and evaluation teams to oversee implementation of development projects.
4. Instances of diversion of funds released for development programmes to recurrent activities and other activities instances where, funds released for one department were diverted to other departments signalling weak

budgetary controls. For example, the Department of Fisheries, Livestock and Co-operative Development requested for Kshs.20.58 million for development purpose but had spent Kshs.43.11 million (209%) by March 2015.

5. Failure to designate administrators of established County Funds, which affected the administration and reporting for the funds.

The County should implement the following recommendations in an effort to improve budget execution:

1. *The County should establish adequate internal audit arrangements.*
2. *The County Treasury should develop regulations to operationalise the established County Funds.*
3. *The County should enhance monitoring and evaluation of development projects.*
4. *The County Treasury should ensure issued funds are utilised for intended purposes through timely exchequer notification to the departments and stringent controls on application of funds.*
5. *For each County Public Fund, the County Executive Member for finance should designate an administrator in line with the requirements of Section 116 of the PFM Act, 2012.*

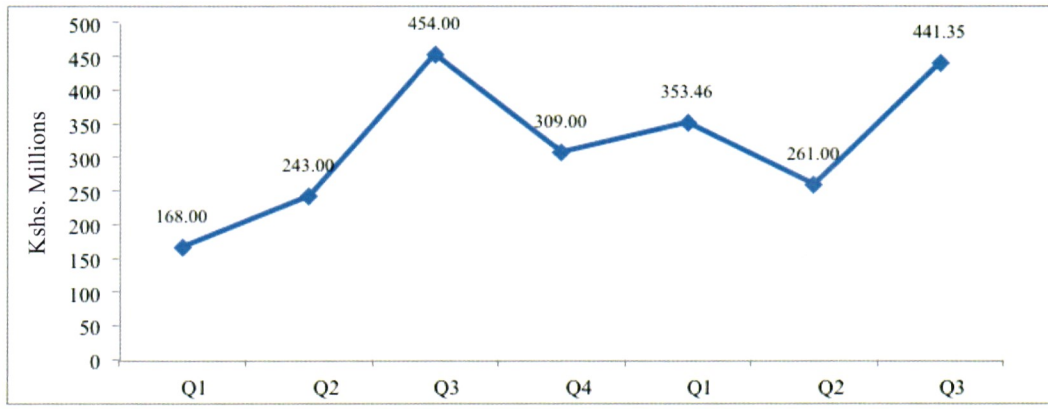
Machakos County

In the FY 2014/15, the approved Budget for Machakos County amounts to Kshs.8.89 billion with Kshs.4.91 billion (55.2 per cent) allocated to recurrent expenditure and Kshs.3.98 billion (44.8 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 25. In order to finance this budget, the County expects to receive Kshs.6.34 billion (71.26 per cent) as transfers from the National Government, collect Kshs.2.5 billion (28.28 per cent) from local sources, receive a conditional grant from DANIDA of Kshs.24.32 million (0.28 per cent), and utilise Kshs.15.53 million (0.2 per cent) as projected cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.3.93 billion from the National Government as direct transfer to the CRF, raised Kshs.1.06 billion from local sources and had Kshs.15.53 million as cash balance brought forward

from FY 2013/14. The local revenue raised in the third quarter was Kshs.441.35 million which is an improvement from Kshs.353.46 million collected in the first quarter and Kshs.260.99 million in the second quarter of FY 2014/15. The total local revenue generated as at March 2015 of Kshs.1.06 billion accounted for 41.7 per cent of the annual local revenue target, an improvement from Kshs.866 million collected in the same period of FY 2013/14. Figure 89 below, shows the trend of local revenue collection by quarter.

Figure 90: Quarterly Trend in Local Revenue Collection



Source: *Machakos County Treasury*

During the reporting period the County accessed Kshs.4.77 billion which is 53.7 per cent of the approved budget, an improvement from 51.2 per cent in the same period of FY 2013/14. This amount consisted of Kshs.3.42 billion (71.70 per cent) for recurrent expenditure and Kshs.1.35 billion (28.30 per cent) for development activities.

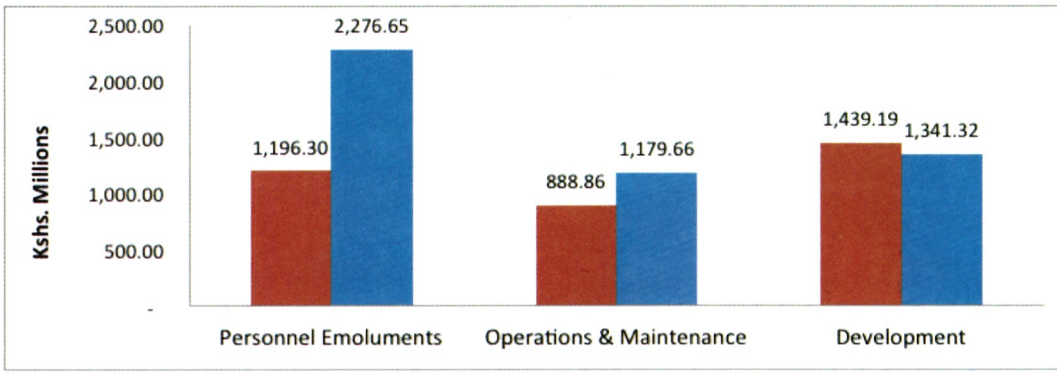
The county spent a total of Kshs.4.80 billion during the first nine months of FY 2014/15 which is 100.6 per cent of the total funds released for operations and an improvement from Kshs.3.5 billion spent in the same period of FY 2013/14. A total of Kshs.3.46 billion (72 per cent) was spent on recurrent activities while Kshs.1.34 billion (28 per cent) on development activities. Recurrent expenditure was 72.5 per cent of the funds released for recurrent activities while development expenditure accounted for 28.10 per cent. The expenditure does not include outstanding commitments as at March, 2015 which amounted to Kshs164.10 million for recurrent

expenditure and Kshs.544.68 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of 70.4 per cent of the annual recurrent budget, an increase from an absorption rate of 55 per cent realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of 33.6 per cent of the annual development budget, an improvement from an absorption rate of 33 per cent realized in the same period of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.3.46 billion shows that the County spent Kshs.2.27 billion **(65.9 per cent)** on personnel emoluments and Kshs.1.18 billion **(34.1 per cent)** on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period of FY 2013/14 when the County spent Kshs.1.19 billion. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 90.

Figure 91: Machakos County, Third Quarter Expenditure by Economic Classification



Source: *Machakos County Treasury*

A breakdown of expenditure by department shows that Decentralised Units department had the highest absorption rate of its annual recurrent budget at 94.8 per cent while the Department of Transport had the highest absorption rate of its annual development budget at 59.7 per cent. On the other hand, the Education Department had the lowest absorption rate of its annual recurrent budget at 38.9 per cent while

Trade and Industrialization Department had the lowest absorption rate of its annual development budget at 11.2 per cent. The expenditure by the various departments is summarised in Table 25.

Table 25: Machakos County Expenditure by Department for the Third Quarter of FY 2014/15

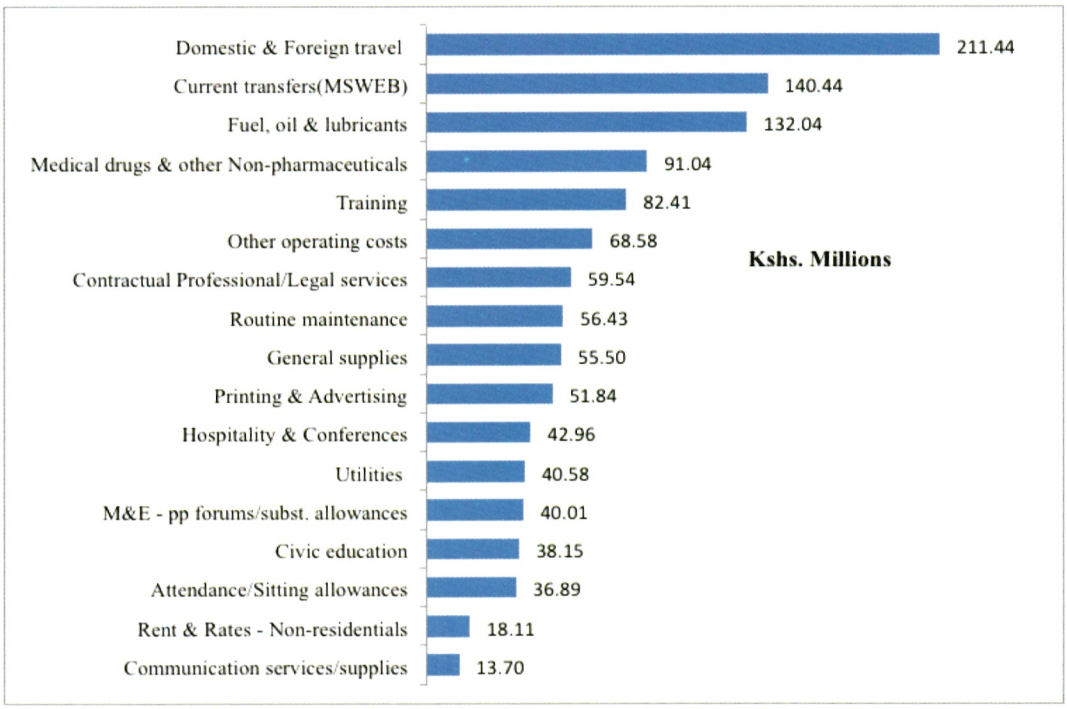
DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENDITURE TO BUDGET ALLOCATIN	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Executive	295.00	70.00	187.19	25.96	258.20	32.59	137.9	125.5	87.5	46.6
Finance	225.76	60.69	141.59	18.00	147.11	12.80	103.9	71.1	65.2	21.1
Public Service & ICT	222.70	50.02	182.72	24.52	100.67	22.01	55.1	89.8	45.2	44.0
Public Service Board - CPSB	63.00	20.00	39.44	7.50	56.49	-	143.2	-	89.7	-
Decentrlised Units	486.60	109.00	396.93	69.37	461.42	36.03	116.3	51.9	94.8	33.1
Education	364.00	210.00	195.15	62.05	141.50	81.03	72.5	130.6	38.9	38.6
Health	1,200.00	600.00	982.69	248.35	1,095.27	97.49	111.5	39.3	91.3	16.3
Lands	70.00	270.00	57.24	38.62	51.25	36.25	89.5	93.9	73.2	13.4
Tourism	79.00	70.00	64.82	24.34	58.54	25.95	90.3	106.6	74.1	37.1
Transport	343.61	1,351.15	266.65	593.12	183.38	806.99	68.8	136.1	53.4	59.7
Agriculture	389.33	250.66	310.85	57.60	247.87	16.03	79.7	27.8	63.7	6.4
Trade	95.29	330.00	75.15	69.01	50.93	36.81	67.8	53.3	53.5	11.2
Water	242.50	500.00	191.33	94.09	151.46	110.72	79.2	117.7	62.5	22.1
County Assembly	833.50	96.50	335.16	15.75	452.19	26.60	134.9	168.9	54.3	27.6
TOTAL	**4,910.29**	**3,988.02**	**3,426.91**	**1,348.28**	**3,456.28**	**1,341.30**	100.9	99.5	70.4	33.6

Source: *Machakos County Treasury*

The County spent Kshs.36.88 million on sitting allowances to the 59 MCAs, representing an absorption rate of 54.7 per cent of the annual budget, an increase from Kshs.35.9 million spent in the same period of 2013/14 financial year. Each MCA received an average monthly sitting allowance of Kshs.69,471 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.211.44 million compared to Kshs.210.15 million in the same period of FY 2013/14, representing a minimal increase of 0.5 per cent. This expenditure comprised of Kshs.108.97 million incurred by the County Assembly and Kshs.102.46 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 91.

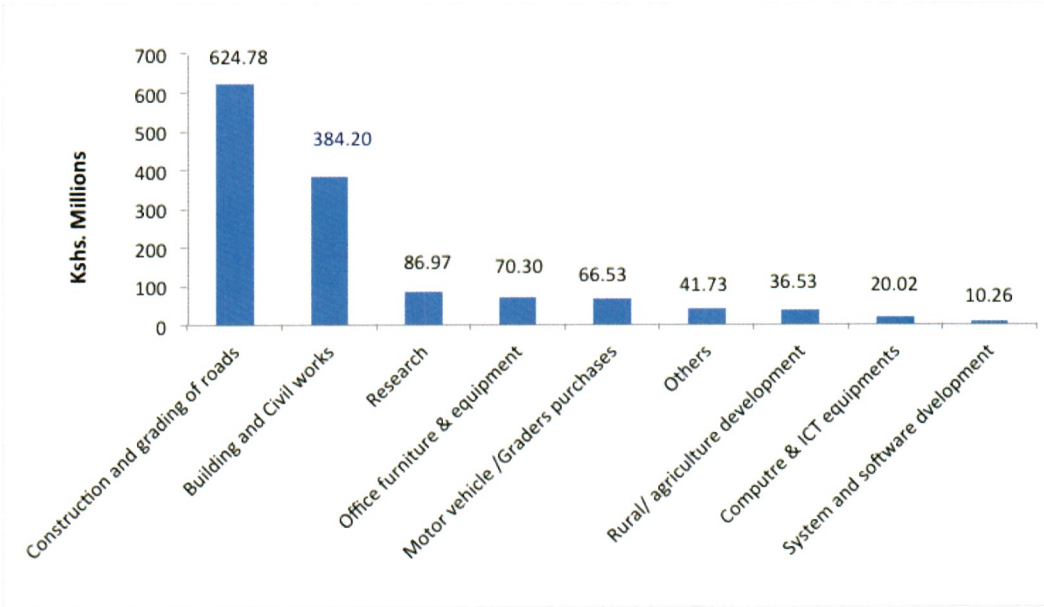
Figure 92: Machakos County, Operations and Maintenance Expenditure



Source: *Machakos County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.624.78 million on construction and grading of roads, Kshs.384.20 million on buildings and civil works, Kshs.86.97 million on research, Kshs.70.30 million on purchase of office furniture and equipment, Kshs.66.52 million on purchase of motor vehicles and graders, Kshs.36.53 million on rural and agricultural developments, and Kshs.10.26 million on systems and software development. A summary of the development activities is presented in Figure 92.

Figure 93: Machakos County Analysis of Development Expenditure



Source: *Machakos County Treasury*

In the previous CBIRRs, the office made recommendations to address challenges facing budget execution in the County. These have largely been addressed except for the need to ensure full compliance with IFMIS and the establishment of an Internal Audit Committee. Full adoption of IFMIS will enhance accountability and ensure that reporting is standardized while establishment of an Internal Audit committee will enhance operations of the internal audit department and improve internal controls.

The following challenges continued to hamper effective budget implementation in the reporting period;

1. Underperformance in local revenue collection which stood at Kshs.1.06 billion accounting for 41.7 per cent of the annual revenue target.
2. Irregular borrowing from local banks through overdraft facilities.

The County should consider the following recommendations to address these challenges and improve budget execution in the remaining quarter of FY 2014/2015:

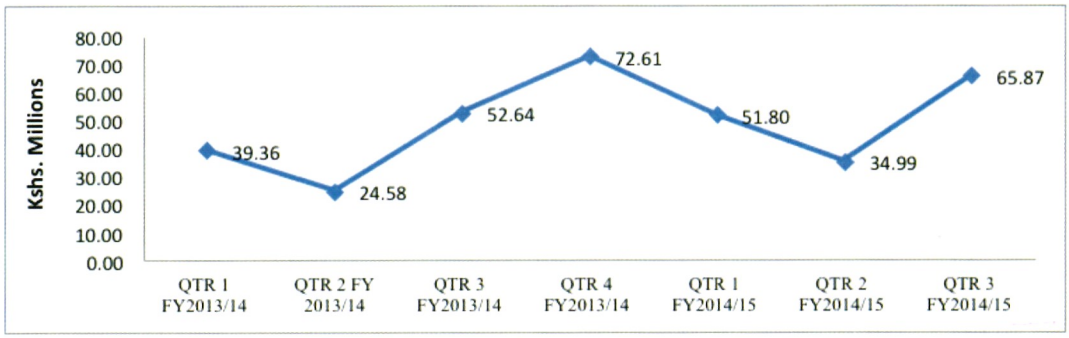
1. *The County Treasury should devise measures to ensure local revenue collection.*
2. *The County Treasury should ensure that borrowing is in compliance with Sections 140, 141, 142 and 143 of the PFM Act, 2012.*

Makueni County

The FY 2014/15 Supplementary Budget for Makueni County amounts to Kshs.7.08 billion with Kshs.3.94 billion (55.6 per cent) allocated to recurrent expenditure and Kshs.3.14 billion (44.4 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 26. In order to finance this budget, the County expects to receive Kshs.5.19 billion (73.3 per cent) as transfers from the National Government, collect Kshs.400 million (5.7 per cent) from local sources, receive a conditional grant of Kshs.21.75 million (0.3 per cent) from DANIDA, generate Kshs.89.8 million (1.3 per cent) in A-I-A, receive Kshs.51.02 million (0.6 per cent) from the World Bank towards rural health facilities and utilise Kshs.1.33 billion (18.8 per cent) as projected cash balance from FY 2013/14.

During the first nine months of the FY 2014/15, the County received Kshs.2.88 billion from the National Government as direct transfer to the CRF Account, raised Kshs.152.65 million from local sources and had Kshs.1.33 billion as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.65.86 million which is an improvement from Kshs.51.80 million collected in the first quarter and Kshs.34.99 million collected in the second quarter of FY 2014/15. The Local revenue raised as at March 2015 accounted for 38.2 per cent of the annual local revenue target. Figure 93 below, shows the trend of local revenue collection by quarter.

Figure 94: Makueni County, Trend in Local Revenue Collection by Quarter



Source: *Makueni County Treasury*

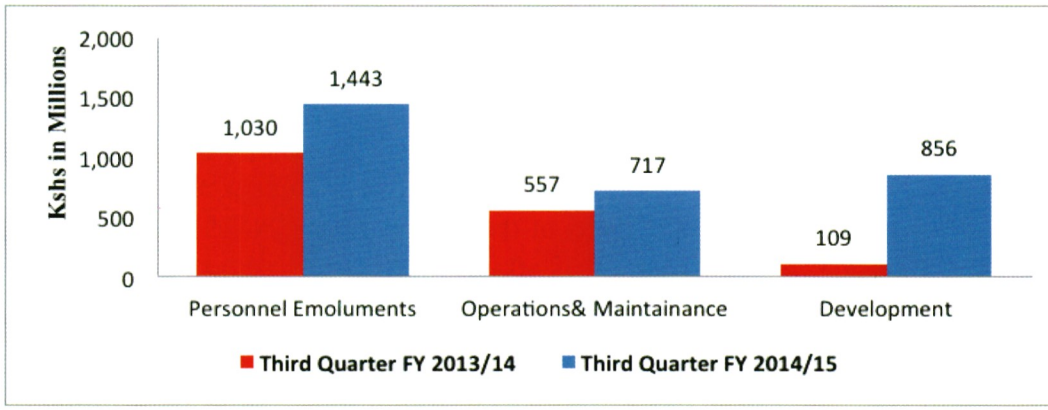
During the period under review, the County accessed **Kshs.3.64 billion** from the CRF which is 51.5 per cent of the approved Supplementary Budget, an improvement from 23.4 per cent in the same period of the financial year 2013/14. This amount consisted of Kshs.2.36 billion (64.9 per cent) for recurrent expenditure and Kshs.1.28 billion (35.1 per cent) for development activities.

The County spent a total of **Kshs.3.01 billion** during the first nine months of FY 2014/15 which was 82.7 per cent of the total funds released and an improvement from Kshs.1.18 billion (55.4 per cent) spent in the same period of FY 2013/14. Kshs.2.15 billion (71.6 per cent) was spent on recurrent activities and Kshs.856.49 million (28.4 per cent) on development activities. Recurrent expenditure was 91.3 per cent of the funds released for recurrent activities while development expenditure accounted for 66.8 per cent of the funds released for development activities. This expenditure does not include outstanding commitments as at 31st March, 2015 that amounted to Kshs.9.88 million for recurrent expenditure and Kshs.2.12 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **54.8 per cent** of the annual recurrent budget, an increase from an absorption rate of 33.7 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of **27.2 per cent** of the annual development budget, an improvement from an absorption rate of 5.5 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.2.15 billion shows that the County spent Kshs.1.44 billion (66.8 per cent) on personnel emoluments and Kshs.716.64 million (33.2 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period in the financial year 2013/14 when the County spent Kshs.1.03 billion. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 94 below.

Figure 95: Makueni County, Third Quarter Expenditure by Economic Classification



Source: *Makueni County Treasury*

A breakdown of expenditure by department shows that the County Assembly had the highest absorption rate of its annual recurrent budget at 68.8 per cent. The County Public Service Board and the Education Department recorded the second and third highest recurrent expenditure absorption rates at 68.5 per cent and 65.1 per cent respectively. The expenditure by the various departments is summarised in Table 26.

Table 26: Makueni County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs In MIllions)		EXCHEQUER ISSUES (Kshs in MIllions)		EXPENDITURE (Kshs in millions)		% of Expenditure to Exchequer Issues		% of Expenditure to Budget Allocation	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Department of legal services	40.01	-	26.14	-	14.27	-	54.6	-	35.7	-
Department of ICT	30.97	99.18	25.17	63.48	18.15	45.23	72.1	71.3	58.6	45.6
County Public Service Board	73.89	-	28.78	-	23.73	-	82.5	-	32.1	-
Department of lands	42.33	226.87	30.83	131.57	25.23	69.62	81.8	52.9	59.6	30.7
Office of Governor	167.38	-	87.39	-	97.46	-	111.5	-	58.2	-
Department of trade	58.14	284.86	35.14	134	28.3	118.14	80.5	88.2	48.7	41.5
Department of gender	59.43	271.47	35.1	142.02	22.48	67.29	64.0	47.4	37.8	24.8
County Public Service	234.84	-	173.35	-	160.85	-	92.8	-	68.5	-
Department of finance	383.25	55.09	182.65	32.09	173.17	29.1	94.8	90.7	45.2	52.8
Department of education	240.06	254.05	169.03	88.36	156.25	92.58	92.4	104.8	65.1	36.4
Department of transport	178.32	385.39	135.84	191.19	109.42	152.59	80.6	79.8	61.4	39.6
Department of agriculture	223.73	328.85	143.75	142.15	118.8	58.92	82.6	41.4	53.1	17.9
County assembly	396.94	72.88	262.19	50.38	273.17	26.93	104.2	53.5	68.8	37.0
Department of water	130.59	842.93	71.64	289.92	52.35	172.67	73.1	59.6	40.1	20.5
Department of health	1,628.92	282.46	952.37	15.52	881.04	23.36	92.5	150.5	54.1	8.3
Department of Devolution & Public service	52.25	39	6.93	-	5.17	-	74.6	-	9.9	0.0
Total	**3,941.05**	**3,143.03**	**2,366.3**	**1,280.68**	**2,159.84**	**856.43**	**91.3**	**66.9**	**54.8**	**27.2**

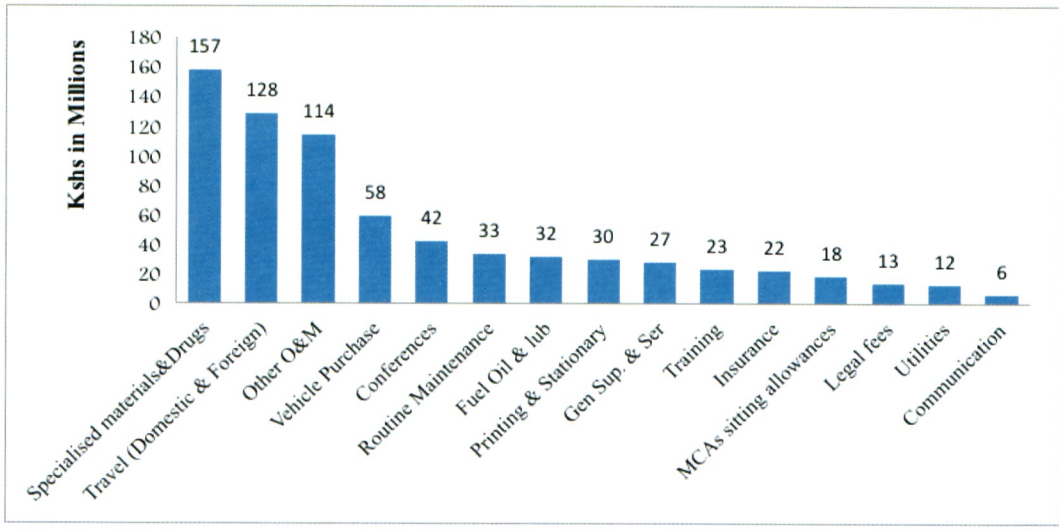
Source: *Makueni County Treasury*

The County spent Kshs.17.7 million on sitting allowances to the 48 MCAs, representing an absorption rate of 100 per cent of the annual allocation, a decrease from the Kshs.23.4 million spent in the same period of FY 2013/14. Each MCA received an average monthly sitting allowance of Kshs.40,974 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel was Kshs.127.95 million compared to Kshs.151.3 million in the same period of FY 2013/14, representing a decrease of 18.3 per cent. This expenditure comprised of Kshs.50.54 million incurred by the County Assembly and Kshs.77.41 million by the County Executive.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 95 below.

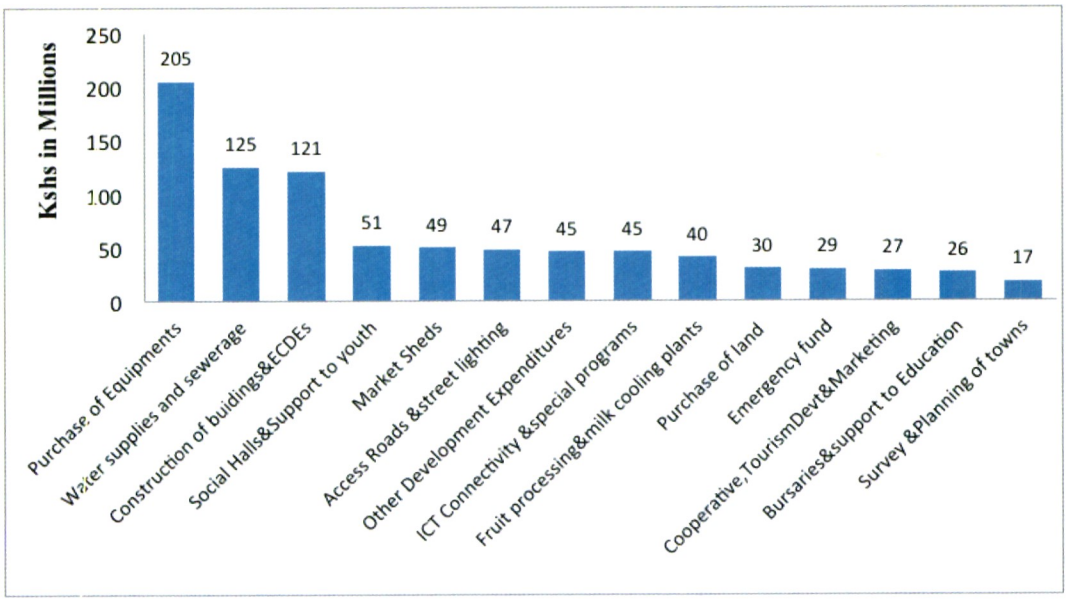
Figure 96: Makueni County, Operations and Maintenance Expenditure



Source: *Makueni County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.204.63 million on purchase of heavy construction equipment (tippers, rollers and graders), Kshs.124.66 million on water supplies and sewerage, Kshs.120.72 million on construction of buildings including the Governor and the Deputy Governor's residence, County Executive office block, County Assembly office block and ECDE centres, Kshs.51.0 million on construction of social halls, playgrounds levelling, support to persons with disabilities, support to men & women and support to youth. Also, Kshs.49.33 million was spent on market sheds, Kshs.46.8 million on grading of access roads and street lighting, Kshs.45.41 million on other development expenditures and Kshs.45.23 million on ICT connectivity and special programs such as drought mitigation responses. Also, Kshs.40.0 million was spent on fruit processing and milk cooling plants, Kshs.29.55 million on purchase of land, Kshs.29.1 million on the Emergency Fund, Kshs.27.35 million on tourism development and marketing, Kshs.25.56 million on bursaries, support to education, civic education and public participation programs and Kshs.17.00 million on countywide surveying and planning of towns. A summary of the development expenditure is provided in Figure 96.

Figure 97: Makueni County Analysis of Development Expenditure



Source: *Makueni County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. So far, the County has registered an improved working relationship between the County Assembly, and the County Executive, and also registered increased uptake of development funds.

The challenges that continued to hamper effective budget implementation in the reporting period were;

1. Inadequate internal audit arrangements which should be addressed by establishing an effective Internal Audit Department and an Audit Committee as per Section 155(5) of the PFM Act, 2012.
2. Inadequate budgetary control as evidenced by higher expenditure compared to exchequer issues in some departments.
3. Under performance in local revenue collection which may lead to some planned activities not being implemented due to funding shortfall.

The County should implement the following recommendations in an effort to improve budget execution:

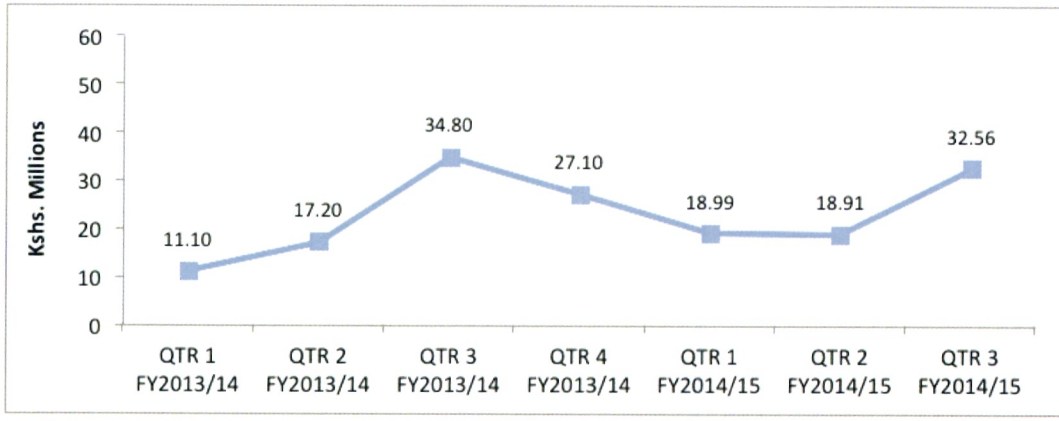
1. *The County Treasury should ensure compliance with Section 155 of the PFM Act, 2012 on establishment of an Audit Committee and also strengthen the Internal Audit Section.*
2. *The County Treasury should ensure that accessed funds are spent on the intended purposes through timely exchequer notifications to departments and strict budgetary control.*
3. *The County should enhance efforts in local revenue collection, including capacity building of the revenue collection officers and computerisation of revenue collection.*

Mandera County

In the FY 2014/15, the approved Supplementary Budget for Mandera County amounts to Kshs.11.27 billion with Kshs.4.88 billion (43 per cent) allocated to recurrent expenditure and Kshs.6.39 billion (57 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 27. In order to finance this budget, the County expects to receive Kshs.7.81 billion (69.42 per cent) as transfers from the National Government, collect Kshs.251.29 million (2.23 per cent) from local sources, receive a conditional grant from DANIDA of Kshs.12.44 million (0.11 per cent), and utilise the Kshs.3.21 billion (28.24 per cent) in projected cash balance from FY 2013/14.

During the period the first nine months of FY 2015, the County received Kshs.6.03 billion from the National Government as direct transfer to the CRF, raised Kshs.70.47 million from local sources and had Kshs.3.21 billion as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.32.56 million which is an improvement from Kshs.18.99 million collected in the first quarter and Kshs.18.91 million collected in the second quarter of FY 2014/15. The total local revenue raised as at March 2015 accounted for 28.04 per cent of the annual local revenue target. Figure 97 shows the trend of local revenue collection by quarter.

Figure 98: Mandera County Trend in Local Revenue Collection by Quarter



Source: *Mandera County Treasury*

During the period under review, the County accessed Kshs.6.85 billion from the CRF which is 60.76 per cent of the approved Supplementary Budget, an improvement from 31.88 per cent in the same period of financial year 2013/14. This amount consisted of Kshs.3.16 billion (28.05 per cent) for recurrent expenditure and Kshs.2.87 billion (25.47 per cent) for development activities.

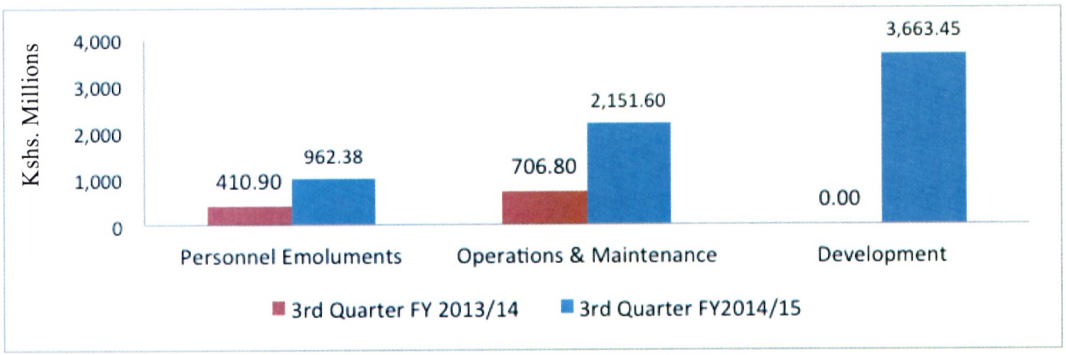
The county spent a total of Kshs.6.78 billion during the nine months of FY 2014/15 which was 98.94 per cent of the total funds released for operations and an improvement from the Kshs.1.12 billion spent in the same period of FY 2013/14. A total of Kshs.3.11 billion (98.46 per cent) was spent on recurrent activities and Kshs.3.67 billion (99.34 per cent) on development activities. Recurrent expenditure was 45.95 per cent of the funds released while development expenditure accounted for 54.05 per cent of the funds released for development activities. This expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.227.61 million for recurrent expenditure and Kshs.136.13 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of 63.5 per cent of the annual recurrent budget, an increase from an absorption rate of 17.4 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of 57.3 per cent of the annual development budget, an

improvement from an absorption rate of 8.7 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.3.11 billion shows that the County spent Kshs.962.38 million (30.91 per cent) on personnel emoluments and Kshs.2.15 billion (69.09 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.410.9 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 98 below.

Figure 99: Mandera County, Third Quarter Expenditure by Economic Classification



Source: *Mandera County Treasury*

A breakdown of expenditure by department shows that the Public Works, Roads and Transport Department had the highest absorption rate of its annual recurrent budget at 191.06 per cent while the Department of Agriculture and Irrigation had the highest absorption rate of development budget at 91.74 per cent. Similarly, the County Public Service Board had the lowest recurrent budget absorption rate at 40.95 per cent while the ICT, Trade, Industrialization and Tourism Department had the lowest absorption rate of annual development budget at 7.17 per cent. The expenditure of various departments is summarised in Table 27.

Table 27: Mandera County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

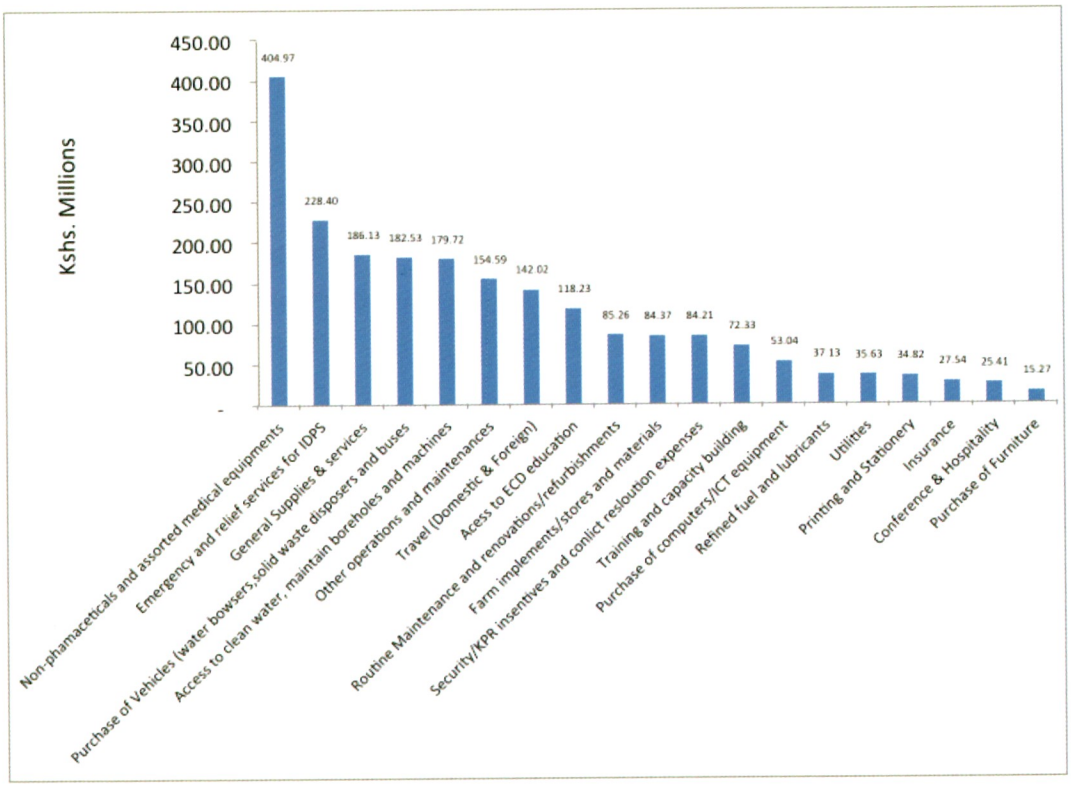
DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENDITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
COUNTY EXECUTIVE	216.30	-	160.05	-	120.92	-	75.6	0.0	55.9	0.0
FINANCE AND ECONOMIC PLANNING	178.63	30.00	116.16	24.00	93.19	22.91	80.2	95.5	52.2	76.4
PUBLIC SERVICE ,CONFLICT MANGENET COHESSION ANSD INTEGRATION	1,341.66	204.50	814.04	130.00	723.76	127.94	88.9	98.4	54.0	62.6
COUNTY PUBLIC SERVICE BOARD	61.14	-	35.23	-	25.03	-	71.1	0.0	41.0	0.0
COUNTY ASSEMBLY	459.76	264.50	297.38	189.50	317.18	189.50	106.7	100.0	69.0	71.6
ICT,TRADE,INDUSTRALIZATION AND TOURISM	232.51	365.62	181.41	27.00	241.17	26.20	132.9	97.0	103.7	7.2
HEALTH SERVICES	930.91	540.89	586.69	207.97	695.22	205.84	118.5	99.0	74.7	38.1
LANDS,HOUSING, AND PHYSICAL PLANNING	141.31	50.00	94.15	27.00	67.34	26.18	71.5	97.0	47.7	52.4
EDUCATION,YOUTH, WOMEN AND SOCIAL SERVICES	432.30	577.25	277.55	401.50	233.12	399.54	84.0	99.5	53.9	69.2
PUBLIC WORKS ROADS AND TRANSPORT,	67.28	3,000.96	56.49	1,639.69	128.54	1,627.52	227.6	99.3	191.1	54.2
AGRICULTURE AND IRRIGATION	238.00	275.00	153.97	253.61	146.68	252.28	95.3	99.5	61.6	91.7
LIVESTOCK AND VETERINARY SERVICES	240.59	205.00	109.52	187.00	108.07	186.38	98.7	99.7	44.9	90.9
WATER, ENERGY,ENVIRONMENT AND NATURAL RESOURCES	348.51	872.00	279.99	600.20	213.76	599.17	76.4	99.8	61.3	68.7
TOTAL	**4,888.89**	**6,385.72**	**3,162.63**	**3,687.47**	**3,113.98**	**3,663.45**	**98.5**	**99.4**	**63.7**	**57.4**

Source: *Mandera County Treasury and OCOB*

The County spent Kshs.30.54 million on sitting allowances to the 49 MCAs, representing an absorption rate of 34.91 per cent of the annual budget, an increase from the Kshs.34.75 million spent in the same period of 2013/14 financial year. Each MCA received an average monthly sitting allowance of Kshs.69,258 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.142.02 million compared to Kshs. 68.57 million in the same period of FY 2013/14, representing an increase of 48.28 per cent. This expenditure comprised of Kshs.11.29 million incurred by the County Assembly and Kshs.130.72 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 99.

Figure 100: Mandera County, Operations and Maintenance Expenditure

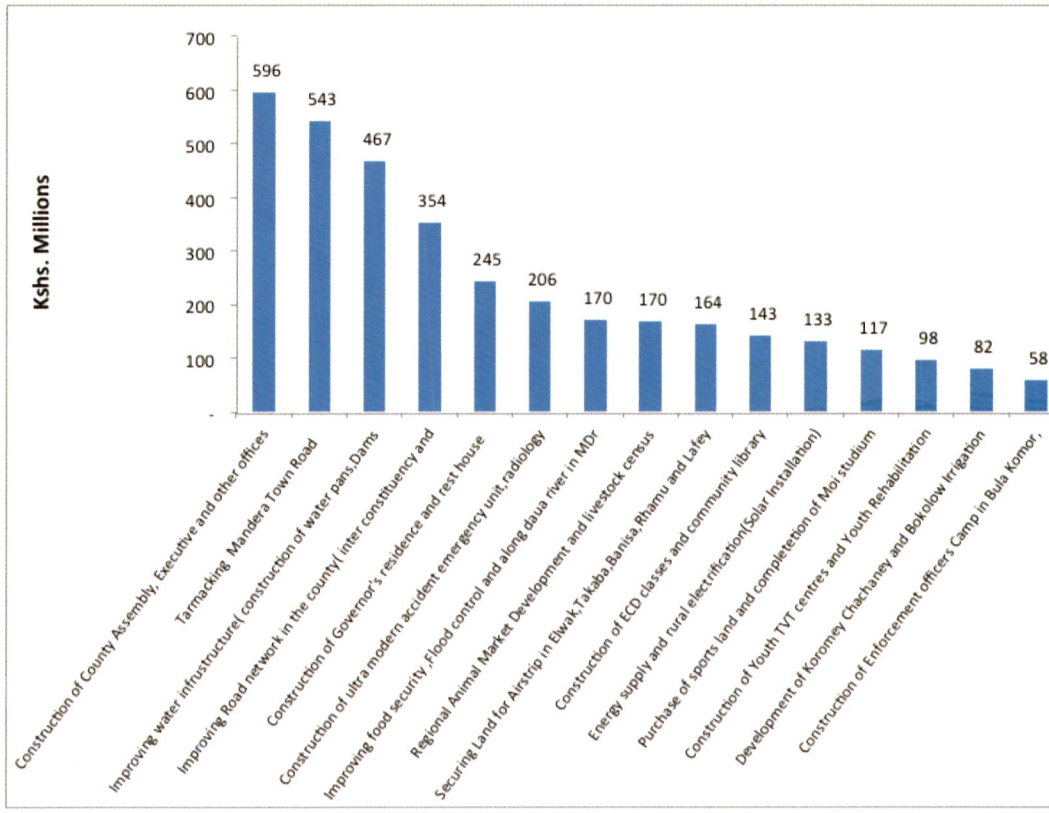


Source: *Mandera County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.596.35 million on construction of the County Assembly block, County Executive headquarters and other offices, Kshs.542.71 million on tarmacking of Mandera town roads, Kshs.353.67 million to improve road network in the County, Kshs.244.70 million on construction of the Governor's residence and a guest house, and Kshs.205.84 million on health-related programmes such as the construction of ultra-

modern accident and emergency unit at the Mandera referral hospital, radiology wing in Takaba hospital, theatres in Banisa and Rhamu hospitals, and dispensaries at Takaba, Lagsure and Falama. The County also spent Kshs.170.44 million on improving food security and developing flood control measures along river Daua in Mandera East and North sub counties, and Kshs.170 million on regional animal market development and livestock census. These expenditures are shown in Figure 100.

Figure 101: Mandera County Analysis of Development Expenditure



Source: *Mandera County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. So far, the following issues have been addressed: (i) delay in processing staff salaries, and (ii) delay in the preparation and approval of regulations aimed at operationalizing the scholarship fund.

The challenges that continued to hamper effective budget implementation in the reporting period were;

1. Underperformance in local revenue collection which stood at Kshs.70.47 million accounting for 28 per cent of the annual revenue target. This implies that some budgeted activities might not be implemented due to funding constraints.
2. Lack of appropriate monitoring and evaluation frameworks to monitor implementation of project implementation.
3. Delay in the preparation and approval of regulations to operationalize the established County Funds - Youth, Women and the Disabled Fund, Cooperative Fund and Emergency Fund.
4. Delay in submission of expenditure reports.
5. Diversion of funds released for development programmes to recurrent activities. In certain instances; funds released for one department were diverted implying weak budgetary control.

The County should implement the following recommendations in order to improve budget execution:

1. *The County Treasury should enhance efforts in local revenue collection to ensure adequate budget funding.*
2. *Establish appropriate development project monitoring frameworks to ensure effective oversight and timely reporting on development projects.*
3. *The County should enact regulations to operationalize the established County Funds.*
4. *The County Treasury should submit financial on a timely basis to facilitate timely preparations of the CBIRRs reports.*
5. *The County Treasury should ensure Exchequer Issues are spent on the funded work plans through timely exchequer notifications to the departments and stringent budgetary controls.*

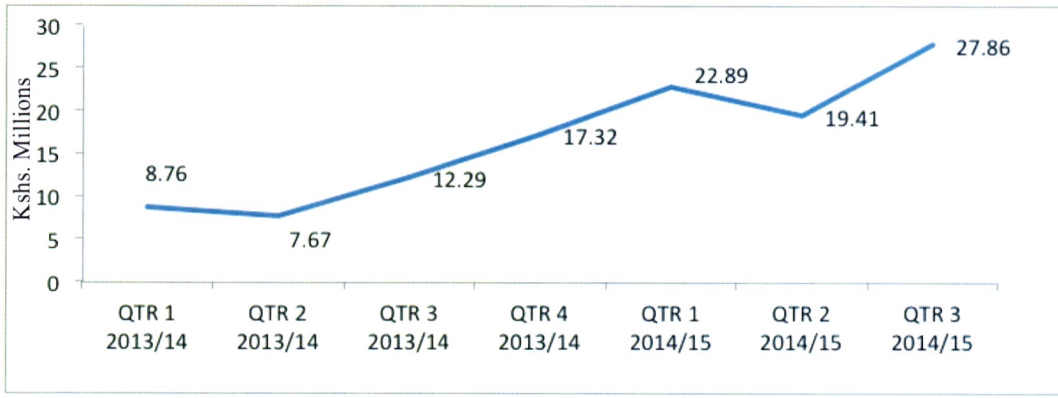
Marsabit County

In the FY 2014/15, the approved Supplementary Budget for Marsabit County amounts to Kshs.5.75 billion with Kshs.2.74 billion (47.7 per cent) allocated to recurrent expenditure and Kshs.3.01 billion (52.3 per cent) to development expenditure. The

budget allocation and expenditure by departments is shown in Table 28. In order to finance the budget, the County expects to receive Kshs.4.42 billion (76.8 per cent) as transfers from the National Government, collect Kshs.48.40 million (0.84 per cent) from local sources, DANIDA grant of Kshs.13.17 million (0.23 per cent), Kshs.6.68 million as refund from insurance (0.11 per cent) and Kshs.1.27 billion (22.1 per cent) as cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.2.49 billion from the National Government as direct transfer to the CRF, raised Kshs.70.2 million from local sources and had Kshs.1.27 billion as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.27.86 million which is an improvement from Kshs.22.89 million collected in the first quarter and Kshs.19.41 million collected in the second quarter of FY 2014/15. The total local revenue raised as at March 2015 accounted for 144.8 per cent of the annual local revenue target. Figure 101 show trends in local revenue target since FY 2013/14.

Figure 102: Marsabit County Trend in Local Revenue Collection by Quarter



Source: *Marsabit County Treasury*

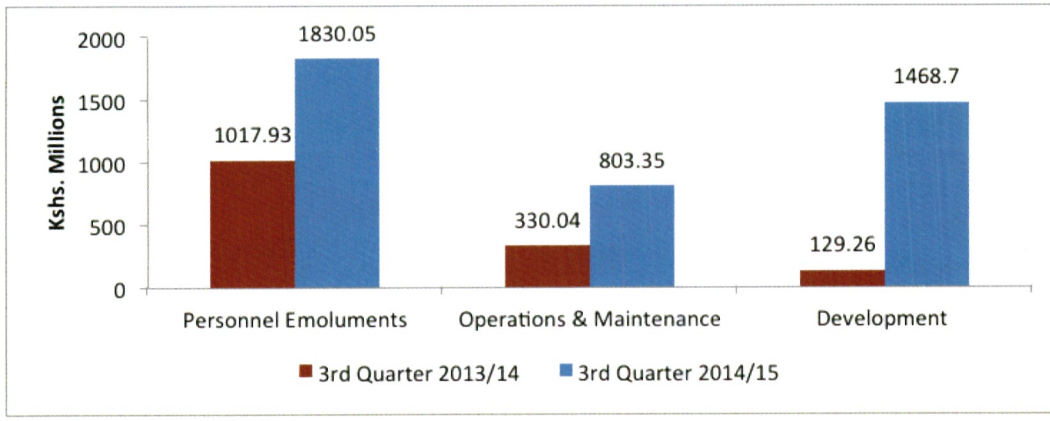
During the reporting period, the County accessed **Kshs.3.25 billion** from the CRF which is 56.5 per cent of the approved Supplementary Budget, an improvement from 50 per cent in the same period of FY 2013/14. This amount consisted of Kshs.1.57 billion (48.3 per cent) for recurrent expenditure and Kshs.1.67 billion (51.7 per cent) for development activities.

The county spent a total of **Kshs.2.55 billion** during the first nine months of FY 2014/15, which is 78.4 per cent of the total funds released for operations and an improvement from the Kshs.936.5 million spent in the same period of FY 2013/14. A total of Kshs.1.32 billion (51.7 per cent) was spent on recurrent activities while Kshs.1.23 billion (48.3 per cent) on development activities. Recurrent expenditure was 84 per cent of the funds released for recurrent activities while development expenditure accounted for 73.6 per cent of the funds released for development activities. Development expenditure for the period comprised of Kshs.1.06 billion for payment of pending bills and Kshs.173.71 million relating to new projects and programmes. The expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.90.2 million for recurrent expenditure and Kshs.165.8 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **48.2 per cent** of the annual recurrent budget, an increase from an absorption rate of 37.3 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of **40.8 per cent** of the annual development budget, an improvement from an absorption rate of 8.6 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.1.32 billion shows that the County spent Kshs.655.6 million (49.7 per cent) on personnel emoluments, Kshs.648.2 million (49.1 per cent) on operations and maintenance expenditure and Kshs.13.5 million (1.2 per cent) on car loans and mortgages for MCAs. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.374.3 million. A comparison of the total expenditure between the period under review and the same period in the last financial year is shown in Figure 102 below.

Figure 103: Marsabit County, Third Quarter Expenditure by Economic Classification



Source: *Mandera County Treasury*

A breakdown of expenditure by department shows that Agriculture, Livestock and Fisheries Department had the highest recurrent budget absorption rate at 64 per cent while the Office of the Governor had the highest absorption rate of annual development budget at 57 per cent. The main projects under the Office of the Governor were; construction of the Governor's residence and County offices. The department of Roads & Public Works had the lowest absorption rate of its annual recurrent budget at 25 per cent while the Tourism, Culture and Social Services had the lowest absorption rate of its annual development budget at 2 per cent. The expenditure of various departments is summarised in Table 28.

Table 28: Marsabit County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION Kshs.Million		EXCHEQUER ISSUES Kshs.million		EXPENDITURE Kshs.million		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENDITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Roads & Public Works	62.87	215.48	41.34	82	15.82	17.67	38%	22%	25%	8%
Finance & Economic Planning	649.9	1,196.20	296.6	1,081.54	222.54	1061.15	75%	98%	34%	89%
Administration ,Coordination& ICT	163.95	93	107.88	65.3	62.49	2.72	58%	4%	38%	3%
Tourism, Culture & Social Services	45.76	82	29.7	7	21.08	1.57	71%	22%	46%	2%
Education ,Skills Development, youth & Sports	71.48	122.8	47.09	83.78	28.96	3.26	61%	4%	41%	3%
Trade, Industry & Enterprise Development	54.75	118	34.09	14	28.8	4.3	84%	31%	53%	4%
Energy Lands Housing & Urban Development	72.47	153.8	48.6	56.3	42.35	20.57	87%	37%	58%	13%
County Health Services	632.41	230	416.49	107.25	382.9	12.3	92%	11%	61%	5%
County Public Service Board	60.8	7	37.91	7	21.7	0	57%	0%	36%	0%
Water, Environment & Natural Resources	105.95	529.9	60.81	117.57	45.68	69.4	75%	59%	43%	13%
Agriculture, Livestock & Fisheries Development	126.76	122.01	84.18	47.04	81.4	3.45	97%	7%	64%	3%
Executive (Office of the Governor)	288.48	60	176.19	-	161.45	34.27	92%	-	56%	57%
County Assembly	407	81	194.68	81	201.89	4.12	104%	5%	50%	5%
TOTAL	**2,742.60**	**3,011.19**	**1,575.55**	**1,749.80**	**1,317.06**	**1,234.80**	**84%**	**71%**	**48%**	**41%**

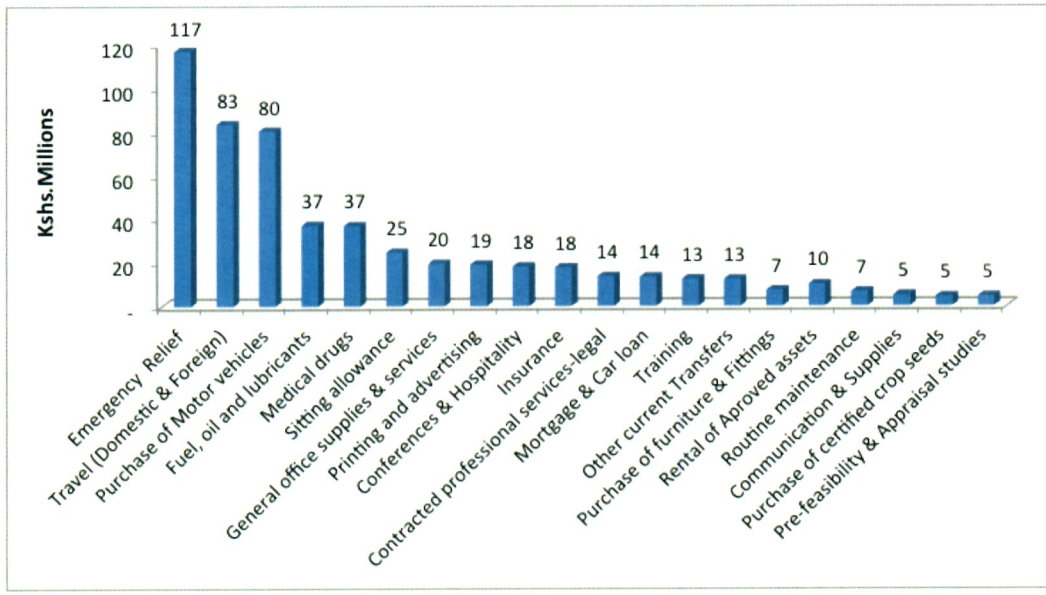
Source: *Mandera County Treasury*

The County spent Kshs.22.36 million on sitting allowances to the 34 MCAs, representing an absorption rate of 48.8 per cent of the annual budget, an increase from Kshs.16.3 million spent in the same period of 2013/14 financial year. Each MCA was paid an average monthly sitting allowance of Kshs.73,064 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.83.4 million compared to Kshs.77.3 million in the same period of FY 2013/14, representing an

increase of 7.9 per cent. This expenditure comprised of Kshs.20.32 million incurred by the County Assembly and Kshs.63.14 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 103.

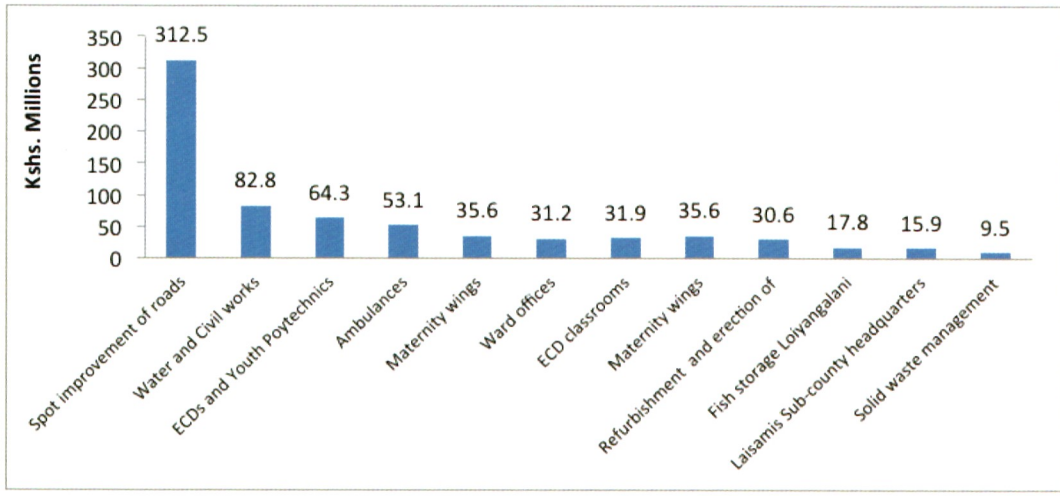
Figure 104: Marsabit County, Operations and Maintenance Expenditure



Source: *Mandera County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.82.8 million on water and other civil works out of which, Kshs.40.2 million went towards drilling of 7 boreholes. A total of Kshs.312.5 million was spent on road improvement, Kshs.31.9 million on construction and completion of ECD classrooms, Kshs.35.6 million on construction of maternity wings, Kshs.9.5 million on solid waste management, Kshs. 17.8 million on fish cold storage facilities at Loiyangalani, Kshs.31.2 million on construction and completion of 11 ward offices, Kshs.30.6 million on construction and refurbishment of County Assembly offices, Kshs. 53.16 million on purchase of ambulances, Kshs.15.9 million on completion of Laisamis Sub-County headquarters, and Kshs.12.5 million on completion of produce market at Laisamis. A summary of the development expenditure is provided in Figure 104.

Figure 105: Marsabit County Analysis of Development Expenditure



Source: *Mandera County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. So far, the County has complied with the set expenditure ceilings for the County Executive and the County Assembly, which has been effected through a Supplementary Budget approved in March 2015.

The challenges that continued to hamper effective budget implementation in the reporting period were;

1. Lack of an audit committee to oversee financial operations.
2. Diversion of funds released for one department to other departments indicating weak budgetary control.
3. Manual processing of development expenditure transactions as opposed to use of G-Pay. The County operated a commercial bank account where cheque payments were made to suppliers. These payments were not fully captured in the IFMIS which affected the completeness and accuracy of financial reports.

The County should implement the following recommendations in order to improve budget execution:

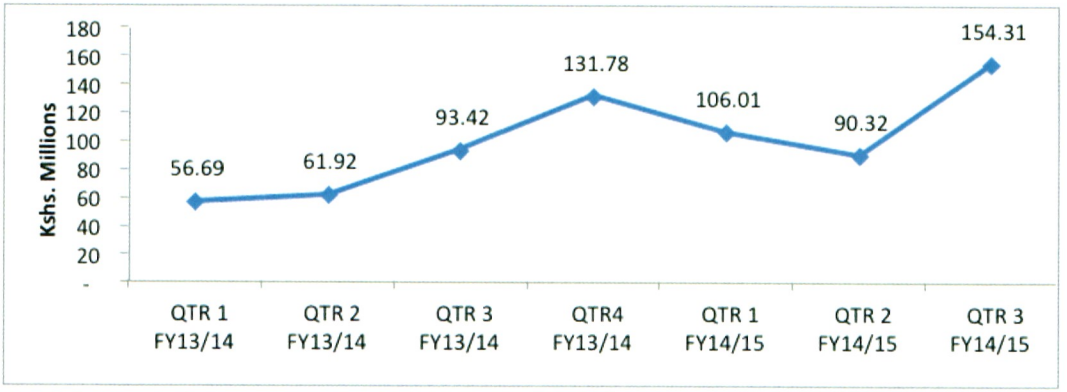
1. *The County should establish an Internal Audit Committee in line with section 155(5) of the PRM Act, 2012 to enhance management controls.*
2. *The County Treasury should ensure that Exchequer Issues are spent as per the approved/funded work plans through timely exchequer notifications to the departments and strict budgetary control.*
3. *The County Treasury should process all financial transactions in IFMIS.*

Meru County

In the FY 2014/15, the approved Budget for Meru County amounts to Kshs.7.84 billion with Kshs.4.57 billion (58.3 per cent) allocated to recurrent expenditure and Kshs.3.27 billion (41.7 per cent) to development expenditure. The budget allocation by department is shown in Table 29. In order to finance the budget, the County expects to receive Kshs.5.73 billion (73.1 per cent) as transfers from the national government, collect Kshs.922.05 million (11.8 per cent) from local sources, receive a conditional grant of Kshs.18.41 million (0.23 per cent) from DANIDA and utilise Kshs.1.17 billion (14.9 per cent) projected as cash balance from FY 2013/14.

During the first nine months of FY2014/15, the County received Kshs. 3.17 billion from the national government as a direct transfer to the CRF, raised Kshs.350.64 million from local sources and had Kshs. 1.17 billion as cash balance brought forward from FY 2013/14. The local revenue generated in the third quarter was Kshs.154.31 million which was an improvement from Kshs.106.01 million collected in the first quarter and Kshs.90.32 million in the second quarter of FY 2014/15. The total Local revenue generated as at March 2015 accounted for 38 per cent of the annual local revenue target. Figure 105 below, shows the trend of local revenue collection by quarter.

Figure 106: Meru County Trend in Local Revenue Collection by Quarter



Source: *Meru County Treasury*

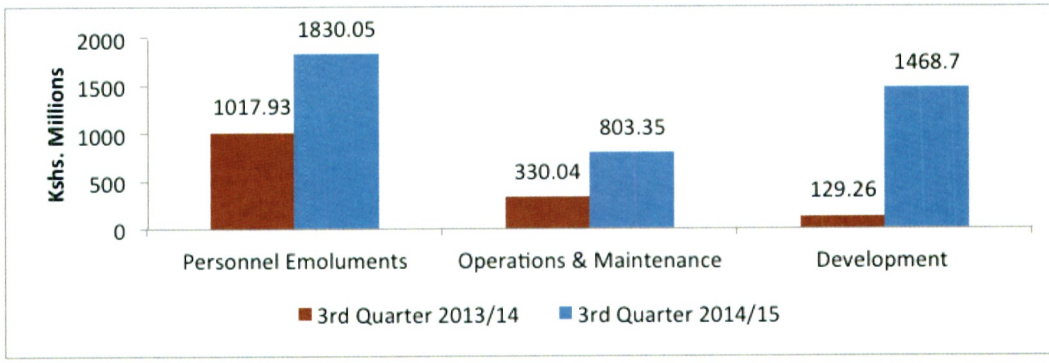
During the reporting period, the County accessed **Kshs.4.51 billion** from the CRF which is 57.6 per cent of the approved budget, an improvement from 45.2 per cent in the same period of financial year 2013/14. This amount consisted of Kshs.2.8 billion (62.0 per cent) for recurrent expenditure and Kshs.1.71 billion (38.0 per cent) for development activities.

The county spent a total of **Kshs.4.10 billion** during the first nine months of FY 2014/15 which was 90.9 per cent of the total funds released for operations and an improvement from the Kshs.1.45 billion spent in the same period of FY 2013/14. A total of Kshs.2.63 billion (64.2 per cent) was spent on recurrent activities and Kshs.1.47 billion (35.8 per cent) on development activities. Recurrent expenditure was 94.2 per cent of the funds released for recurrent activities while development expenditure accounted for 85.7 per cent of the funds released for development activities. This expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.231.93 million for recurrent expenditure and Kshs.20.43 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **57.6 per cent** of the annual recurrent budget, an increase from an absorption rate of 48.0 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of 6**4.5 per cent** of the annual development budget, an improvement from an absorption rate of 4.5 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.2.62 billion shows that the County spent Kshs.1.83 billion (69.8 per cent) on personnel emoluments and Kshs.792.85 million (30.2 per cent) on operations and maintenance expenditure. The recurrent expenditure is exclusive of Kshs.10.50 million spent on emergency fund. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.1.02 billion. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 106 below.

Figure 107: Meru County, Third Quarter Expenditure by Economic Classification



Source: *Meru County Treasury*

A breakdown of expenditure by department shows that the Transport and Infrastructure Department had the highest absorption rate of the recurrent budget at 83.5 per cent. The Public Service and Administration and the County Assembly Departments recorded the second and third highest absorption rates of 72.1 per cent and 67.2 per cent respectively. On the other hand, the Town Administration Department had the lowest absorption rate of the annual recurrent budget at 20.9 per cent, followed by the County Public Service Board at 37.9 per cent. The expenditure of various departments is summarised in Table 29.

Table 29: Meru County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

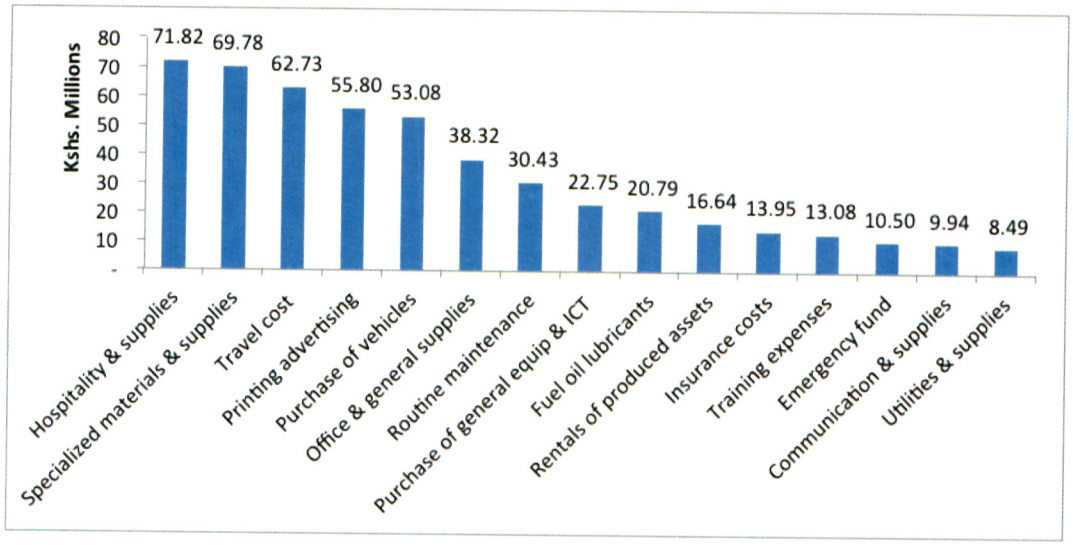
DEPARTMENT	BUDGET ALLOCATION (Kshs. Millions)		EXCHEQUER ISSUES (Kshs. Millions)		EXPENDITURE (Kshs. Millions)		% of Expenditure to Exchequer Issues		% of Expenditure to Budget Allocation	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Assembly	533.08	112.00	384.48	17.11	358.18	30.32	93.16	177.19	67.19	27.07
Office of the Governor	242.33	-	96.12	-	107.95	-	112.31	-	44.55	-
County Treasury	536.79	148.31	270.14	119.71	265.09	20.64	98.13	17.24	49.38	13.92
Agriculture, fishery and livestock	312.00	189.41	208.39	161.38	204.68	68.38	98.22	42.37	65.60	36.10
water, environment and natural resources	99.71	588.44	77.94	351.19	54.59	318.10	70.04	90.58	54.74	54.06
Education	297.98	225.59	189.18	117.08	128.76	32.85	68.06	28.06	43.21	14.56
Health	1,472.14	359.50	841.11	256.89	828.10	137.28	98.45	53.44	56.25	38.19
Lands, housing, physical and economic planning	85.79	188.14	57.94	51.02	39.92	17.14	68.89	33.59	46.53	9.11
Public service and administration	585.38	101.72	395.36	46.14	422.25	21.47	106.80	46.53	72.13	21.11
Transport and infrastructure	140.20	829.08	103.54	340.07	117.01	693.89	113.01	204.04	83.46	83.69
Co-operative, tourism and enterprise development	98.25	327.31	55.19	103.20	46.17	40.26	83.66	39.01	46.99	12.30
Culture, gender and sports	103.70	186.62	82.78	149.10	43.92	88.37	53.06	59.27	42.35	47.35
County public service board	22.07	-	17.28	-	8.37	-	48.44	-	37.93	-
Town administration	40.20	10.00	16.67	1.64	8.41	-	50.43	0.00	20.91	0.00
TOTAL	**4,569.63**	**3,266.13**	**2,796.13**	**1,714.55**	**2,633.40**	**1,468.70**	**94.18**	**85.66**	**57.63**	**44.97**

Source: *Meru County Treasury*

The County spent Kshs.78.89 million on sitting allowances to the 69 MCAs, representing an absorption rate of 83 per cent of the annual budget, an increase from Kshs.56.88 million spent in the same period of 2013/14 financial year. This figure excludes Kshs.10.36 million spent on sitting allowances to the County Assembly Service Board. Each MCA was paid an average monthly sitting allowance of Kshs.127,029 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.62.73 million compared to Kshs.64.16 million in the same period of FY 2013/14, representing a decrease of 2.2 per cent. This expenditure comprised of Kshs.31.42 million incurred by the County Assembly and Kshs.31.30 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 107.

Figure 108: Meru County, Operations and Maintenance Expenditure

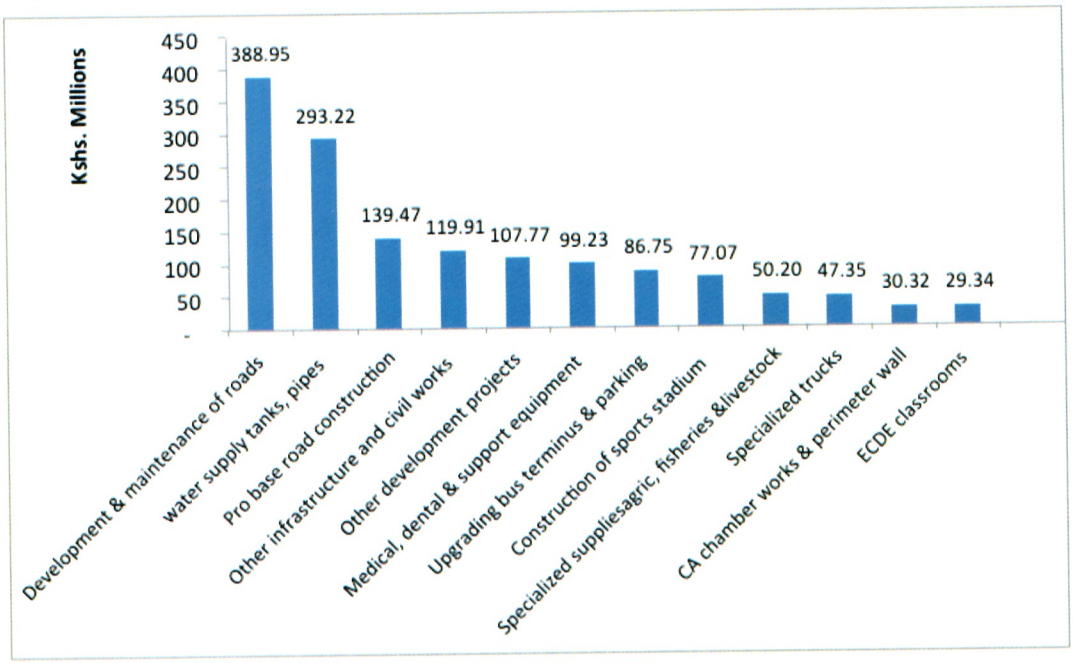


Source: *Meru County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.388.95 million on development and maintenance of roads, Kshs.293.22 million on construction and purchase of water tanks and pipes, Kshs.139.47 million on probase road construction, Kshs.99.23 million on medical and dental equipment, Kshs.86.75 million on upgrading bus terminus, Kshs.77.07 million on construction of Kinoru Sports Stadium, Kshs.50.20 million on supplies & equipment for the Agriculture, Fisheries and Livestock Department, Kshs.47.35 million on exhauster, grader and refuse collection truck, Kshs.30.32 million on County Assembly chamber configuration, gate, cabro and perimeter wall.

Another Kshs.29.34 million was spent on ECDE classrooms and Kshs.119.91 million on other infrastructure and civil works. Also, Kshs.107.77 million was spent on other development projects which include; Kshs.1.16 million on acquisition of land in Tigania East for Agriculture, Kshs.3.35 million capital transfer to Mitunguu AMS, Kshs.3.97 million for purchase of tree seeds and seedlings, Kshs.5.79 million was for expenses and Consultancy services for County Microfinance Bank & County Investment Corporation, Kshs.13.05 million was spent on Sacco training, Kshs.9.78 million was on asset tagging and revenue automation and Kshs.3.05 million was for purchase of sports equipment for talent academy among others. A summary of the development expenditure is shown in Figure 108.

Figure 109: Meru County Analysis of Development Expenditure



Source: *Meru County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. So far, the following issues have been addressed: (i) full operationalization of IFMIS, (ii) automation of revenue collection, and (iii) compliance with budgetary timelines. However the County Assembly has not surrendered FY 2013/2014 unutilized funds to the CRF.

During monitoring of budget implementation in the reporting period, the office noted the following issues that need to be addressed.

1. Diversion of funds released for development projects to recurrent activities.
2. Failure to enact regulations to operationalize the County Emergency Fund as provided under Section 116 of the PFM Act, 2012.
3. Reallocation of fund between votes in contravention of the limitations imposed in Section 154 of the PFM Act, 2012.
4. Failure to adhere to the ceiling on MCA sitting allowances set by the SRC.

The County should implement the following recommendations in order to improve

budget execution:

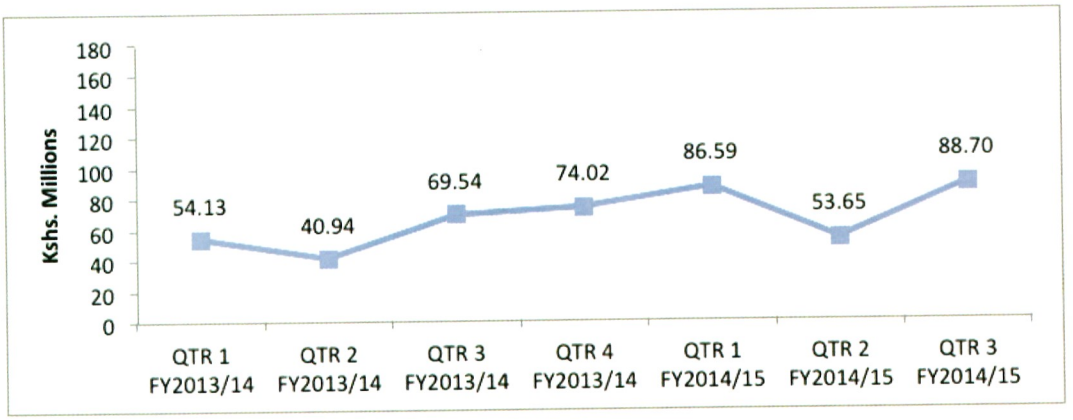
1. *The County Treasury should ensure Exchequer Issues are spent on the approved work plan through timely exchequer notifications to the departments and stringent budgetary control.*
2. *The County Treasury should develop regulations to operationalize the Emergency fund in line with Section 110 of the PFM Act, 2012.*
3. *Reallocation of funds between votes should adhere to limitations set out in Section 154 of the PFM Act, 2012.*
4. *The County Assembly should adhere to the ceiling on MCA sitting allowances set by the SRC. All sitting allowances in excess of the ceiling should be recovered.*

Migori County

In the FY 2014/15 financial year, the approved Budget for Migori County amounts to Kshs.5.27 billion with Kshs.2.93 billion (55.6 per cent) allocated to recurrent expenditure and Kshs.2.34 billion (44.4 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 30. In order to finance the budget, the County expects to receive Kshs.4.97 billion (94.3 per cent) as transfers from the National Government and collect Kshs.300 million (5.7 per cent) from local sources.

During the first nine months of FY 2014/15, the County received Kshs.3.28 billion from the National Government as direct transfer to the CRF Account, raised Kshs.230 million from local sources out of which Kshs.225.20 million was deposited into the CRF Account. The local revenue raised in the third quarter was Kshs.88.7 million is an improvement from Kshs.86.59 million collected in the first quarter and Kshs.53.65 million collected in the second quarter of FY 2014/15. The Local revenue raised as at March 2015 accounted for 76.3 per cent of the annual local revenue target. Figure 109 below, shows the trend of local revenue collection by quarter.

Figure 110: Migori County Trend in Local Revenue Collection by Quarter



Source: *Migori County Treasury*

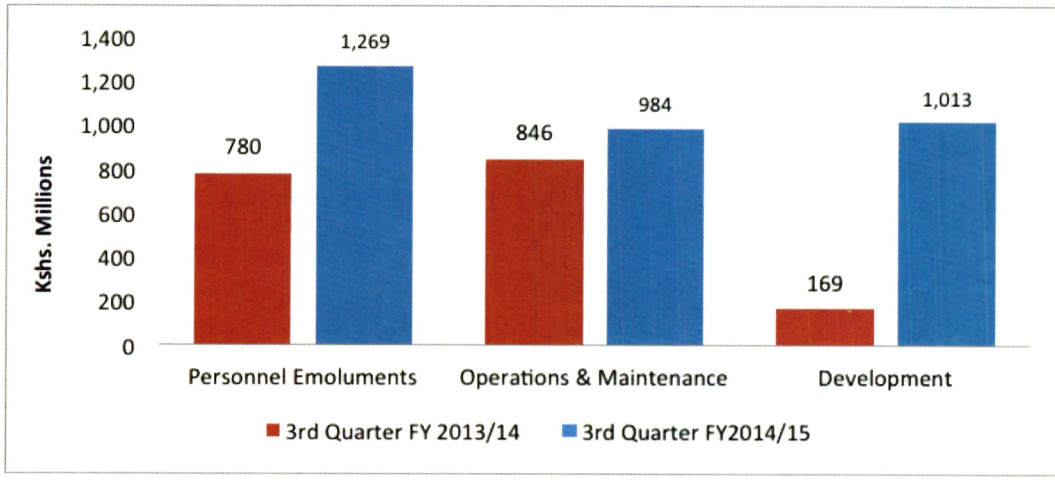
During the reporting period, the County accessed **Kshs.3.53 billion** from the CRF which is 67.0 per cent of the approved budget, an improvement from 47.3 per cent in the same period of financial year 2013/14. This amount consisted of Kshs.1.96 billion (55.5 per cent) released for recurrent expenditure and Kshs.1.57 billion (44.5 per cent) for development activities.

The County spent a total of **Kshs.3.26 billion** during the nine months of FY 2014/15 which was 97.9 per cent of the total funds released for operations and an improvement from the Kshs.1.8 billion spent in the same period of FY 2013/14. Kshs.2.25 billion (69.0 per cent) was spent on recurrent activities and Kshs.1.01 billion (31.0 per cent) on development activities. Recurrent expenditure was 114.8 per cent of the funds released for recurrent activities while development expenditure accounted for 64.6 per cent of the funds released for development activities. There was no commitment as at 31st March, 2015 for both recurrent expenditure and development activities.

The recurrent expenditure for the period under review represented an absorption rate of **76.9 per cent** of the annual recurrent budget, an increase from an absorption rate of 42.0 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of **43.3 per cent** of the annual development budget, an improvement from an absorption rate of 10.2 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.2.25 billion shows that the County spent Kshs.1.27 billion (56.4 per cent) on personnel emoluments and Kshs.0.98 billion (43.6 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period in the financial year 2013/14 when the County spent Kshs.780.00 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 110 below.

Figure 111: Migori County, Third Quarter Expenditure by Economic Classification



Source: *Migori County Treasury*

A breakdown of expenditure by department shows that Finance and Economic Planning Department had the highest recurrent budget absorption rate at 130.9 per cent while the Public Service Management Department had the highest absorption rate of annual development budget at 104.7 per cent. The expenditure of various departments is summarised in Table 30.

Table 30: Migori County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENDITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Finance and Economic Planning	158.32	167.59	244.03	87.35	207.16	110.58	84.9	126.6	130.9	66.0
Education, Sport, Youth & ICT	52.73	125.94	24.28	140.87	16.25	86.76	66.9	61.6	30.8	68.9
Health Services	241.47	391.38	154.57	259.06	104.53	129.28	67.6	49.9	43.4	33.0
Environment and Dister Management	158.32	167.59	9.26	39.26	33.78	3.09	364.6	7.9	21.3	1.8
Public Works, Roads and Transport	39.20	298.50	15.61	231.94	24.31	280.14	155.8	120.8	62.0	93.6
County Assembly	282.28	569.85	200.99	228.02	214.13	83.42	106.5	36.6	75.9	14.6
Lands, Housing & Physical planning	70.44	134.47	45.49	60.43	27.26	14.00	59.9	23.2	38.7	10.4
Public Service Management	1,803.30	214.60	1,143.02	250.56	1556.00	224.79	136.1	89.7	86.3	104.7
Trade, industralisation and tourism	48.03	55.50	23.45	17.51	19.86	9.73	84.7	55.6	41.3	17.5
Agriculture,Livestock & Fisheries	191.66	134.88	85.14	124.76	36.96	35.10	43.4	28.1	19.3	26.0
Water & Energy	30.53	147.68	16.20	127.23	12.20	35.80	75.3	28.1	40.0	24.2
Total	**2,930.13**	**2,339.44**	**1,962.03**	**1,567.00**	**2,252.44**	**1,012.69**	**114.8**	**64.6**	**76.9**	**43.3**

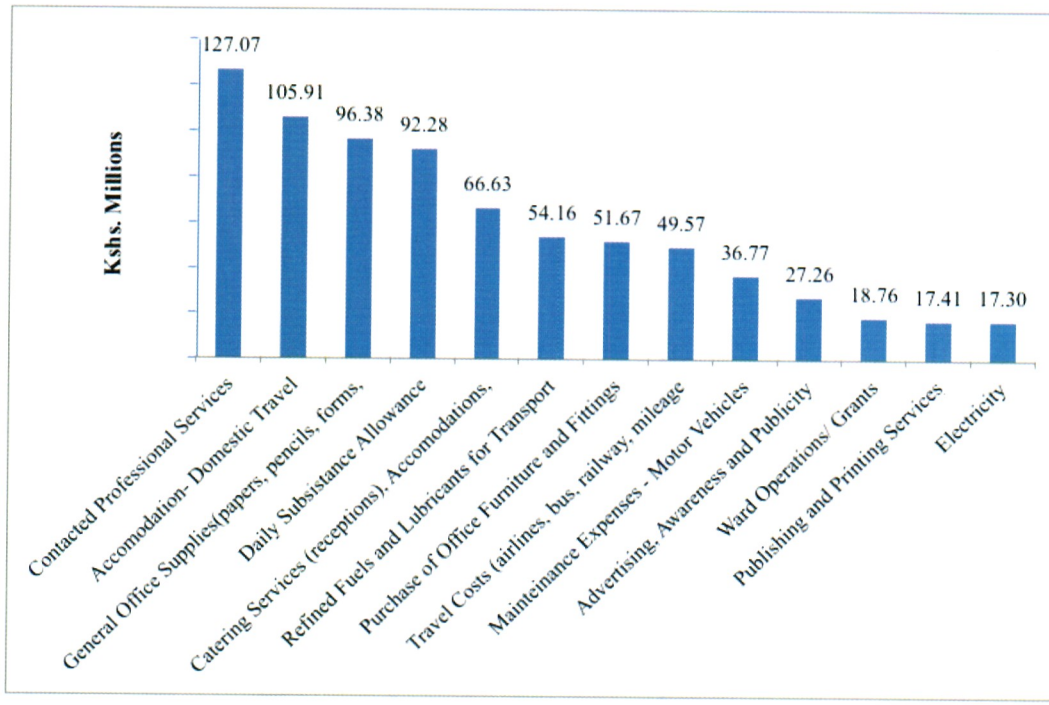
Source: *Migori County Treasury*

The County spent Kshs.92 million on sitting allowances for the 61 MCAs, representing an absorption rate of 65.0 per cent of the annual budget, an increase from the Kshs.89.2 million spent in the same period of 2013/14 financial year. Each MCA was paid an average monthly sitting allowance of Kshs.167,858 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.155.5 million compared to Kshs.188.30 million in the same period of FY 2013/14, representing a decrease of 17.4 per cent. This expenditure comprised Kshs.66.55 million incurred by the County Assembly and Kshs.88.92 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review

is shown in Figure 111.

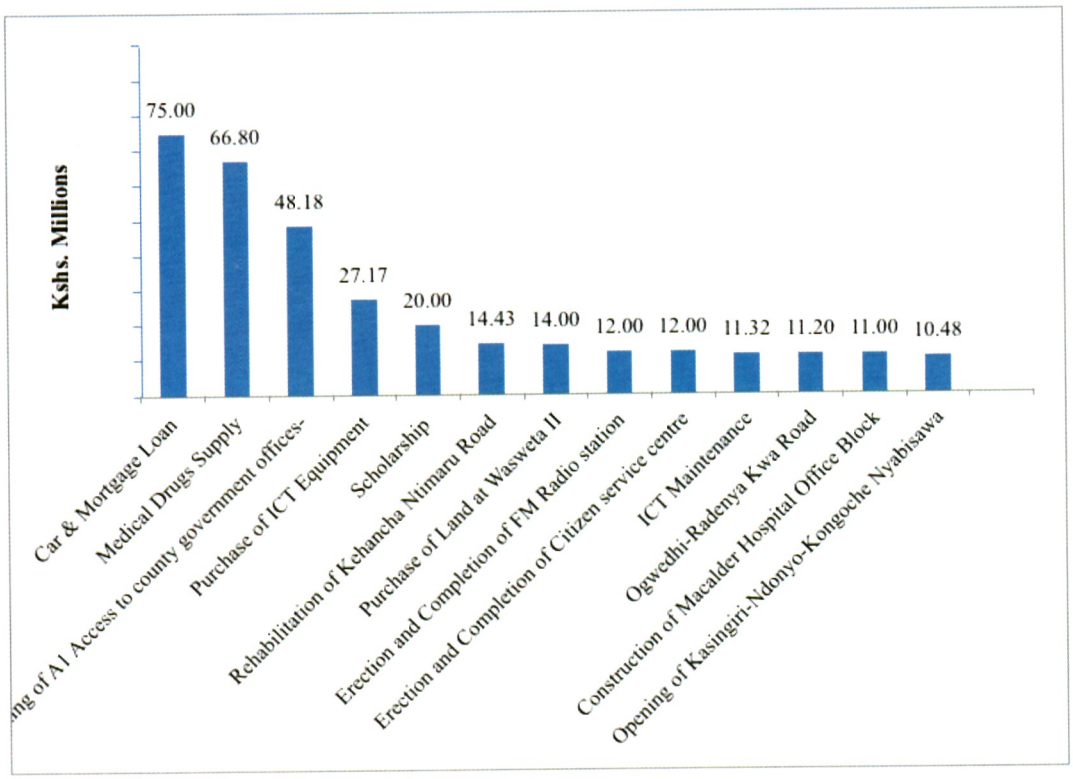
Figure 112: Migori County, Operations and Maintenance Expenditure



Source: *Migori County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.75.00 million on car loans & mortgages that was erroneously classified as development expenditure, Kshs.66.80 million on medical drug supply, Kshs.48.18 million on access roads, Kshs.27.17 million on purchase of ICT equipment, Kshs.20.00 million on scholarship, Kshs.14.40 million on rehabilitation of Kehancha-Ntimaru Road, Kshs.14.00 million on purchase of land at Wasweta II, and Kshs.12.00 million on an FM Radio station. A summary of the development expenditure is provided in Figure 112.

Figure 113: Migori County Analysis of Development Expenditure



Source: *Migori County Treasury*

In the previous CBIRRs the office made some recommendations to address the challenges facing budget execution in the County. The following issues have been addressed: full operationalization of IFMIS, compliance with legal budgetary timelines, and designation of departmental accounting officers.

The challenges that hampered effective budget implementation during the reporting period were;

1. Lack of an Internal Audit Committee contrary to Section 155(5) of PFM Act, 2012.
2. Diversion of Exchequer Issues, especially for development programmes to recurrent expenditure.
3. Lack of regulations to operationalize the County Emergency Fund, which is contrary to Section 110 and 116 of the PFM Act, 2012.

The County should implement the following recommendations in an effort to improve budget execution:

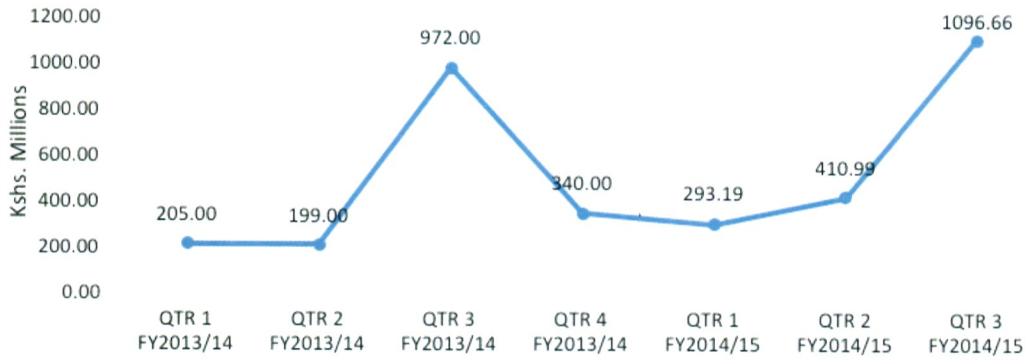
1. *Establish an Internal Audit Committee as per Section 155(5) of the PFM Act, 2012 to enhance oversight of financial operations.*
2. *The County Treasury should ensure issued funds are utilised in line with the funded work plans through timely exchequer notifications to the departments and stringent budgetary controls.*
3. *The County should develop regulations and designate an Administrator to operationalize the County Emergency Fund in line with Section 116 of the PFM Act, 2012.*

Mombasa County

In the FY 2014/15, the approved Supplementary Budget for Mombasa County amounts to Kshs.9.87 billion with Kshs.6.69 billion (67.8 per cent) allocated to recurrent expenditure and Kshs.3.18 billion (32.2 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 31. In order to finance the budget, the County expects to receive Kshs.4.74 billion (48.1 per cent) as transfers from the National Government, collect Kshs.5.12 billion (51.9 per cent) from local sources, and obtain Kshs.3.92million (0.04 per cent) grants from DANIDA.

During the first nine months of FY 2014/15, the County received Kshs.3.07 billion from the National Government as direct transfer to the CRF raised Kshs.1.97 billion from local sources, and had Kshs.435.49 million as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.1.10 billion which is an improvement from Kshs.293.19 million collected in the first quarter and Kshs.410.99 million collected in the second quarter of FY 2014/15. The total local revenue generated as at March 2015 accounted for 21.4 per cent of the annual local revenue target. Figure 113 below, shows the trend of local revenue collection by quarter.

Figure 114: Mombasa County Trend in Local Revenue Collection by Quarter



Source: *Mombasa County Treasury*

During the reporting period, the County accessed **Kshs.4.86 billion** from the CRF which is 49.2 per cent of the approved Supplementary Budget, an improvement from 28.2 per cent in the same period of FY 2013/14. This amount consisted of Kshs.3.89 billion (82per cent) for recurrent expenditure and Kshs.872 million (18 per cent) for development activities.

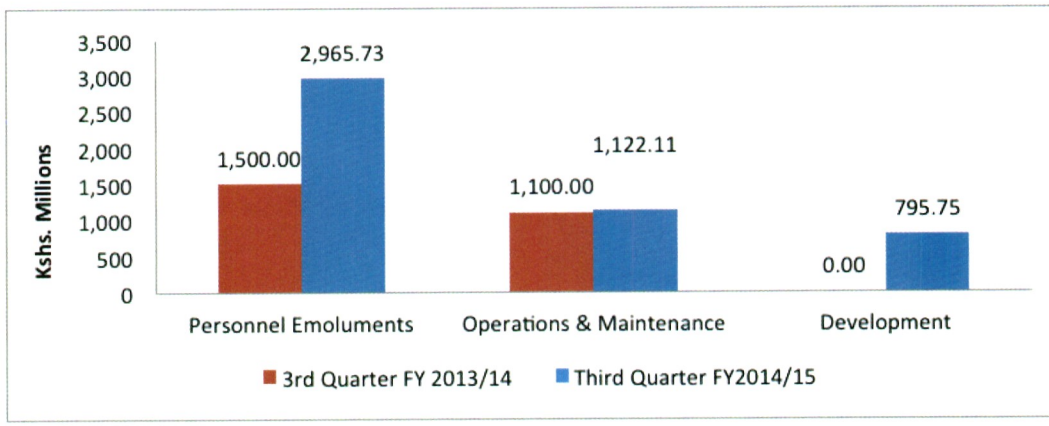
The county spent a total of **Kshs.4.86 billion** during the first nine months of FY 2014/15, which is 100.1 per cent of the total funds released and an improvement from the Kshs.2.7 billion spent in the same period of FY 2013/14. A total of Kshs.4.07 billion (83.6 per cent) was spent on recurrent activities while Kshs.795.75 million (16.4 per cent) on development activities. Recurrent expenditure was 102 per cent of the funds released for recurrent activities while development expenditure accounted for 91.3 per cent of the funds released for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **60.8 per cent** of the annual recurrent budget, an increase from an absorption rate of 38.3 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of **25 per cent** of the annual development budget, an improvement from an absorption rate of 0 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.4.07 billion shows that the County

spent Kshs.2.97 billion (72.9 per cent) on personnel emoluments and Kshs.1.1 billion (27.1 per cent) on operations and maintenance expenditure (which also includes Kshs.577.86 million which is debt repayment & pending bills). Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.1.5 billion. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 114 below.

Figure 115: Mombasa County, Third Quarter Expenditure by Economic Classification



Source: *Mombasa County Treasury*

A breakdown of expenditure by department shows that Environment, Energy & Natural Resources department had the highest absorption rate of recurrent budget at 81 per cent. County Assembly and County Secretary Departments recorded the second and third highest recurrent budget absorption rates of 78.9 per cent and 71.8 per cent respectively. On the other hand, the Public Service Commission Department had the lowest absorption rate of the annual recurrent budget at 34.9 per cent, followed by Tourism, Betting and Control Development Department at an absorption rate of 37.4 per cent. The expenditure of various departments is summarised in Table 31.

Table 31: Mombasa County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs.Million		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		EXPENDITURE TO EXCHEQUER ISSUES		EXPENDITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Tourism,Betting and Control	107.65	51.64	49.43	15.00	40.28	3.29	81.5%	21.9%	37.4%	6.4%
Transport and Infrastructure	332.26	597.20	272.58	284.08	225.28	238.07	82.6%	83.8%	67.8%	39.9%
Youth,Gender and Sports	202.12	80.89	158.07	10.00	104.81	2.33	66.3%	23.3%	51.9%	2.9%
Finance and Economic planning	1839.03	510.44	844.74	90.92	906.47	66.33	107.3%	73.0%	49.3%	13.0%
Health Services	1770.39	339.55	1325.27	210.00	1134.91	34.45	85.6%	16.4%	64.1%	10.1%
Education & Polytechnic	198.33	188.00	177.21	0.00	129.20	51.70	72.9%	0.0%	65.1%	27.5%
Trade and Cooperative Development	165.09	414.57	104.48	240.00	107.78	125.41	103.2%	52.3%	65.3%	30.2%
Environment, Energy & Natural Resources	452.43	309.69	381.18	10.00	366.37	147.99	96.1%	1479.9%	81.0%	47.8%
Lands, Housing & Public Works	191.93	93.76	94.48	0.00	94.49	14.37	100.0%	0.0%	49.2%	15.3%
Agriculture , Livesrock & Fisheries.	156.17	135.67	117.41	0.00	69.20	6.96	58.9%	0.0%	44.3%	5.1%
Public Service Commission	62.09	23.70	42.45	12.00	21.65	0.00	51.0%	0.0%	34.9%	0.0%
County Secretary	572.64	0.00	18.50	0.00	411.02	0.00	2221.7%	0.0%	71.8%	0.0%
County Executive	232.47	406.21	198.11	0.00	156.81	98.65	79.2%	0.0%	67.5%	24.3%
County Assembly	405.03	31.35	200.65	0.00	319.58	6.20	159.3%	0.0%	78.9%	19.8%
Total	**6,687.64**	**3,182.6594**	**3,984.5685**	**872.00**	**4,087.84**	**795.75**	**102.6%**	**91.3%**	**61.1%**	**25.0%**

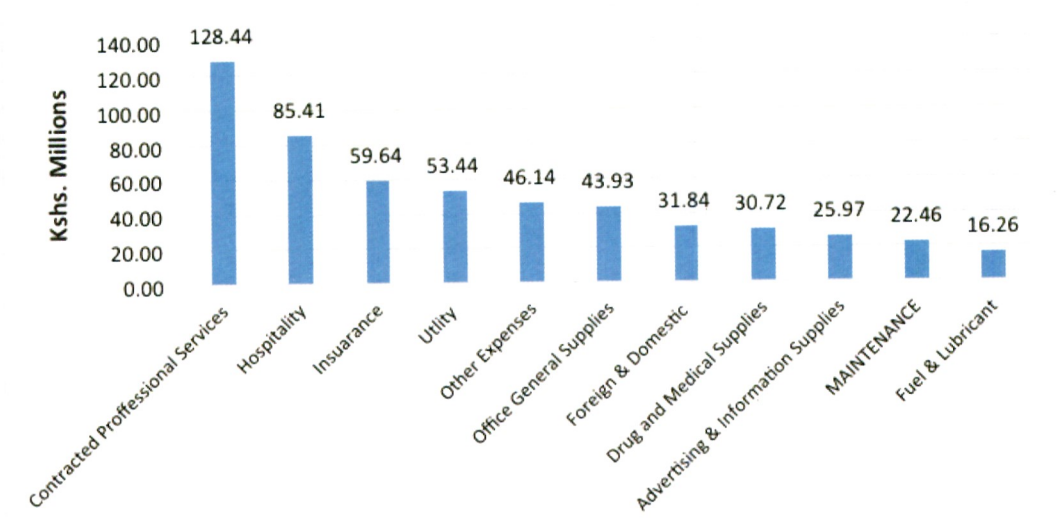
Source: *Mombasa County Treasury*

The County spent Kshs.59.52 million on sitting allowances to the 43 MCAs, representing an absorption rate of 110.7 per cent of the annual budget. Each MCA was paid an average monthly sitting allowance of Kshs.153,810 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.31.84 million

compared to Kshs.24.4 million in the same period of FY 2013/14, representing an increase of 30.5 per cent. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 115.

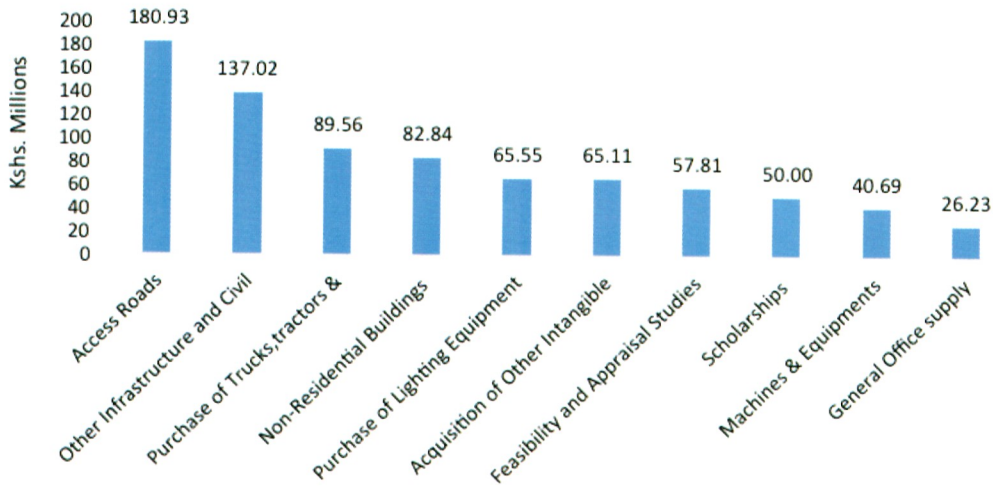
Figure 116: Mombasa County, Operations and Maintenance Expenditure



Source: *Mombasa County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.180.93 million on development and maintenance of access roads, Kshs.137.02 million on construction of other infrastructure and civil works, Kshs.89.56 million on purchase of trucks, tractors & graders, Kshs.82.84 million on refurbishment of non-residential buildings, Kshs.65.55 million on purchase and installation of street lights, Kshs.65.11 million on acquisition of other intangible, Kshs.57.81 million on feasibility and appraisal Studies, Kshs.50 million on scholarships, Kshs.40.69 million on purchase of machines and equipment, and Kshs.26.23 million on general office supplies as shown in Figure 116.

Figure117: Mombasa County Analysis of Development Expenditure



Source: *Mombasa County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. So far, the following issues have been addressed: i) improvement in the procurement process resulting in improved absorption of development funds, ii) imprest surrender is made within the reasonable time, failure to which, the imprest holder is surcharged, and iii) automation of the revenue collection system.

The challenges that continued to hamper effective budget implementation in the reporting period were;

1. Diversion of funds released for development programmes to recurrent activities, implying weak budgetary control.
2. Absence of designated administrators of established County Public Funds.
3. High wage bill, where personnel emoluments stood at Kshs.2.97 billion for the first nine months of FY 2014/15 (61 per cent of total expenditure) compared to Kshs.1.5 billion in the same period in FY 2014/15 (56 per cent of total expenditure).

The County should implement the following recommendations in order to improve

budget execution:

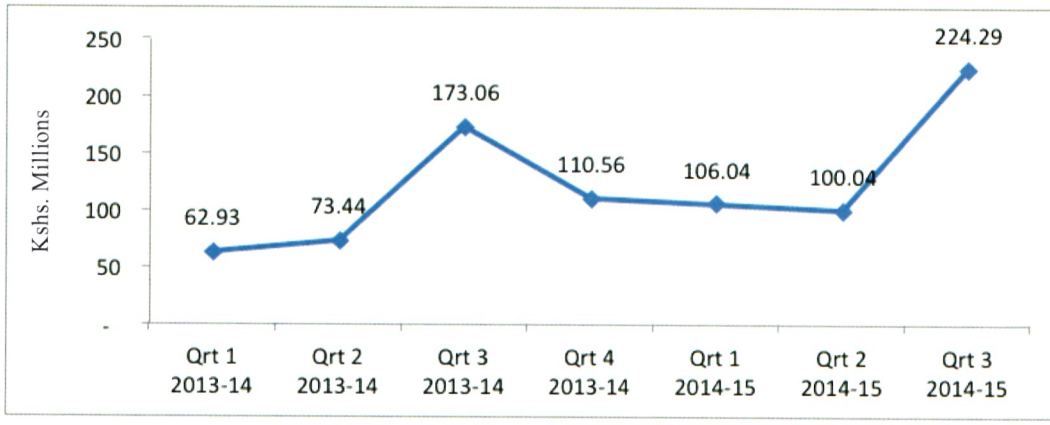
1. *The County Treasury should ensure that approved withdrawals are utilised for intended purposes through timely exchequer notifications to the departments and stringent budgetary controls.*
2. *The County should appoint Administrators for all established County Funds in line with requirements of section 116 of the PFM Act, 2012.*
3. *The County should liaise with the National Government to evaluate its staffing levels under the CARPS programme.*

Murang'a County

In the 2014/15 financial year, the approved Supplementary Budget for Murang'a County amounts to Kshs.5.98 billion with Kshs.2.86 billion (47.9 per cent) allocated to recurrent expenditure and Kshs.3.12 billion (52.1 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 32. To finance this budget, the County expects to receive Kshs.4.67 billion (78.1 per cent) transfers from the National Government, collect Kshs.800 million (13.4 per cent) from local sources, DANIDA grant of Kshs.22.43 million (0.4 per cent) and Kshs.486 million(8.1 per cent) as projected cash balance from FY 2013/14.

During the period July 2014 to March 2015, the County received Kshs.3.40 billion from the National Government as direct transfer to the CRF, raised Kshs.430.37 million from local sources and had Kshs.485.73 million as cash balance brought forward from FY 2013/14. The local revenue raised in the period under review was Kshs.224.29 million which is an improvement from Kshs.106.04 million collected in the first quarter and Kshs.100.04 million collected in the second quarter of FY 2014/15. The Local revenue raised in the period accounted for 53.8 per cent of the annual local revenue target. Figure 117 shows the trend of local revenue collection by quarter.

Figure 118: Murang'a County Trend in Local Revenue Collection by Quarter



Source: *Murang'a County Treasury*

During the period under review, the County accessed Kshs.3.90 billion from the CRF, which is 65.2 per cent of the Approved Supplementary Budget, an improvement from 43.5 per cent in the same period of financial year 2013/14. This amount constituted of Kshs.2.17 billion (55.6 per cent) for recurrent expenditure and Kshs.1.73 billion (44.4 per cent) for development activities.

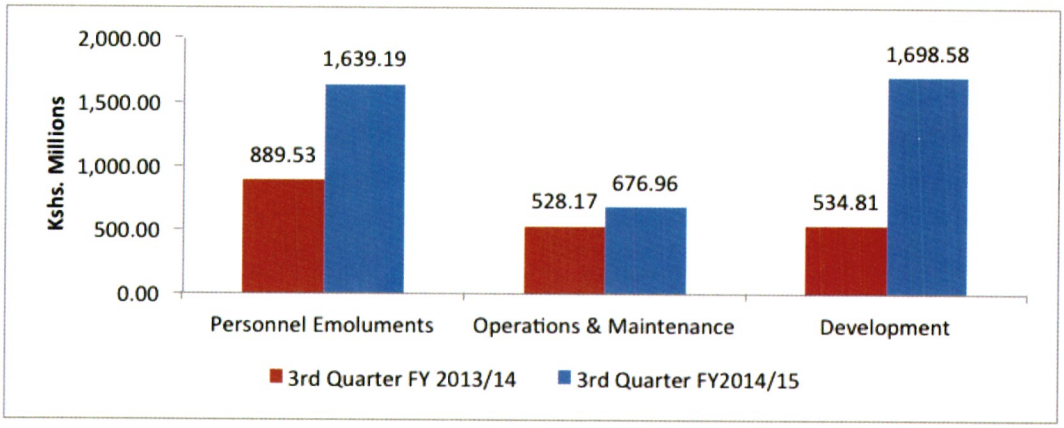
The county spent a total of Kshs.4.01 billion during the nine months of FY 2014/15 which was 103.0 per cent of the total funds released for operations and an improvement from the Kshs.1.89 billion spent in the same period of FY 2013/14. Kshs.2.32 billion (57.7 per cent) was spent on recurrent activities and Kshs.1.70 billion (42.3 per cent) on development activities. Recurrent expenditure was 106.9 per cent of the funds released while development expenditure accounted for 98.1 per cent. This expenditure does not include outstanding commitments as at 31st March, 2015 that amounted to Kshs.3.84 million for recurrent expenditure and Kshs.23.43 million for development activities as per IFMIS report. However, these amounts have not changed since end of half year and therefore require to be updated. The county spending above the funds released by controller of budget is attributable to bank overdraft that was not guaranteed by National Treasury as required by the law.

The recurrent expenditure for the period under review represented an absorption rate of 80.9 per cent of the annual recurrent budget, an increase from an absorption rate

of 52.1 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of 54.5 per cent of the annual development budget, an improvement from an absorption rate of 18.4 per cent realized in the same period of FY2013/14.

Breakdown of the recurrent expenditure of Kshs.2.32 billion shows that the County spent Kshs.1.64 billion (70.8 per cent) on personnel emoluments and Kshs.676.96 million (29.2 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.889.53 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 118 below.

Figure 119: Murang'a County, Third Quarter Expenditure by Economic Classification



Source: *Murang'a County Treasury*

Further review of expenditure by department shows that Environment and Natural Resources department had the highest absorption rate of its annual recurrent budget while the Energy, Transport & Infrastructure Department had the highest absorption rate of annual development budget at 106.3 per cent. On the contrary, the Energy, Transport & Infrastructure Department had the lowest absorption rate of its annual recurrent budget at 4.9 per cent while Environment and Natural Resources Department did not report any development expenditure. The expenditure by the various departments is summarised in Table 32.

Table 32: Murang'a County Budget and Expenditure by Department for the Third Quarter of FY 2014/15 in Kshs. Millions.

Department After Supplementary	Approved Supplementary Budget- Amendment (March 2015)		Total Exchequer Issues as at March 31, 2015		Expenditure as at 31st March 2015		% of Expenditure to Exchequer Issues		% of Expenditure to Budget Allocation	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture ,Livestock & Irrigation	268.0	*532.0*	198.2	390.0	563.8	140.6	284.5%	36.0%	210.4%	26.4%
Commerce, Industry & Cooperative Development	200.9	*488.0*	156.6	262.5	17.3	138.1	11.0%	52.6%	8.6%	28.3%
County Assembly	386.5	*283.7*	257.2	85.0	158.6	156.8	61.7%	184.5%	41.0%	55.3%
Education & Technical Training	141.6	*247.0*	131.7	78.0	27.6	128.4	21.0%	164.6%	19.5%	52.0%
Energy, Transport & Infrastructure	224.3	*681.0*	151.8	501.0	11.1	723.7	7.3%	144.4%	4.9%	106.3%
Environment and Natural Resources	0.0	*34.8*	0.0	13.0	0.1	-	> 100.0%	0.0%	>100.0%	0.0%
Finance & Economic Planning, Information and Technology	496.0	*404.0*	288.7	38.5	389.2	39.4	134.8%	102.5%	78.5%	9.8%
Health and Sanitation	588.8	*326.0*	527.0	270.0	584.6	283.7	110.9%	105.1%	99.3%	87.0%
Lands Housing and Physical Planning	67.0	*53.0*	55.5	38.0	4.8	38.9	8.6%	102.2%	7.1%	73.3%
Public Service & Administration	379.2	*0.0*	313.4	0.0	532.8	-	170.0%	0.0%	140.5%	0.0%
Youth Culture, Gender, Social Services & Special Programs	111.8	*68.0*	86.0	56.0	26.2	49.1	30.4%	87.7%	23.4%	72.2%
Grand Totals	**2,864.1**	**3,117.5**	**2,166.1**	**1,732.0**	**2,316.1**	**1,698.6**	**106.9%**	**98.1%**	**80.9%**	**54.5%**

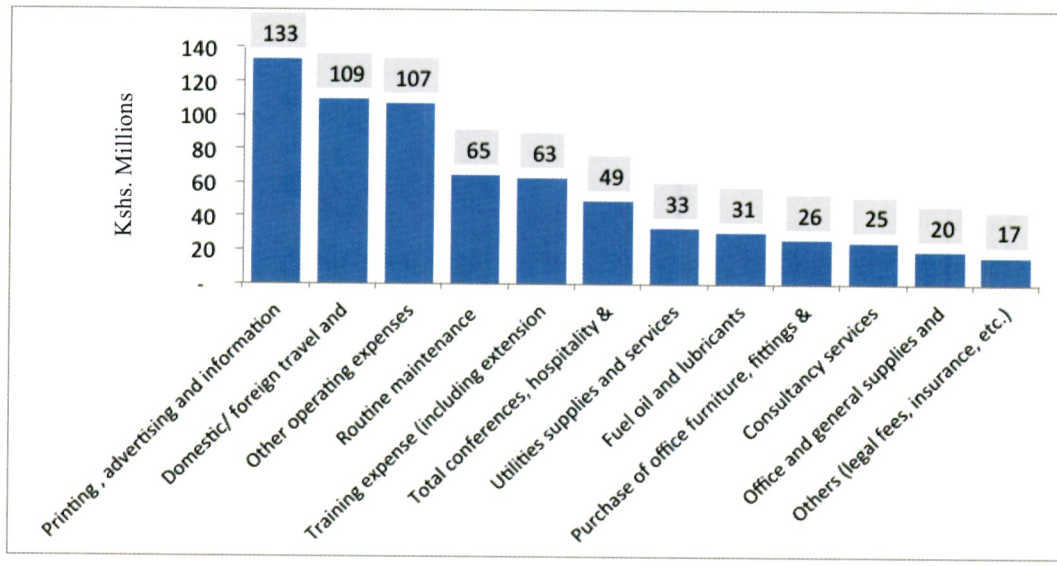
Source: *Murang'a County Treasury*

From Table 36, the Energy, Transport and Infrastructure Department reported an absorption rate above the development budget amount by 6.3 per cent and had the highest absorbing rate. The Finance & Economic Planning, Information and Technology Department, and the Environment and Natural Resource Department had the least absorption rate of 9.8 and 0.0 per cent. Agriculture, Livestock & Irrigation, Environment and Natural Resource and Public Service and Administration Departments have an absorption rate above 100 per cent. This therefore implies failure to adhere to the budget during implementation which could be attributed to the central payment system adopted by the County Treasury.

The County spent Kshs.44.53 million on payment of sitting allowances to the 50 MCAs and the speaker, representing an absorption rate of 87.2 per cent of the annual budget, an increase from the Kshs.27.14 million spent in the same period of 2013/14 financial year. Each MCA received an average monthly sitting allowance of Kshs.98,952 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs. 109.48 million compared to Kshs.62.69 million in the same period of FY 2013/14, representing an increase of 73.9 per cent. This expenditure comprised of Kshs.27.34 million incurred by the County Assembly and Kshs.82.14 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 119.

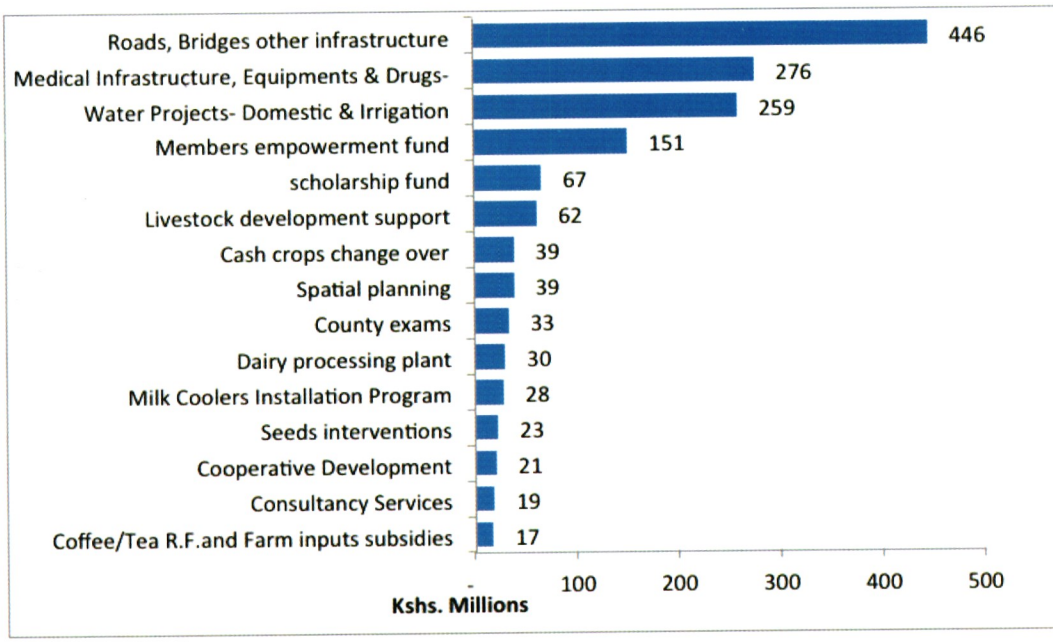
Figure 120: Murang'a County, Operations and Maintenance Expenditure



Source: *Murang'a County Treasury*

Analysis of the development expenditure for the period under review of Kshs.1.70 billion shows that the County spent Kshs.446.39 million on constructions and maintenance of roads, bridges and other infrastructure such as culverts, Kshs.275.70 million on development and purchasing of medical infrastructure, equipment, drugs- non pharmaceuticals, Kshs.259.13 million on construction of water projects for domestic and irrigation and Kshs.151.18 million on MCAs revolving fund for car loans and mortgages. Another Kshs.66.62 million was spent on scholarship program, Kshs.61.69 million on livestock development program which involves A.I crushes, services, equipment and products and Kshs.437.56 million on other developments as shown in Figure 120, which displays the top 15 programs.

Figure 121: Murang'a County Analysis of Development Expenditure



Source: *Murang'a County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. So far, the County has implemented the following recommendations: (i) allocating funds to ongoing projects from FY 2013/14 through the Supplementary Budget; and (ii) revising local revenue targets from Kshs.1.14 billion to Kshs.800 million.

The challenges that hampered effective budget implementation during the reporting period were as follows:

1. Diversion of approved withdrawals to activities that had not been included in the funded work plan.
2. Lack of Internal Audit Committee contrary to Section 155(5) of the PFM Act, 2012.
3. Irregular overdraft facility from a commercial bank of Kshs.200 million.
4. Weak formulation of Supplementary Budget where new departments were introduced while some allocations were reduction reduced below expenditure already incurred.

5. Late submission of monthly financial reports to COB.

The County should implement the following recommendations in order to improve budget execution:

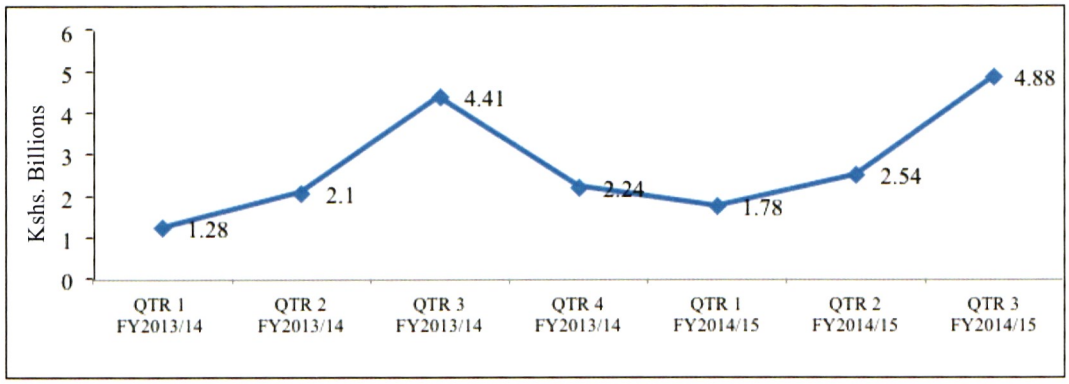
1. *The County Treasury should ensure that approved withdrawals are utilised for intended purposes through timely exchequer notifications to the departments and stringent budgetary controls.*
2. *The County should establish an Internal Audit Committee to enhance oversight and management control financial operations.*
3. *The County Treasury should ensure that all County borrowing is guaranteed by the National Treasury in line with provisions of the PFM Act, 2012.*
4. *Formulation of Supplementary Budget should consider expenditure and commitments in to guide in the allocation of funds.*
5. *The County Treasury should submit financial reports on a timely basis.*

Nairobi City County

In the 2014/15 financial year, the approved Budget for Nairobi City County amounts to Kshs.28.76 billion with Kshs.19.35 billion (67.3 per cent) allocated to recurrent expenditure and Kshs.9.41 billion (32.7 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 33. In order to finance this budget, the County expects to receive Kshs.11.0 billion (38.2 per cent) as transfers from the National Government, collect Kshs.17.76 billion (61.8 per cent) from local sources and DANIDA grant of Kshs.24.9 million (0.1 per cent).

During the first nine months of FY 2014/15, the County received Kshs.7.34 billion from the National Government as direct transfer to the CRF and raised Kshs.9.20 billion from local sources. The local revenue raised in the third quarter was Kshs.4.88 billion which is an improvement from Kshs.1.78 billion collected in the first quarter and Kshs.2.54 billion collected in the second quarter of FY 2014/15. The total local revenue raised as at March 2015, accounted for 51.8 per cent of the annual local revenue target. Figure 121 below shows the trend of local revenue collection by quarter.

Figure 122: Nairobi City County Trend in Local Revenue Collection by Quarter



Source: *Nairobi County Treasury*

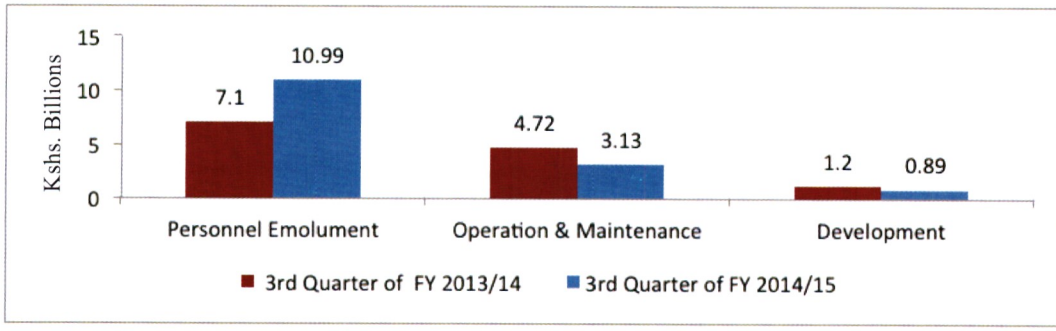
During the reporting period, the County accessed Kshs.9.22 billion from CRF which is 32 per cent of the approved budget, an improvement from 15 per cent in the same period of FY 2013/14. This amount consisted of Kshs.8.86 billion (96.1 per cent) for recurrent expenditure and Kshs.0.36 billion (3.90 per cent) for development activities.

The county spent a total of **Kshs.15.00 billion** during the first nine months of FY 2014/15 which is 162.66 per cent of the total funds released for operations and an improvement from the Kshs.13.02 billion spent in the same period of FY 2013/14. A total of Kshs.14.12 billion (94.1 per cent) was spent on recurrent activities while Kshs.0.89 billion (5.9 per cent) on development activities. Recurrent expenditure was 159.3 per cent of the funds released for recurrent activities while development expenditure accounted for 246.0 per cent of the funds released for development activities.

The recurrent expenditure for the period under review represented an absorption rate of 73.0 per cent of the annual recurrent budget, an increase from an absorption rate of 19 per cent realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of 9.4 per cent of the annual development budget, a decline from an absorption rate of 33.0 per cent realized in the same period of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.14.12 billion shows that the County spent Kshs.10.99 billion (77.8 per cent) on personnel emoluments and Kshs.3.13 billion (22.2 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.7.10 billion. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 122.

Figure 123: Nairobi City County, Third Quarter Expenditure by Economic Classification



Source: *Nairobi City County Treasury*

A breakdown of expenditure by department shows that the Public Service Management Department had the highest recurrent budget absorption rate at 96.9 per cent while the Department of Water, Energy, Environment, Forestry and Natural Management had the highest absorption rate of development budget at 21.1 per cent. On the other hand, the County Public Service Board had the lowest absorption rate of its annual recurrent budget at 36.3 per cent while the Health Department had the lowest absorption rate of its annual development budget at 6.11 per cent. The expenditure of various departments is summarised in Table 33.

Table 33 Nairobi County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION ((Kshs.millions		EXCHEQUER ISSUES (Kshs.millions)		EXPENDITURE (Kshs.millions)		% of Expenditure to Exchequer Issues		% of Expenditure to Budget Allocation	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Public Service Board	101.72	50	26.78		36.97	3.64	138.1		**36.3**	**7.3**
Office Of the Governor	4659.03	516	1,714		3,839	16.74	224.0		**82.4**	**3.2**
ICT,E-Government & Public Communications	72.27	450	30.75		51.82	68.51	168.5		**71.7**	**15.2**
Finance & Economic Planning	2153.86	127	1491		1682	18.77	112.8		**78.1**	**14.8**
Health	5229.76	910.5	2,218	50	3599	55.62	162.3	111.2	**68.8**	**6.1**
Physical Planning, Lands & Housing	387.39	555	210		245	0	116.7		**63.2**	**0.0**
Public Works & Infrastructure	1330.29	5359	918	260	757.2	623	82.5	239.6	**56.9**	**11.6**
Education, Youth Affairs ,Sports Culture & Social Services	1558.04	443	608		913	27.31	150.2		**58.6**	**6.2**
Trade ,Co-operative, Indust-rialisation	226.31	430	74		162.3	7.6	219.3		**71.7**	**1.8**
Public Service Management	961.64	42	139		931.9	0	670.4		**96.9**	**0.0**
Agriculture, Livestock & Fisheries Development	325.1	50	127		181.5	0	142.9		**55.8**	**0.0**
Water, Energy Environment Forestry & Natural Resources	839.85	160.6	431		783.8	33.92	181.9		**93.3**	**21.1**
County Assembly	1504.13	320.1	870	50	932.4	30.65	107.2	61.3	**62.0**	**9.6**
TOTAL	**19,349.39**	**9,413.20**	**8,857.53**	**360.00**	**14,115.89**	**885.76**	159.4	246.0	**73.0**	**9.4**

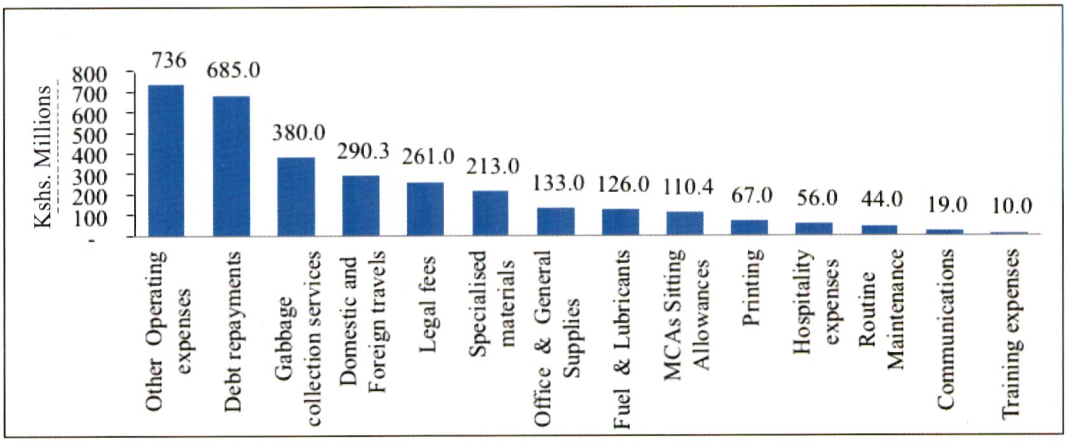
Source: *Nairobi City County Treasury*

*Expenditure by department does not include Kshs.685.05 million for pending bills made during the reporting period.

The County spent Kshs.110.44 million on sitting allowances to the 128 MCAs, representing an absorption rate of 54.8 per cent of the annual budget, an increase from the Kshs.98.29 million spent in the same period of 2013/14 financial year. Each MCA received an average monthly sitting allowance of Kshs.95,871 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.290.26 million compared to Kshs.55.10 million in the same period of FY 2013/14, representing increase of 440 per cent. This comprised of travel expenditure for the County Assembly and the County Executive amounting to Kshs.177.50 million and 112.76 million respectively. The breakdown of operations and maintenance expenditure for the period under review is shown in the Figure 123.

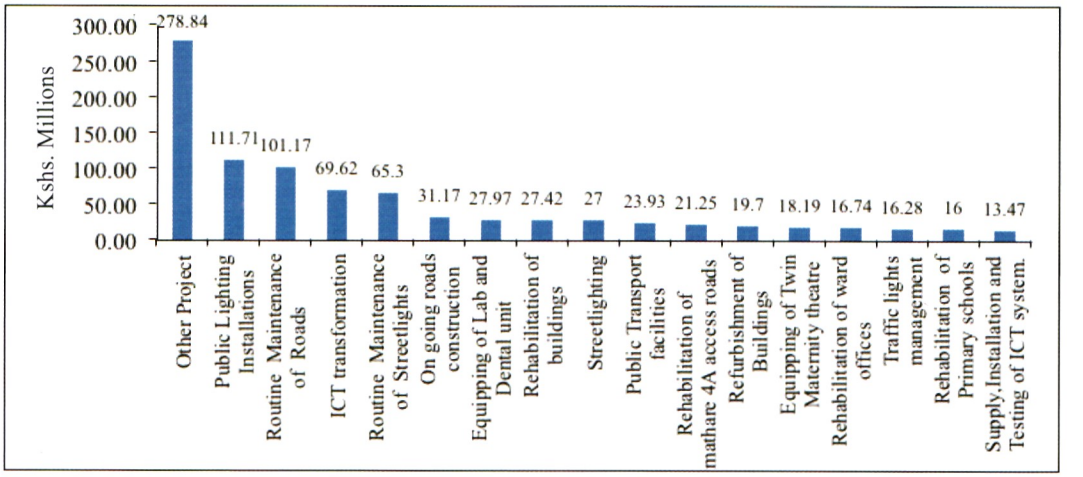
Figure 124: Nairobi City County, Operations and Maintenance Expenditure



Source: *Nairobi City County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.112 million on street lighting installation, Kshs.101 million on routine maintenance of street lighting, Kshs.70 million on ICT transformation, Kshs.65 million on routine maintenance of roads Kshs.31 million on ongoing project Kshs.28 million on equipping of lab and dental units, and Kshs.27 million on rehabilitation of building and as shown in Figure 124.

Figure 125: Nairobi City County Analysis of Development Expenditure



Source: *Nairobi City County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. The following issues have been addressed: (i) full operationalization of IFMIS; (ii) compliance with the budget timelines, and (iii) automation of revenue collection that has resulted in increased local revenue collection.

The challenges that hampered effective budget implementation in the reporting period were;

1. Low absorption of Development funds which stands at 9.4 per cent of the annual development budget.
2. Failure to deposit all locally generated revenue into the County Revenue Fund.

The County should implement the following recommendations in order to improve budget execution:

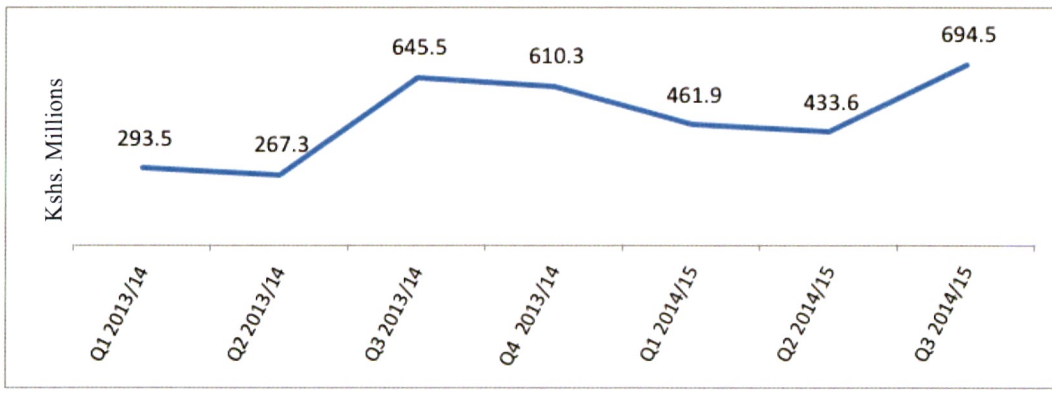
1. *The County should put in place mechanisms to address the low absorption of development budget.*
2. *The County Treasury should ensure that all locally generated revenue is deposited intact into the County Revenue Fund.*

Nakuru County

In the FY 2014/15, the approved Supplementary Budget for Nakuru County amounts to Kshs.10.62 billion with Kshs.7.05 billion (66.4 per cent) allocated to recurrent expenditure and Kshs.3.57 billion (33.6 per cent) to development expenditure. The budget allocation and expenditure by department is shown in Table 34. In order to finance this budget, the County expects to receive Kshs.6.29 billion (59.3 per cent) as transfers from the National Government, collect Kshs.2.71 billion (25.5 per cent) from local sources, Kshs.95.50 million (0.9 per cent) from DANIDA as conditional grant, Kshs.620.00 (5.8 per cent) million facility improvement funds for level five hospital, and Kshs.906.25 million (8.5 per cent) as projected cash balance from FY 2013/14.

During the first nine months of FY 2014/2015, the County received Kshs.4.25 billion from the National Government as direct transfer to the CRF, raised Kshs.1.59 billion from local sources and had Kshs.906.25 million as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.694.49 million which is an improvement from Kshs.461.94 million collected in the first quarter and Kshs.433.64 million collected in the second quarter of FY 2014/15. The Local revenue raised as at March 2015 accounted for 58.7 per cent of the annual local revenue target. Figure 125 shows the trend of local revenue collection by quarter.

Figure 126: Nakuru County Trend in Local Revenue Collection by Quarter



Source: *Nakuru County Treasury*

During the reporting period, the County accessed **Kshs.5.20 billion** from the CRF

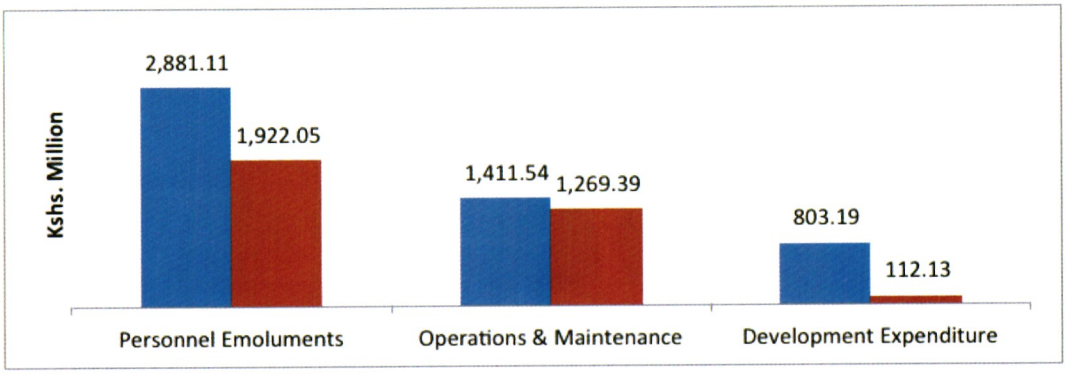
which is 49.0 per cent of the approved Supplementary Budget, an improvement from 46.0 per cent in the same period of financial year 2013/14. This amount consisted of Kshs.4.06 billion (78.0 per cent) for recurrent expenditure and Kshs.1.14 billion (22.0 per cent) for development activities.

The county spent a total of **Kshs.5.10 billion** during the nine months of FY 2014/15 which was 98.0 per cent of the total funds released for operations and an improvement from the Kshs.3.30 billion spent in the same period of FY 2013/14. A total of Kshs.4.29 billion (84.2 per cent) was spent on recurrent activities while Kshs.803.19 million (15.8 per cent) was spent on development activities. Recurrent expenditure was **105.8 per cent** of the funds released for recurrent activities while development expenditure accounted for 70.3 per cent of the funds released for development activities. There were no outstanding commitments as at March, 2015.

The recurrent expenditure for the period under review represented an absorption rate of **60.9 per cent** of the annual recurrent budget, an increase from an absorption rate of 47.1 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of **22.5 per cent** of the annual development budget, an improvement from an absorption rate of 2.8 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.5.10 billion shows that the County spent Kshs.2.88 billion (56.5 per cent) on personnel emoluments and Kshs.1.41 Billion (27.7 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period of the financial year 2013/14 when the County spent Kshs.1.92 Billion. A comparison of the total expenditure between the period under review and the same period in the last financial year is shown in Figure 126.

Figure 127: Nakuru County, Third Quarter Expenditure by Economic Classification



Source: *Nakuru County Treasury*

A breakdown of expenditure by department shows that Offices of Governor and Deputy Governor had the highest recurrent budget absorption rate at 89.9 per cent, while the Department of Agriculture Livestock and Fisheries had the highest absorption rate of development budget at 30.4 per cent. On the other hand ICT and e-Government Department had the lowest absorption rate of its annual recurrent budget at 29.3 per cent while the County Assembly had the lowest absorption rate of development budget at 4.0 per cent. The expenditure of various departments is summarised in Table 34.

Table 34: Nakuru County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

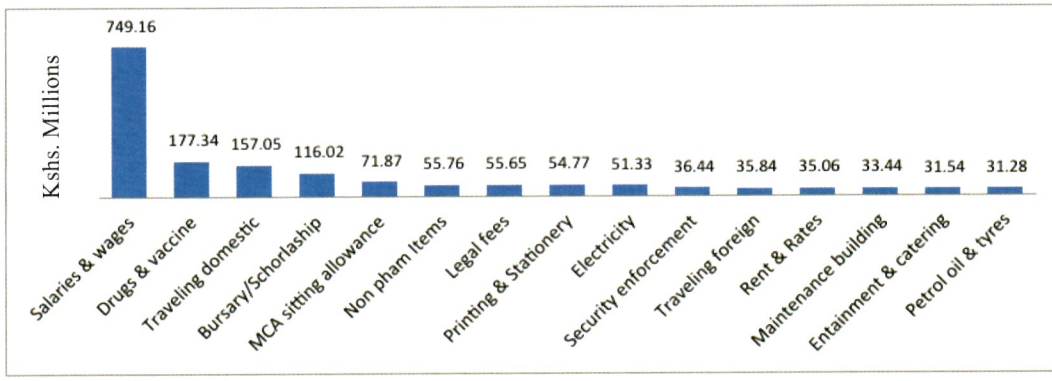
DEPARTMENT	BUDGET ALLOCATION (Kshs. Millions)		EXCHEQUER ISSUES (Kshs. Millions)		EXPENDITURE (Kshs. Millions)		% of Expenditure to Exchequer Issues		% of Expenditure to Budget Allocation	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Office of The Governor & Deputy Governor	222.45	50.00	120.00	2.00	200.00	11.00	166.7	550.0	89.9	22.0
Finance and Economic Planning	661.66	206.20	428.00	139.00	514.00	10.00	120.1	7.2	77.7	4.8
Ministry of Health	2,832.32	625.06	1,873.00	131.00	1,827.00	121.00	97.5	92.4	64.5	19.4
Ministry of Roads, Transport & Public Works	237.42	1,021.37	140.00	353.00	125.00	361.20	89.3	102.8	52.6	35.5
Ministry of Agriculture, Livestock & Fisheries	503.91	131.52	289.00	22.00	336.00	40.00	116.3	181.8	66.7	30.4
Ministry of ICT & e-Government	30.76	53.82	16.00	12.00	9.00	6.00	56.3	50.0	29.3	11.1
Ministry of Education, Culture, Youth Affairs, Sports And Social Services	416.31	573.90	218.00	125.00	194.00	105.00	89.0	84.0	46.6	18.3
Ministry of Land, Housing And Urban Development	80.79	160.37	49.00	28.00	46.00	8.00	93.9	28.6	56.9	5.0
Ministry of Trade, Tourism & Cooperatives	103.89	248.30	49.00	58.00	46.00	55.00	93.9	94.8	44.3	22.2
Ministry of Public Service Management	564.87	10.00	345.00	-	406.00	3.00	117.7	-	71.9	30.0
Ministry of Environment, Water & Natural Resources	254.90	294.84	174.00	79.00	142.00	72.00	81.6	91.1	55.7	24.4
Public Service Board	72.19	50.00	36.00	-	30.00	-	83.3	-	41.6	-
County Assembly	980.88	273.72	319.00	194.00	419.00	11.00	131.4	5.7	42.7	4.0
TOTAL	**6,962.35**	**3,699.11**	**4,056.00**	**1,143.00**	**4,294.00**	**803.20**	**105.9**	**70.4**	**61.7**	**21.8**

Source: *Nakuru County Treasury*

The County spent Kshs.68.33 million on sitting allowances to the 75 MCAs, representing an absorption rate of 50.6 per cent of the annual budget, an increase from the Kshs.42.55 million spent in the same period of 2013/14 financial year. Each MCA received an average monthly sitting allowance of Kshs.101,229 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.81.37 million compared to Kshs.197.97 million in the same period of FY 2013/14, representing a decrease of 58.9 per cent. This expenditure comprised of Kshs.81.37 million incurred by the County Assembly and Kshs.125.16 million by the County Executive. The breakdown of highest operations and maintenance expenditure for the period under review is shown in Figure 127.

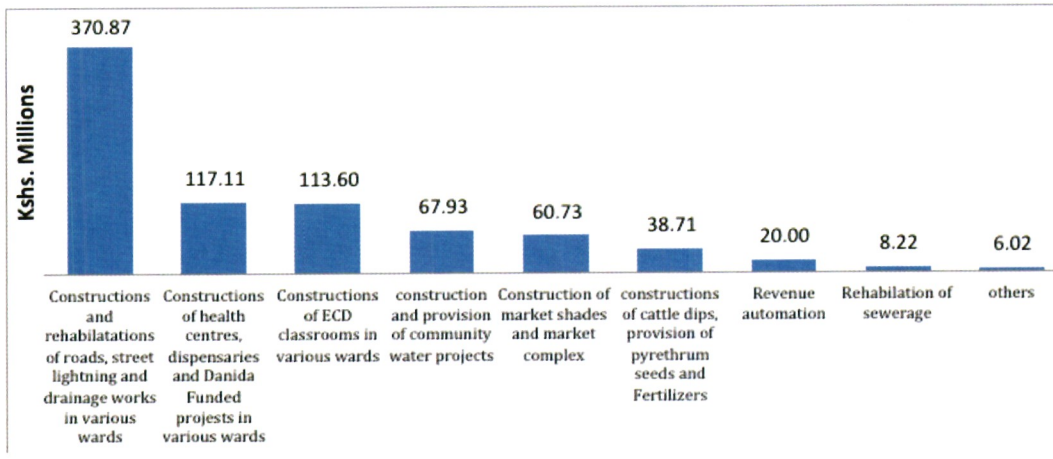
Figure 128: Nakuru County, Operations and Maintenance Expenditure



Source: *Nakuru County Treasury*

Analysis of the development expenditure for the reporting period shows that the County spent Kshs.370.87 million on construction and rehabilitation of roads, street lightning and drainage works, Kshs.117.11 on construction of health centres and dispensaries, Kshs.113.60 million on construction of ECD classrooms, Kshs.67.93 million on construction and provision of community water projects, Kshs.60.73 million on construction of market sheds, and market complexes, Kshs.38.71 million on construction of cattle dips, provision of pyrethrum seeds and fertilizers and Kshs.20.00 million on local revenue automation. Figure 128 shows a summary of the development expenditure.

Figure 129: Nakuru County Analysis of Development Expenditure



Source: *Nakuru County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. The following issues have been addressed: i) full operationalization of IFMIS, ii) automation of revenue collection, iii) human resource capacity building, iv) compliance with budget timelines, and v) designation of departmental accounting officers.

During monitoring of budget implementation in the period under review, the office noted the following issues that need to be addressed;

1. Low absorption of development funds which stood at 22.5 per cent of the annual development budget.
2. Lack of Internal Audit Committee contrary to Section 155(5) of the PFM Act, 2012, which can compromise financial management.
3. Diversion of funds released for development programmes to recurrent activities such as mortgages to MCAs. There were instances where funds released to one department were diverted to other departments signalling weak budgetary control.
4. Absence of designated administrators for established County Public Funds, which affected effective administration and accounting for the Funds.

The County should implement the following recommendations in order to improve budget execution:

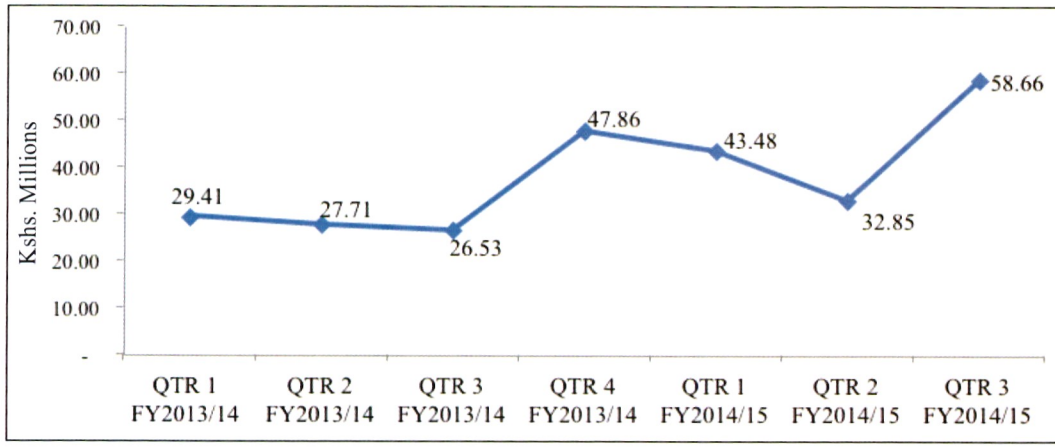
1. *The County should institute appropriate measures in place to improve absorption of development funds.*
2. *The County should constitute an Internal Audit Committee to enhance oversight and management controls in financial management.*
3. *The County Treasury should ensure that issued funds are utilised on the funded work plan through timely exchequer notifications to the departments and strict budgetary control.*
4. *The County Executive Member for Finance should designate an officer to administer t each established County Public Fund in line with Section 116 of the PFM Act, 2012.*

Nandi County

In the 2014/15 financial year, the approved Budget for Nandi County amounts to Kshs.5.19 billion with Kshs.2.78 billion (53.6 per cent) allocated to recurrent expenditure and Kshs.2.41 billion (46.4 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 35. In order to finance this budget, the County expects to receive Kshs.4.06 billion (77.2 per cent) as transfers from the National Government, collect Kshs.456.07 million (8.6 per cent) from local sources, DANIDA grant of Kshs.15.93 million (0.3 per cent) and Kshs.730 million (13.9 per cent) as projected cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.2.68 billion from the National Government as direct transfer to the CRF, raised Kshs.134.98 million from local sources and had Kshs.730.00 million as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.58.66 million which is an improvement from Kshs.43.48 million collected in the first quarter and Kshs.32.85 million collected in the second quarter of FY 2014/15. The total local revenue raised as at March 2015 accounted for 29.6 per cent of the annual local revenue target. Figure 129 below shows the trend of local revenue collection by quarter.

Figure 130: Nandi County Trend in Local Revenue Collection by Quarter



Source: *Nandi County Treasury*

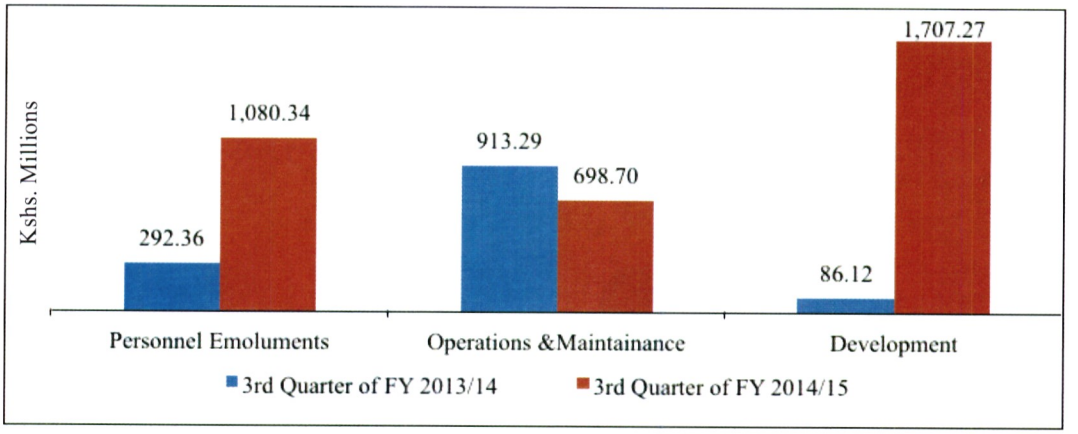
During the reporting period, the County accessed **Kshs.3.53 billion** from the CRF which is 64.7 per cent of the approved budget, a decrease from 85.1 per cent in the same period of FY 2013/14. This amount consisted of Kshs.1.80 billion (50.9 per cent) for recurrent expenditure and Kshs.1.73 billion (49.1 per cent) for development activities.

The county spent a total of **Kshs.3.49 billion** during the first nine months of FY 2014/15 which is 98.8 per cent of the total funds released for operations and an improvement from the Kshs.1.29 billion spent in the same period of FY 2013/14. A total of Kshs.1.78 billion (51.0 per cent) was spent on recurrent activities and Kshs.1.71 million (49.0 per cent) on development activities. Recurrent expenditure was 98.9 per cent of the funds released for recurrent activities while development expenditure accounted for 98.6 per cent of the funds released for development activities. The expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.10.7 million for recurrent expenditure and Kshs.3.6 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **63.9 per cent** of the annual recurrent budget, an increase from an absorption rate of 47.1 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of **70.9 per cent** of the annual development budget, an improvement from an absorption rate of 8.4 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.1.78 billion shows that the County spent Kshs.1.08 billion (60.7per cent) on personnel emoluments and Kshs.698.70 million (39.3 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period of FY 2013/14 when the County spent Kshs.292.36 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 130.

Figure 131: Nandi County, Third Quarter Expenditure by Economic Classification



Source: *Nandi County Treasury*

A breakdown of expenditure by department shows that Office of the Governor had the highest absorption rate of recurrent budget at 75.6 per cent while the Department of Water, Sanitation & Natural Resources had the highest absorption rate of its annual development budget at 98.7 per cent. On the other hand, the Gender, Culture & Social Development Department had the lowest absorption rate of its annual recurrent budget at 26.7 per cent while Land, Housing and Physical Planning Department had the lowest absorption rate of its annual development budget at 26.2 per cent. The expenditure of various departments is summarised in Table 35.

Table 35: Nandi County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

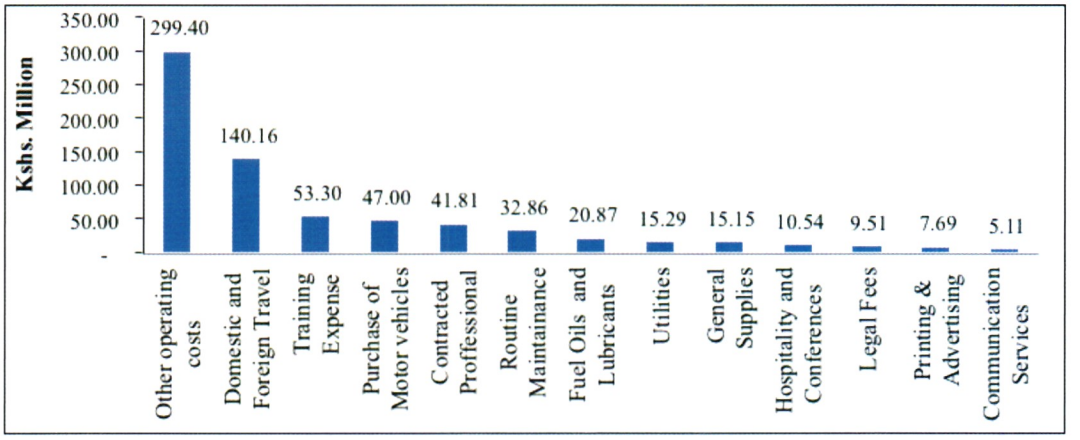
DEPARTMENT	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million)		% of expenditure to Exchequer Issues		% of Expenditure to Budget Allocation	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Office of the Governor	263.36	206.08	176.95	125.08	199.18	128.76	112.6	102.9	**75.6**	**62.5**
Finance and Economic Planning	638.67	49.02	346.65	21.40	406.43	16.75	117.2	78.3	**63.6**	**34.2**
Education, Sport, Youth & ICT	164.88	342.48	109.46	261.50	69.30	167.17	63.3	63.9	**42.0**	**48.8**
Health Services	693.78	364.25	477.24	334.00	523.91	288.14	109.8	86.3	**75.5**	**79.1**
Gender, Culture & Social Development	27.15	69.02	18.96	45.00	7.25	35.83	38.2	79.6	**26.7**	**51.9**
Public Works, Roads and Transport	159.48	541.00	104.53	447.00	89.87	476.14	86.0	106.5	**56.4**	**88.0**
County Assembly	363.76	199.56	249.85	49.06	237.80	159.33	95.2	324.8	**65.4**	**79.8**
Lands, Housing & Physical planning	79.42	114.40	54.26	75.00	42.42	30.00	75.4	40.0	**53.4**	**26.2**
Trade, industrialization and tourism	52.94	89.02	35.68	63.50	20.88	67.98	58.5	107.1	**39.4**	**76.4**
County Public Service Board	45.00	0.00	28.85	0.00	17.97	0.00	62.3	0.0	**39.9**	**0.0**
Agriculture	243.44	138.33	162.93	70.61	147.21	45.84	90.4	64.9	**60.5**	**33.1**
Water, sanitation & natural resources	50.27	295.00	32.87	239.83	16.80	291.22	51.1	121.4	**33.4**	**98.7**
TOTAL	**2,782.15**	**2408.16**	**1,798.22**	**1731.98**	**1,779.04**	**1707.18**	**98.8**	**98.6**	**63.9**	**70.9**

Source: *Nandi County Treasury*

The County spent Kshs.31.36 million on sitting allowances to the 49 MCAs, an increase from the Kshs.31.1 million spent in the same period of FY 2013/14. It was difficult to ascertain the absorption rate since the MCAs sitting allowance budget and personnel emoluments allocation were combined. Each MCA received an average monthly sitting allowance of Kshs.71,108 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.140.16 million compared to Kshs.88.79 million in the same period of FY 2013/14, representing an increase of 157.86 per cent. This expenditure comprised of Kshs.23.48 million incurred by the County Assembly and Kshs.116.68 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 131.

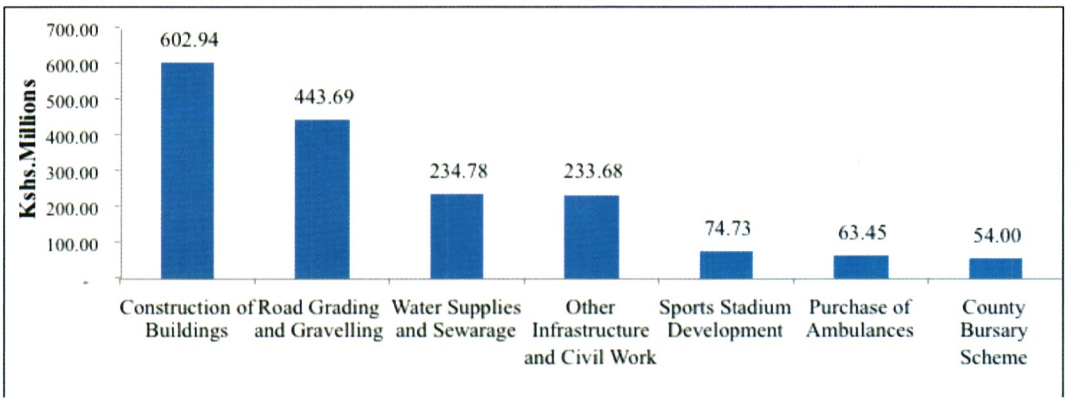
Figure 132: Nandi County, Operations and Maintenance Expenditure



Source: *Nandi County Treasury*

Analysis of the development expenditure for the reporting period shows that the County spent Kshs.602.94 million on construction of buildings; Kshs.443.69 million grading and gravelling of 938.9 kilometres of road, 2 bridges and 2 vented drifts; Kshs.234.78 million on water supplies and sewerage; Kshs.233.68 million on other infrastructure and civil work; Kshs.74.73 million on Kipchoge and Nandi hills sports stadium; Kshs.63.45 million on purchase of six ambulances and Kshs.54.00 million on County Bursary Scheme as shown in Figure 132.Error! Reference source not found.

Figure 133: Nandi County Analysis of Development Expenditure



Source: *Nandi County Treasury*

In the previous CBIRRs, the office made some recommendations to address the challenges facing budget execution in the County. So far, the following issues have been addressed: (i) full operationalization of IFMIS, (ii) establishment of an Audit Committee, and (iii) human capacity building, especially in the Procurement and Finance Departments.

During monitoring of the budget in the reporting period, the office noted the following issues that need to be addressed.

1. Delay by the County Assembly to pass the Finance Bill, 2014 which has affected revenue collection.
2. Lack of property valuation roll register to guide in property rates collection, which has negatively affected the revenue stream.
3. Failure to establish the County Budget and Economic Forum, contrary to Section 137 of the PFM Act, 2012.
4. Lack of regulations to operationalize the Emergency and Disaster Fund.
5. Failure to provide quarterly financial statements on the established County Public Funds i.e., Education Fund and Car Loan and Mortgages Fund for the MCAs in line with Section 168 of the PFM Act,2012.
6. The County Assembly is yet to fully adopt IFMIS in financial operations.

The County should implement the following recommendations in an effort to improve budget execution:

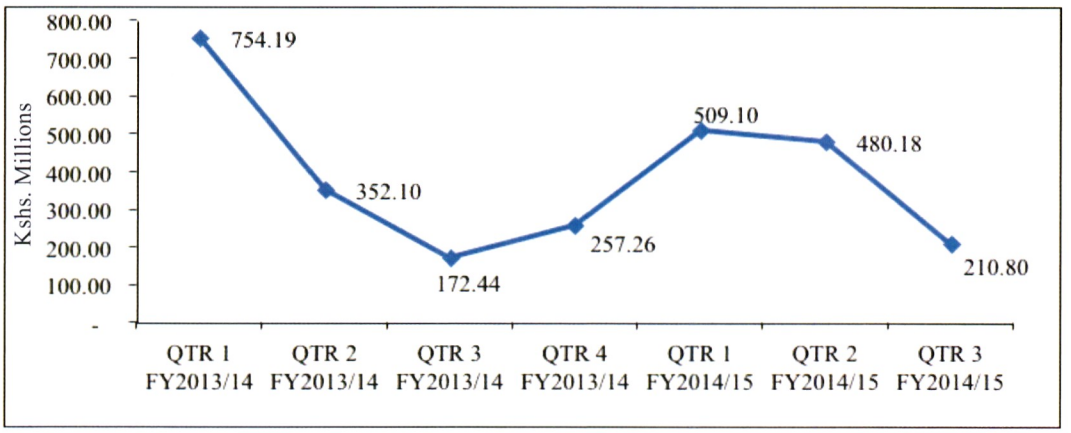
1. *Expedite the approval of the Finance Bill to provide legal basis for local revenue collection.*
2. *The County Treasury should develop a Property Roll Register to guide in the collection property rates.*
3. *The County should constitute the County Budget and Economic Forum as per section 137 of the PFM Act, 2012.*
4. *The County Treasury should expedite the development of regulations to operationalize the Emergency and Disaster Fund.*
5. *The County should prepare and submit financial statements of the established County Funds in line with Section 168 of the PFM Act, 2012.*
6. *The County Assembly should adopt IFMIS in processing financial transactions.*

Narok County

In the 2014/15 financial year, the approved Budget for Narok County amounts to Kshs.8.58 billion with Kshs.4.48 billion (52.3 per cent) allocated to recurrent expenditure and Kshs.4.09 billion (47.7 per cent) to development expenditure. The budget allocation by department is shown in Table 36. In order to finance this budget, the County expects to receive Kshs.4.50 billion (52.5 per cent) as transfers from the national government, collect Kshs.3.91 billion (45.6 per cent) from local sources, receive Kshs.15.51 million (0.1 per cent) in grants from DANIDA, other conditional grants of Kshs.148.88 million (1.8 per cent) and Kshs.356.10 million as projected cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.2.99 billion from the National Government as direct transfer to the CRF, raised Kshs.1.20 billion from local sources and had Kshs.356.10 million as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.210.80 million which is a decline from Kshs.509.06 million collected in the first quarter and Kshs.480.18 million collected in the second quarter of FY 2014/15. The total local revenue generated as at March 2015 accounted for 30.7 per cent of the annual local revenue target. Figure 133 shows the trend of local revenue collection by quarter.

Figure 134: Narok County Trend in Local Revenue Collection by Quarter



Source: *Narok County Treasury*

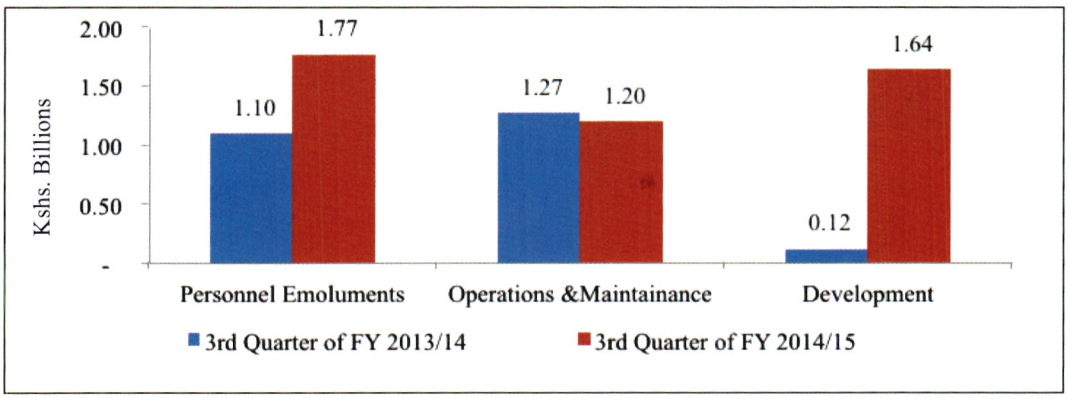
During the reporting period, the County accessed **Kshs.4.97 billion** from the CRF which is 58.0 per cent of the approved estimates, an improvement from 43.0 per cent in the same period of FY 2013/14. This amount consisted of Kshs.3.26 billion (65.6 per cent) for recurrent expenditure and Kshs.1.71 billion (34.4 per cent) for development activities.

The county spent a total of **Kshs.4.61 billion** during the first nine months of FY 2014/15 which is 92.8 per cent of the total funds released and an improvement from the Kshs.3.01 billion spent in the same period of FY 2013/14. A total of Kshs.2.97 billion (64.4 per cent) was spent on recurrent activities while Kshs.1.64 billion (35.6 per cent) on development activities. Recurrent expenditure was 91.1 per cent of the funds released for recurrent activities while development expenditure accounted for 96.0 per cent for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **66.2 per cent** of the annual recurrent budget, an increase from an absorption rate of 17.4 per cent realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of **40.1 per cent** of the annual development budget, an improvement from an absorption rate of 8.7 per cent realized in the same period of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.2.97 billion shows that the County spent Kshs.1.76 billion (59.6 per cent) on personnel emoluments and Kshs.1.20 billion (40.4 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.1.10 billion. A comparison of the total expenditure between the period under review and the same period last financial year is shown in 134.

Figure 135: Narok County, Third Quarter Expenditure by Economic Classification



Source: *Narok County Treasury*

A breakdown of expenditure by department shows that Health and Sanitation Department had the highest absorption rate of its annual recurrent budget at 84.1 per cent while the Department of Education, Youth, Sports, Culture and Social Services had the highest absorption rate of its annual development budget at 84.6 per cent. On the other hand, Environment, Energy, Water and Natural Resources Department had the lowest absorption rate of its annual recurrent budget at 5.3 per cent while Tourism, Wildlife, Trade, Industry and Co-operatives Department did not incur any development expenditure. The expenditure of various departments is summarised in Table 36.

Table 36: Narok County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

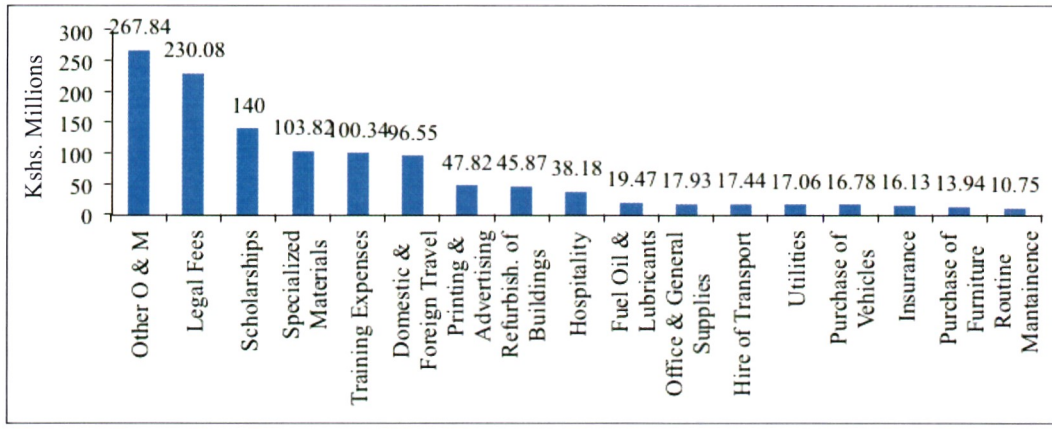
DEPARTMENT	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENDITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Assembly	356.18	344	276.39	135	254.12	130	91.94	96.30	71.35	37.79
Office of the Governor	2152.46	305	1660.65	20.2	1642.28	114.47	98.89	566.68	76.30	37.53
Finance & Economic Planning	183.9	358	110.07	240	119.39	230.44	108.47	96.02	64.92	64.37
Transport & Public Works	56.81	1175	31.84	966	14.07	891.33	44.19	92.27	24.77	75.86
Education, Youth, Sports, Culture &	398.68	235	252.98	216.1	158.96	198.71	62.84	91.95	39.87	84.56
Social Services										
Environment, Energy, Water & Natural Resources	27.71	488.88	20.53	51	1.46	53.25	7.11	104.41	5.27	10.89
County Public Service Board	65.97	0	49.49	0	20.83	0	42.09		31.57	
Agriculture, Livestock & Fisheries	160.79	223	139.54	23	17.18	11.24	12.31	48.87	10.68	5.04
Health & Sanitation	851.57	344	602.42	25	716.23	5	118.89	20.00	84.11	1.45
Land, Housing, Physical Planning & Urban Development	58.74	171	32.22	20	5.09	5.63	15.80	28.15	8.67	3.29
ICT and E-Government	12.1	59	9.75	13.5	1.34	1.97	13.74	14.59	11.07	3.34
Tourism, Wildlife, Trade, Industry & Cooperative Development	156.1	392	71	0.7	15.98	0.09	22.51	12.86	10.24	0.02
Total	**4,481.01**	**4,094.88**	**3,256.93**	**1,620.50**	**2,966.93**	**1,642.13**	**91.10**	**101.33**	**66.21**	**40.10**

Source: *Narok County Treasury*

The County spent Kshs.29.11 million on sitting allowances to the 48 MCAs, representing an absorption rate of 70.3 per cent of the annual budget, an increase from the Kshs.18.04 million spent in the same period of FY 2013/14. Each MCA was paid an average monthly sitting allowance of Kshs.67,398 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.96.55 million compared to Kshs.162.44 million in the same period of FY 2013/14, representing a decrease of 68.3 per cent. This expenditure comprised of Kshs.10.97 million incurred by the County Assembly and Kshs.85.58 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 135.

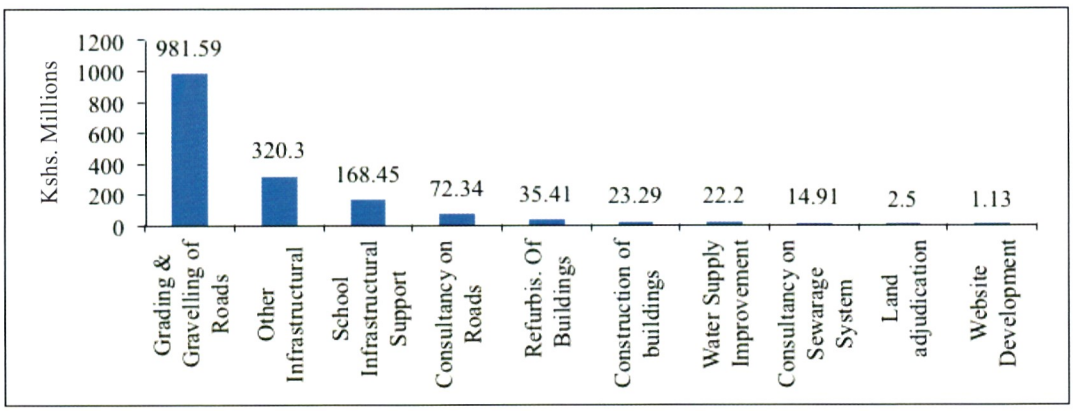
Figure 136: Narok County, Operations and Maintenance Expenditure



Source: *Narok County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.981.59 million on gravelling of roads; Kshs.320.30 million on other infrastructural activities; Kshs.168.45 million on school infrastructural support; Kshs.72.34 million on consultancy of road projects; Kshs.35.41 million on refurbishment of buildings; Kshs.23.29 million on construction of buildings; Kshs.22.20 million on water supply improvement; Kshs.14.91 million on water sewerage consultancy; Kshs.2.5 million land adjudication and Kshs.1.13 million on website development. Figure 136 shows a summary of the development projects.

Figure 137: Narok County Analysis of Development Expenditure



Source: *Narok County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. The following issues have so far, been addressed: (i) full operationalization of IFMIS, (ii) human capacity building especially in the Finance and Procurement Departments, (iii) compliance with the FY 2015/16 budget formulation timelines, and (iv) designation of departmental accounting officers.

During monitoring of the budget in the reporting period, the office noted the following issues that need to be addressed.

1. Lack of a budget monitoring, evaluation and reporting framework to monitor progress in implementation of development projects.
2. Failure by the County to designate receivers of revenue.
3. Direct disbursement to schools without regard to procurement rules and regulations under the school infrastructural support programme.
4. Diversion of approved funds to other activities when compared to the approved work plan diverted indicting weak budgetary control.
5. Inadequate internal audit arrangements.

The County should implement the following recommendations in an effort to improve budget execution:

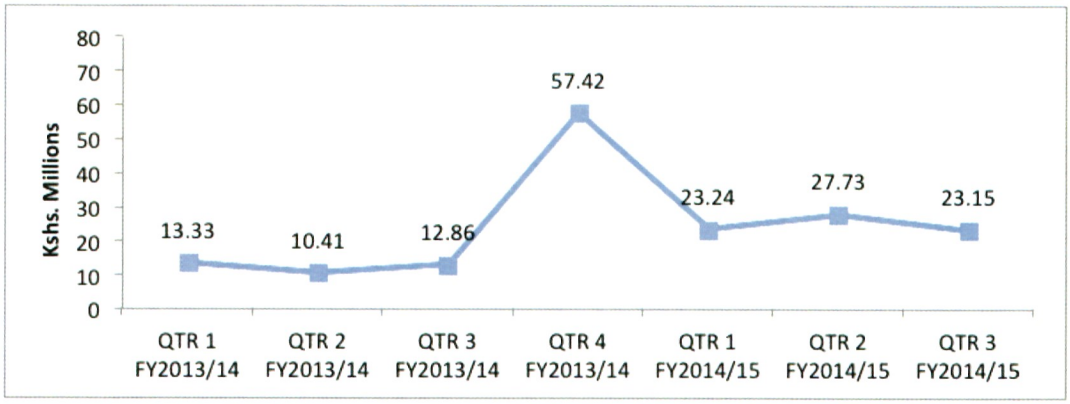
1. *Establish a budget monitoring, evaluation and reporting framework to monitor and report on implementation of development projects.*
2. *The County Treasury should designate receivers of revenue to improve management of local revenue collection.*
3. *The County should ensure compliance with the Public Procurement and Disposal Act, 2005 in the disbursement of development expenditures under the school infrastructural support programme.*
4. *The County Treasury should ensure funds are utilised in line with the approved work pla through timely exchequer notifications to the departments and stringent budgetary control.*
5. *The County should establish an effective internal audit mechanism to ensure appropriate oversight over financial management.*

Nyamira County

In the FY 2014/15, the approved Supplementary Budget for Nyamira County amounts to Kshs.4.67 billion with Kshs.2.43 billion (52.0 per cent) allocated to recurrent expenditure and Kshs.2.24 billion (48.0 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 37. In order to finance this budget, the County expects to receive Kshs.3.61 billion (77.2 per cent) as transfers from the National Government, collect Kshs.219.05 million (4.7 per cent) from local sources, DANIDA grant of Kshs.21.54 million (0.5 per cent) and Kshs.823.29 million (17.6 per cent) as projected cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.2.36 billion from the National Government as direct transfer to the CRF, raised Kshs.74.12 million from local sources, and had Kshs.823.29 million as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.23.15 million which is a decline from Kshs.23.24 million collected in the first quarter and Kshs.27.73 million collected in the second quarter of FY 2014/15. The Local revenue raised as at March 2015 accounted for 33.8 per cent of the annual local revenue target. Figure 137 shows the trend of local revenue collection by quarter.

Figure 138: Nyamira County Trend in Local Revenue Collection by Quarter



Source: *Nyamira County Treasury*

During the reporting period, the County accessed **Kshs.2.78 billion** from the CRF which is 59.3 per cent of the approved Supplementary Budget, an improvement from 41.3 per cent in the same period of FY 2013/14.The amount consisted of Kshs.1.96 billion (70.7 per cent) for recurrent expenditure and Kshs.813.48 million (29.3 per cent) was for development activities.

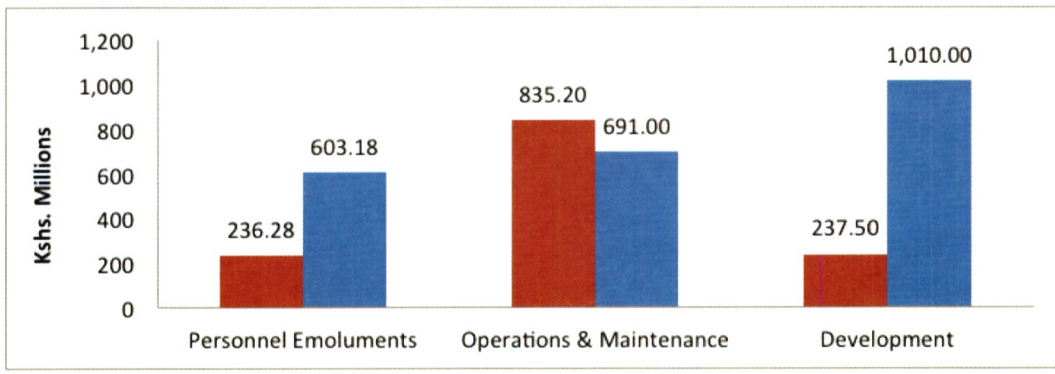
The County spent a total of **Kshs.2.30 billion** during the first nine months of FY 2014/15, which is 83.0 per cent of the total funds released for operations and an improvement from the Kshs.1.32 billion spent in the same period of FY 2013/14. A total of Kshs.1.29 billion (56.2 per cent) was spent on recurrent activities while Kshs.1.01 billion (43.8 per cent) on development activities. Recurrent expenditure was 66.0 per cent of the funds released for recurrent activities while development expenditure accounted for 124.2 per cent of the funds released for development activities. The expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.57.19 million for recurrent expenditure and Kshs.44.89 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **53.2 per cent** of the annual recurrent budget, an increase from an absorption rate of 33.0 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of **45.0 per cent** of the annual development budget, an

improvement from an absorption rate of 17.0 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.1.29 billion shows that the County spent Kshs.603.18 million (46.6 per cent) on personnel emoluments and Kshs.691.00 million (53.4 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period in the financial year 2013/14 when the County spent Kshs.236.28 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in figure 138.

Figure 139: Nyamira County, Third Quarter Expenditure by Economic Classification



Source: *Nyamira County Treasury*

A breakdown of expenditure by department shows that the Administration and Public Service Department had the highest development budget absorption rate at 109.5 per cent. Absorption rate higher than 100 per cent is irregular and is an indication of lapses in budgetary control. This should regularized before the end of the financial year through a Supplementary Budget. The expenditure of various departments is summarised in Table 37.

Table 37: Nyamira County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

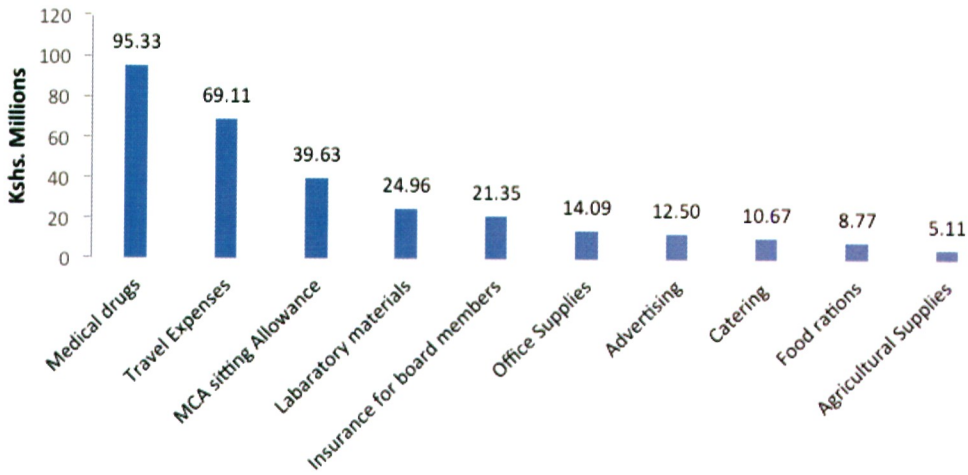
DEPARTMENT	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENDITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Health	1,037.12	393.16	822.95	68.79	533.40	74.20	64.8%	107.9%	51.4%	18.9%
Agriculture	141.28	94.57	141.46	79.27	66.80	25.30	47.2%	31.9%	47.3%	26.8%
Water sanitation and Irrigation	61.44	190.99	49.54	104.05	23.00	3.90	46.4%	3.7%	37.4%	2.0%
Education and ICT development	127.82	152.01	161.07	49.03	28.30	62.20	17.6%	126.9%	22.1%	40.9%
Public Works, Transport & Infrastructure	30.76	648.88	36.26	282.87	10.70	345.40	29.5%	122.1%	34.8%	53.2%
Physical Planning, Lands & Housing	21.40	55.25	19.63	48.35	3.40	3.70	17.3%	7.7%	15.9%	6.7%
Finance &	77.20	37.25	86.82	0.40	55.10	20.00	63.5%	5000.0%	71.4%	53.7%
Economic Planning										
Administration and Public Service	620.60	260.74	311.84	41.95	384.90	285.40	123.4%	680.3%	62.0%	109.5 %
County Assembly	250.00	107.22	279.20	0.00	154.20	85.30	55.2%	-	61.7%	79.6%
Youth, Sports ,Gender, Culture and Social services	21.40	79.54	8.53	3.55	8.70	21.90	102.0%	616.9%	40.7%	27.5%
Environment, Energy, Natural Resources	18.44	80.70	19.24	62.56	12.70	42.00	66.0%	67.1%	68.9%	52.0%
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	24.50	145.82	25.02	72.65	13.50	41.10	54.0%	56.6%	55.1%	28.2%
Total	**2,432.12**	**2,246.13**	**1,961.56**	**813.48**	**1,294.70**	**1,010.40**	**66.0%**	**124.2%**	**53.2%**	**45.0%**

Source: *Nyamira County Treasury*

The County spent Kshs.39.63 million on sitting allowances to the 33 MCAs, representing an absorption rate of 61.9 per cent of the annual allocation, an increase from the Kshs.23.81 million spent in the same period of FY 2013/14. Each MCA received an average monthly sitting allowance of Kshs.133,434 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.69.11 million compared to Kshs.71.12 million in the same period of FY 2013/14, representing a decrease of 2.8 per cent. This expenditure comprised of Kshs.6.44 million incurred by the County Assembly and Kshs.62.67 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 139.

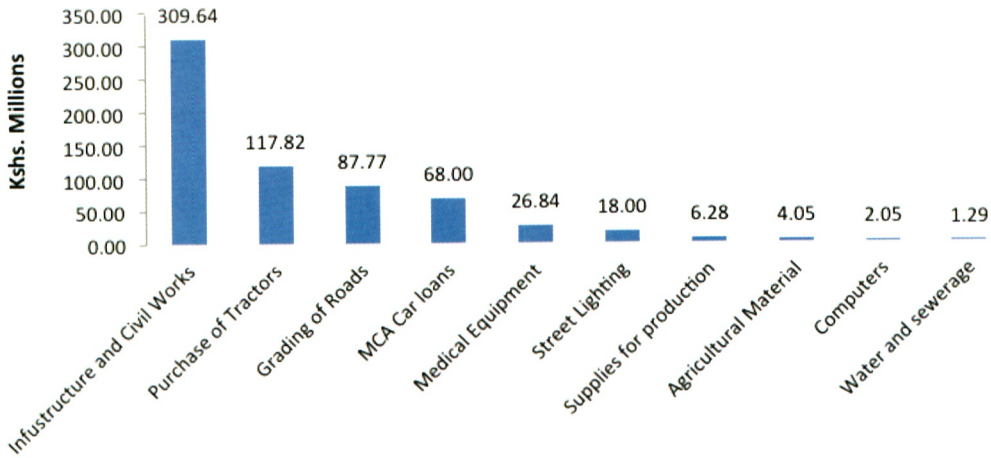
Figure 140: Nyamira County, Operations and Maintenance Expenditure



Source: *Nyamira County Treasury*

Analysis of the development expenditure for the reporting period shows that the County spent Kshs.309.64 million on construction and rehabilitation of buildings such as the Keroka market stalls and Matongo polytechnic, Kshs.117.82 million on purchase of tractors, Kshs.87.77 million on development and maintenance of access roads such as Amakara, Nyaronde, Kona, Riama, and Keroka, kieriva and Rikenye roads, Kshs.68.00 million on MCA car loan Scheme, and Kshs.26.84 million on purchase of a CT scanning machine. Figure 140 shows a summary of the development budget.

Figure 141: Nyamira County Analysis of Development Expenditure



Source: *Nyamira County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. The following issues have been addressed: (i) the County has revised its local revenue target to be more realistic, and (ii) the Finance Bill, 2014 has been approved by the County Assembly.

However, the following challenges continued to hamper effective budget implementation in the reporting period;

1. Failure to designate administrators for the established County Public Funds.
2. Diversion of exchequer issues to fund activities not contained in the approved work plan.

The County should implement the following recommendations in an effort to improve budget execution:

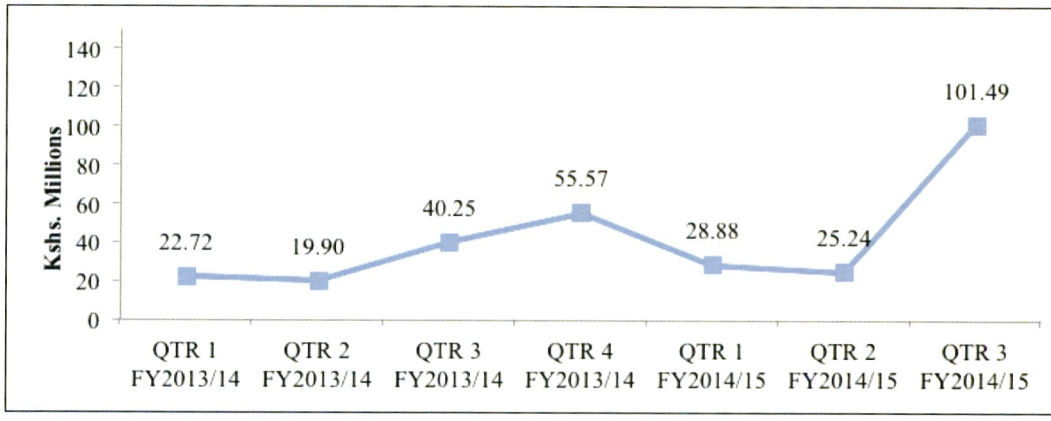
1. *The County Executive Member for Finance should designate an Administrator in line Section 116 of the PFM Act, 2012 for each established County Public Fund.*
2. *The County Treasury should ensure that the exchequer issues are spent in line with the approved and funded work plan through stringent budgetary control.*

Nyandarua County

In the FY 2014/15, the Budget for Nyandarua County amounts to Kshs.3.70 billion with Kshs.2.88 billion (77.8 per cent) allocated to recurrent expenditure and Kshs.820.46 million (22.2 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 38. In order to finance this budget, the County expects to receive Kshs.3.76 billion (101.6 per cent) as transfers from the National Government, collect Kshs.211.00 million (5.7 per cent) from local sources, Kshs.479.95 million (13.0 per cent) as projected cash balance from FY 2013/14. The budget did not factor in the conditional and DANIDA grants to hospitals as revenue sources. The County has a surplus budget of Kshs.763.90 million.

During the first nine months of FY 2014/15, the County received Kshs.2.08 billion from the National Government as a direct transfer to the CRF, raised Kshs.153.61 million from local sources and had Kshs.479.95 million as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.101.49 million which is an improvement from Kshs.26.88 million collected in the first quarter and Kshs.25.24 million collected in the second quarter of FY 2014/15. The total local revenue generated as at March 2015 accounted for 72.8 per cent of the annual local revenue target. Figure 141 shows the trend of local revenue collection by quarter.

Figure 142: Nyandarua County Trend in Local Revenue Collection by Quarter



Source: *Nyandarua County Treasury*

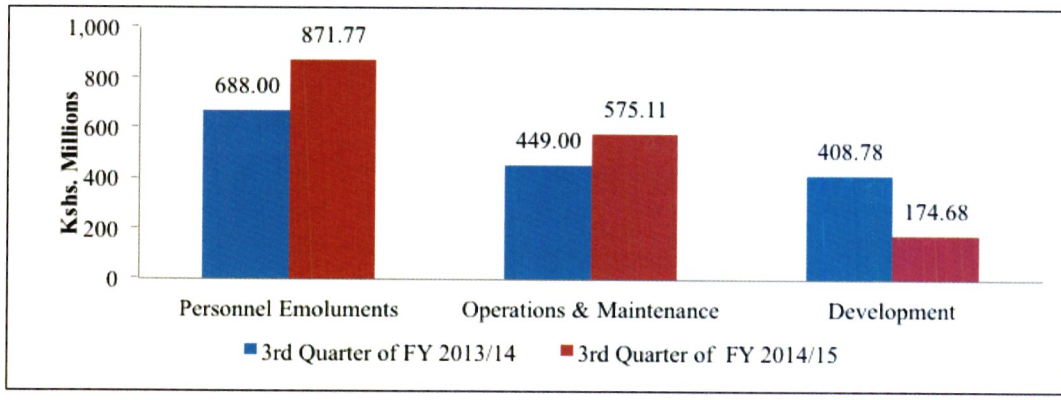
During the reporting period, the County accessed **Kshs.2.17 billion** from the CRF which is 58.7 per cent of the budget estimates, an improvement from 47 per cent in the same period of FY 2013/14. This amount consisted of Kshs.1.77 billion (81.4 per cent) for recurrent expenditure and Kshs.405.10 million (18.6 per cent) for development activities.

The County spent a total of **Kshs.1.62 billion** during the first nine months of FY 2014/15 which is 74.6 per cent of the total funds released for operations and an improvement from the Kshs.1.3 billion spent in the same period of FY 2013/14. A total of Kshs.1.45 billion (89.2 per cent) was spent on recurrent activities while Kshs.174.68 million (10.8 per cent) was spent on development activities. Recurrent expenditure was 81.8 per cent of the funds released for recurrent activities while development expenditure accounted for 43.1 per cent of the funds released for development activities. The expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.96.4 million for recurrent expenditure and Kshs.81.2 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **50.2 per cent** of the annual recurrent budget, a decrease from an absorption rate of 50.6 per cent realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of **21.3 per cent** of the annual development budget, a decrease from an absorption rate of 39.5 per cent realized in the same period of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.1.45 billion shows that the County spent Kshs.871.77 million (60.3 per cent) on personnel emoluments, Kshs.521.80 million (36.1 per cent) on operations and maintenance expenditure and Kshs.53.31 million (3.7 per cent) on MCAs car loans and mortgages. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period of FY 2013/14 when the County spent Kshs.688 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure142.

Figure 143: Nyandarua County, Third Quarter Expenditure by Economic Classification



Source: *Nyandarua County Treasury*

A breakdown of expenditure by department shows that the Health Department had the highest absorption rate of both its recurrent and development budget at 64.7 per cent and 57.4 per cent respectively. On the other hand, I.C.T department had the lowest absorption rate of recurrent budget at 4.1 per cent and did not incur any development expenditure. The expenditure of various departments is summarised in Table 38.

Table 38: Nyandarua County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

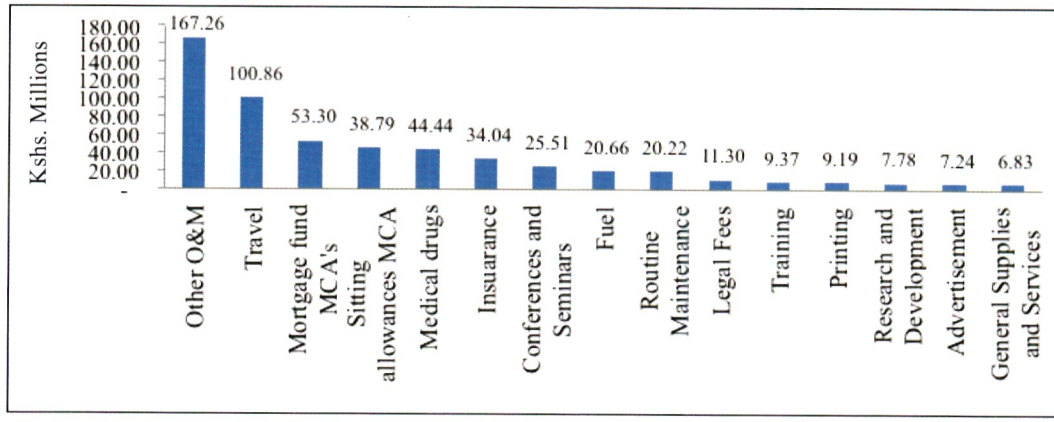
Departments	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million)		% of Expenditure to Exchequer Issues		% of Expenditure to Budget Allocation	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Legal and Public Service	365.65	40.05	213.66	-	101.18	-	47.4		**27.7**	
Finance & Economic Planning	342.34	31.65	218.78	14.31	172.1	12.9	78.7	90.1	**50.3**	**40.8**
Agriculture Livestock & Fisheries	317.2	151.05	220.11	89.04	154.44	13.04	70.2	14.6	**48.7**	**8.6**
Lands, Housing & Physical Planning	95.96	100.5	57.53	36.8	26.01	3.5	45.2	9.5	**27.1**	**3.5**
Roads Transport & Public Works	88.05	230.68	52.51	124.2	25.92	79.42	49.4	63.9	**29.4**	**34.4**
ICT & E-Government	87.62	11	50.57	4.8	3.6	-	7.1		**4.1**	
Health Services	722.62	56.2	490.1	30.69	467.71	32.24	95.4	105.1	**64.7**	**57.4**
Education, Gender, Youth, Sports	115.59	36.45	69.96	18.57	70.33	5.13	100.5	27.6	**60.8**	**14.1**
Industrialization Coop, tourism	93.17	81.18	53.4	35.93	23.78	11.02	44.5	30.7	**25.5**	**13.6**
Water & Environment	71.5	81.69	47.74	50.75	38.16	17.4	79.9	34.3	**53.4**	**21.3**
County Assembly	582.38	-	293.93	-	363.51	-	123.7		**62.4**	
Total	**2,882.08**	**820.45**	**1,768.29**	**405.09**	**1,446.74**	**174.65**	**81.8**	**43.1**	**50.2**	**21.3**

Source: *Nyandarua County Treasury*

The County spent Kshs.38.79 million on sitting allowances to the 42 MCAs, representing an absorption rate of 54.4 per cent of the annual budget, an increase from Kshs.31.15 million spent in the same period of FY 2013/14. Each MCA was paid an average monthly sitting allowance of Kshs.102,609 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.100.86 million compared to Kshs.140.2 million in the same period of FY 2013/14, representing a decrease of 39.0 per cent. This expenditure comprised of Kshs.59.63 million incurred by the County Assembly and Kshs.41.24 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in figure 143.

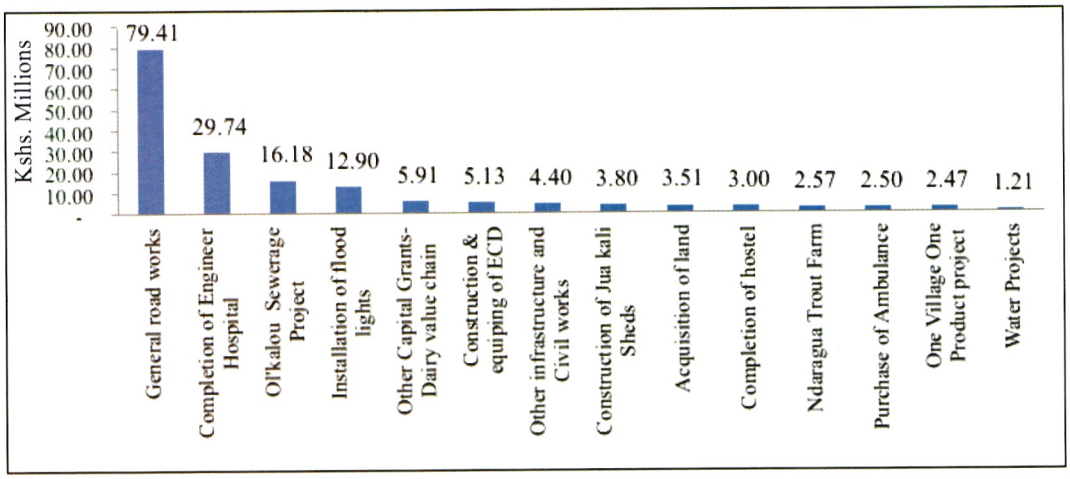
Figure 144: Nyandarua County, Operations and Maintenance Expenditure



Source: *Nyandarua County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.79.41 million on grading and road gravelling and general road works, Kshs.29.74 million on completion of the Engineer hospital; Kshs.16.18 million on development of Okalou sewerage project master plan, Kshs.12.90 million on installation of flood lights; Kshs.5.91 million on capital grants to dairy value chain, Kshs.5.13 million on construction and equipping of ECD classrooms, Kshs.3.80 million on construction of Jua kali sheds; Kshs.3.51 million on acquisition of land; Kshs.3 million on completion of hostel; Kshs.2.57 million spent on Ndaragua Trout farm; Kshs.2.50 million spent on purchase of an ambulance; Kshs.2.47 million spent on one village one product while Kshs.1.21 million was spent on water projects as shown in Figure 144.

Figure 145: Nyandarua County Analysis of Development Expenditure



Source: *Nyandarua County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. The following issues have been addressed: (i) human capacity building, (ii) compliance with legal budgetary timelines, and (iii) improvement in local revenue collections through sealing of revenue leakages.

During monitoring of the budget implementation in the reporting period, the office noted the following issues that need to be addressed;

1. Inadequate internal audit arrangements.
2. Failure by the County Assembly to capture all transactions on IFMIS.
3. Failure to process the payroll in IPPD.
4. Creation of new departments within the Financial Year, which occasioned difficulties in reconciliation of expenditure and exchequer issues.

The County should implement the following recommendations in an effort to improve budget execution:

1. *Establish an effective audit department and constitute an audit committee to enhance oversight of financial operations.*
2. *The County should fully adopt IFMIS.*

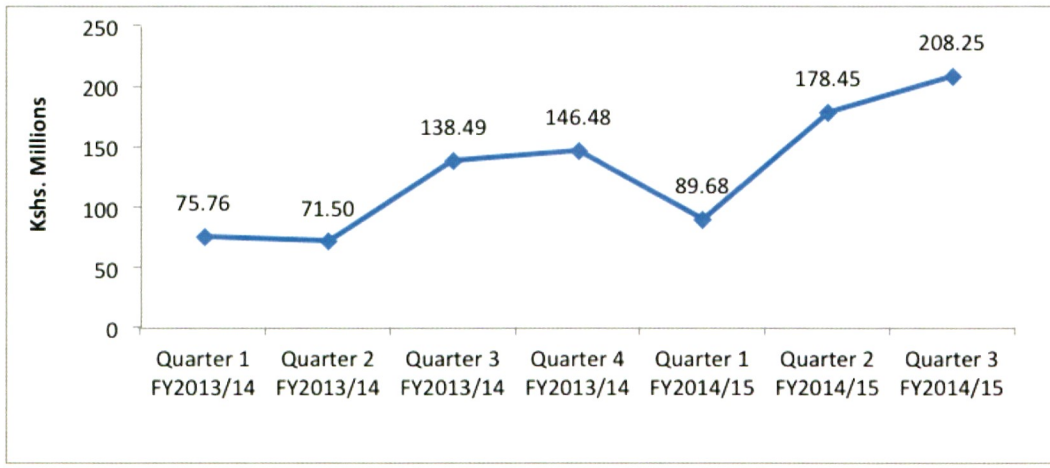
3. *The county should adopt IPPD in payroll processing.*
4. *New departments and votes should only be created at the start of the financial year included in the annual Budget Estimates.*

Nyeri County

In the FY 2014/15, the approved Budget for Nyeri County amounts to Kshs.5.44 billion, with Kshs.3.81 billion (70.0 per cent) allocated to recurrent expenditure and Kshs.1.64 billion (30.0 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 39. In order to finance this budget, the County expects to receive Kshs.4.08 billion (74.9 per cent) as transfers from the National Government, collect Kshs.1.34 billion (24.7 per cent) from local sources and receive a DANIDA grant of Kshs.20.55 million (0.4 per cent).

During the first nine months of FY2014/15, the County received Kshs.2.65 billion from the National Government as direct transfer to the CRF, raised Kshs.476.39 million from local sources and had Kshs.150.97 million as cash balance brought forward from FY 2013/14. The county also received a Kshs.300.00 million loan/ advance from the National Treasury. The transfers from the National Government included Kshs.20.55 million from DANIDA. The local revenue raised in the third quarter was Kshs.208.25 million which is an improvement from the Kshs.89.68 million collected in the first quarter and Kshs.178.45 million in the second quarter. The total local revenue raised as at March 2015 accounted for 35.4 per cent of the annual local revenue target. Figure 145 shows the trend of local revenue collection by quarter.

Figure 146: Nyeri County Trend in Local Revenue Collection by Quarter



Source: *Nyeri County Treasury*

During the reporting period, the County accessed **Kshs.3.53 billion** which is 64.9 per cent of the approved budget, an improvement from 53.6 per cent in the same period of FY 2013/14. This amount consisted of Kshs.2.69 billion (76.1 per cent) for recurrent expenditure and Kshs.845.91 million (23.9 per cent) for development activities.

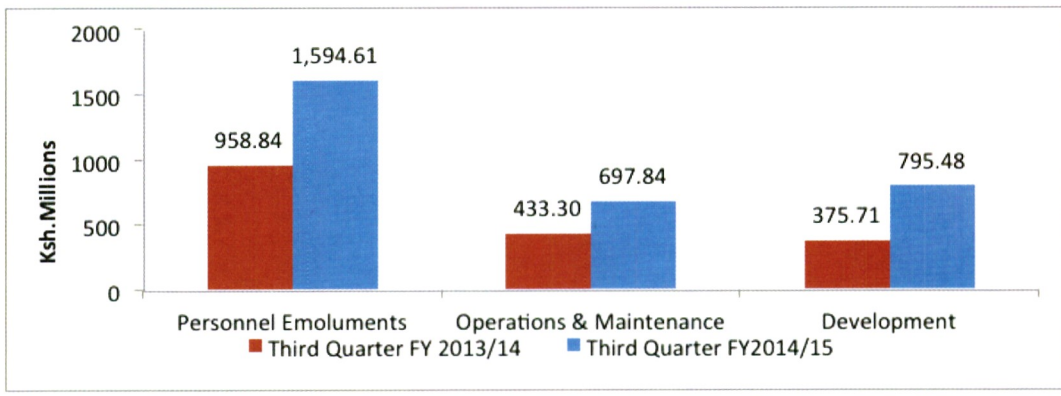
The county spent a total of **Kshs.3.09 billion** during the first nine months of FY 2014/15 which is 87.4 per cent of the total funds released for operations and an improvement from the Kshs.1.76 billion spent in the same period of FY 2013/14. A total of Kshs.2.29 billion (74.2 per cent) was spent on recurrent activities while Kshs.795.47 million (25.8 per cent) on development activities. Recurrent expenditure was 85.3 per cent of the funds released for recurrent activities while development expenditure accounted for 94.0 per cent of the funds released for development activities. This expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.134.65 million for recurrent expenditure and Kshs.3.56 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **60.2 per cent** of the annual recurrent budget, an increase from an absorption rate of 52.8 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of **48.6 per cent** of the annual development budget, an

improvement from an absorption rate of 19.7 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.2.29 billion shows that the County spent Kshs.1.59 billion (69.6 per cent) on personnel emoluments and Kshs.697.84 million (30.4 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.958.84 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 146.

Figure 147: Nyeri County, Third Quarter Expenditure by Economic Classification



Source: *Nyeri County Treasury*

A breakdown of expenditure by department shows that the Office of the County Secretary had the highest absorption rate of recurrent budget at 80.8 per cent. The Finance and Health Services Departments recorded the second and third highest absorption rates of recurrent budget at 71.6 per cent and 67.7 per cent respectively. Also, the Office of the County Secretary recorded the highest absorption rate of development budget at 76.7 per cent, followed by the Energy and Health Services Department with absorption rates of 75.7 per cent and 66.9 per cent respectively. The expenditure of various sectors is summarised below in Table 39.

Table 39: Nyeri County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENDITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Office of the Governor	100.23	37.30	64.64	15.80	52.62	15.80	81.4%	100.0%	52.5%	42.4%
County Secretary	64.74	76.31	49.03	0.00	52.31	58.50	106.7%	-	80.8%	76.7%
Finance and Economic Planning	486.73	90.19	265.57	22.00	348.37	50.00	131.2%	227.3%	71.6%	55.4%
Education, Sport, Youth & ICT	78.78	67.71	52.83	26.50	16.52	5.67	31.3%	21.4%	21.0%	8.4%
Health Services	1,771.34	352.64	1,330.01	224.83	1,199.39	235.86	90.2%	104.9%	67.7%	66.9%
Gender, Culture & Social Development	49.46	26.60	37.57	21.00	9.44	0.00	25.1%	0.0%	19.1%	0.0%
Public Works, Roads and Transport	146.21	636.53	76.63	322.20	33.03	281.96	43.1%	87.5%	31.1%	55.2%
County Assembly	356.18	30.00	268.39	30.00	210.30	0.64	78.4%	2.1%	59.0%	2.1%
Lands, Housing & Physical planning	46.49	24.31	34.98	15.20	18.32	0.00	52.4%	0.0%	39.4%	0.0%
Public administration, Information and Communication	157.55	34.88	111.62	11.50	90.02	1.79	80.6%	15.5%	57.1%	5.1%
Trade, Industralisation and Tourism	45.33	39.15	33.24	18.35	13.39	0.00	40.3%	0.0%	29.5%	0.0%
County Public Service Board	34.35	0	26.11	0.00	14.53	0.00	55.6%	-	42.3%	-
Agriculture, Livestock & Cooperative Development	314.58	109.62	203.71	49.62	164.93	30.91	81.0%	62.3%	52.4%	28.2%
Water, Sanitation & Natural Resources	157.06	110.12	108.64	57.90	55.18	19.25	50.8%	33.3%	35.1%	17.5%
Energy	39.85	125.59	24.88	31.00	14.08	95.10	56.6%	306.8%	35.3%	75.7%
Total	**3,809.11**	**1,635.38**	**2,687.87**	**845.91**	**2,292.45**	**795.48**	**85.3%**	**94.0%**	**60.2%**	**48.6%**

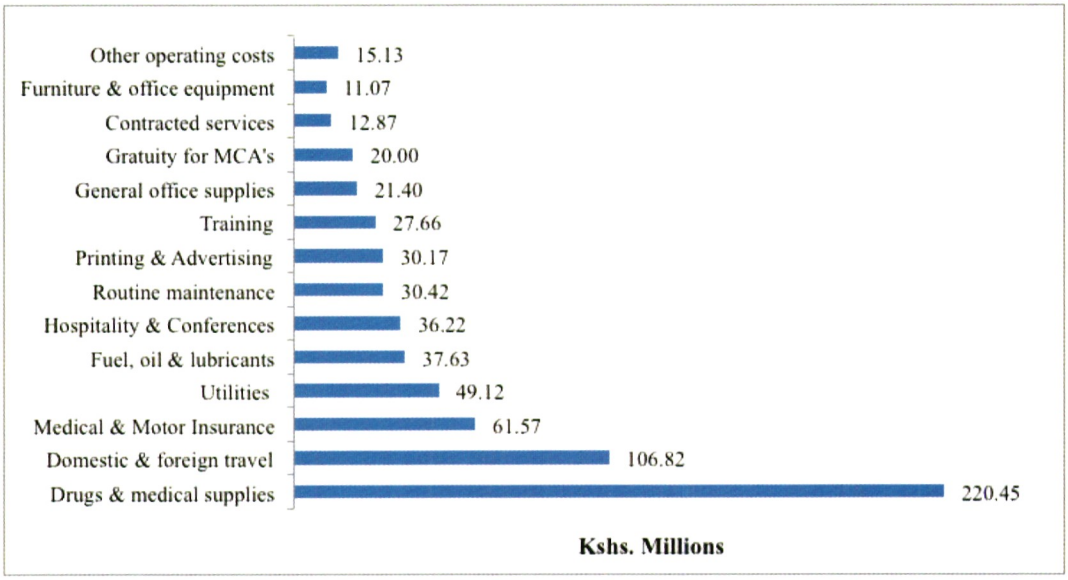
Source: *Nyeri County Treasury*

The County spent Kshs.62.36 million on sitting allowances to the 47 MCAs, representing an absorption rate of 80.1 per cent of the annual budget, an increase from the Kshs.50.45 million spent in the same period of FY 2013/14. Each MCA was paid an average monthly sitting allowance of Kshs.147,426 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.106.82 million compared to Kshs.114.86 million in the same period of FY 2013/14, representing a

decrease of 7.0 per cent. This expenditure comprised of Kshs.20.59 million incurred by the County Assembly and Kshs.86.23 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in figure 147.

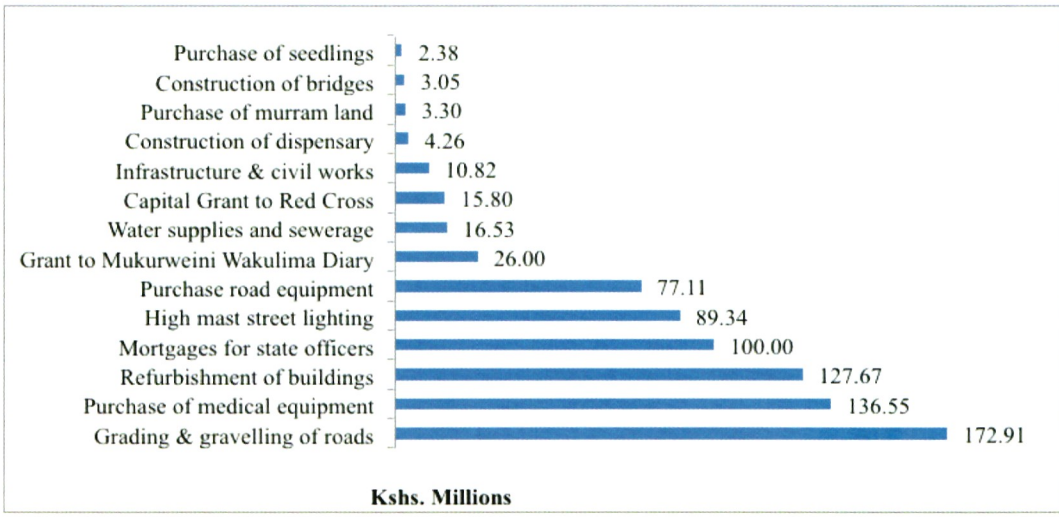
Figure 148: Nyeri County, Operations and Maintenance Expenditure



Source: *Nyeri County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.172.91 million on grading of 156 kilometres of road and gravelling 326 kilometres of County roads, Kshs.136.55 million on acquisition of various medical equipment such as; dialysis, dental and X-ray machines, Ksh.127.67 million refurbishment of county buildings including the level 5 and 4 hospitals as well as construction of Muthangira dispensary. Also, Kshs. 89.34 million was spent on installation of 4 kilometres of street lighting and 24 high mast security lighting, and Kshs.77.11 million on purchase of road construction equipment. Other development projects include capital grant of Kshs.26.00 million to Mukurweini Wakulima Dairy to improve milk value addition, construction of 4 water tanks and 31 kilometre piping for community water projects at Kshs.16.53 million, and grant to Kenya Red Cross of Kshs.15.80 million for mitigation of disasters within the County. Figure 148 shows a summary of the development expenditure.

Figure 149: Nyeri County Analysis of Development Expenditure



Source: *Nyeri County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. So far, the following issues have been addressed: (i) Automation of revenue collection in all sub-counties, (ii) Full compliance with budget timelines as stipulated under law, (iii) designation of accounting officers for county departments, and (iv) development of regulations for administration of the County Emergency Fund.

However the following challenges continued to hamper effective budget execution during the reporting period:

1. Low local revenue collection for some revenue streams as a result of litigations challenging the legality of revenue laws for failure to ensure adequate public participation.
2. Diversion of funds across votes resulting into higher expenditure in some departments compared to the approved withdrawals.
3. Lack of a monitoring and evaluation framework
4. Weak internal audit arrangements.

The County should implement the following recommendations in an effort to improve budget execution:

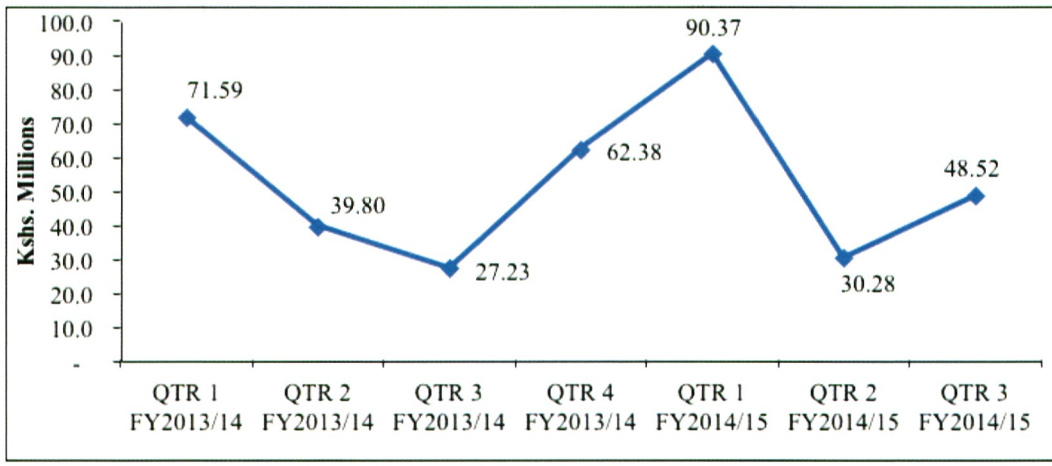
1. *Develop a framework for public participation and establish of the County Budget and Economic Forum to provide a platform for public participation in financial matters.*
2. *Proper financial planning is required to ensure that exchequer requisitions reflect spending needs of the departments. In addition, the County Treasury should ensure that approved withdrawals are utilised for intended purposes. All reallocations should be made in line with provisions of Section 154 of the PFM Act, 2012.*
3. *Institute a monitoring and evaluation unit to enable effective monitoring of development projects*
4. *Establish an Audit Committee and strengthen the Internal Audit department to improve oversight in financial management.*

Samburu County

In the FY 2014/15, the approved Budget for Samburu County amounts to Kshs.3.44 billion with Kshs.1.96 billion (57.1 per cent) allocated to recurrent expenditure and Kshs.1.48 billion (42.9 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 40. In order to finance this budget, the County expects to receive Kshs.3.02 billion (87.9 per cent) as transfers from the National Government, collect Kshs.406.55 million (11.8 per cent) from local sources, DANIDA grant of Kshs.8.61 million (0.3 per cent) and Kshs.608.63 million as cash balance from FY 2013/14 which was not appropriated in the approved budget.

During the first nine months of FY 2014/15, the County received Kshs.1.71 billion from the National Government as direct transfer to the CRF, raised Kshs.169.17 million from local sources and had Kshs.608.63 million as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.48.52 million which is a decline from Kshs.90.37 million collected in the first quarter but an improvement from Kshs.30.28 million collected in the second quarter of FY 2014/15. The total local revenue raised as at March 2015 accounted for 41.9 per cent of the annual local revenue target. Figure 149 shows the trend of local revenue collection by quarter.

Figure 150: Samburu County Trend in Local Revenue Collection by Quarter



Source: *Samburu County Treasury*

During the reporting period, the County accessed **Kshs.2.25 billion** from the CRF which is 65.4 per cent of the approved budget, an improvement from 55.2 per cent in the same period of FY 2013/14. This amount consisted of Kshs.1.46 billion (64.8 per cent) for recurrent expenditure and Kshs.793.37 million (35.2 per cent) for development activities.

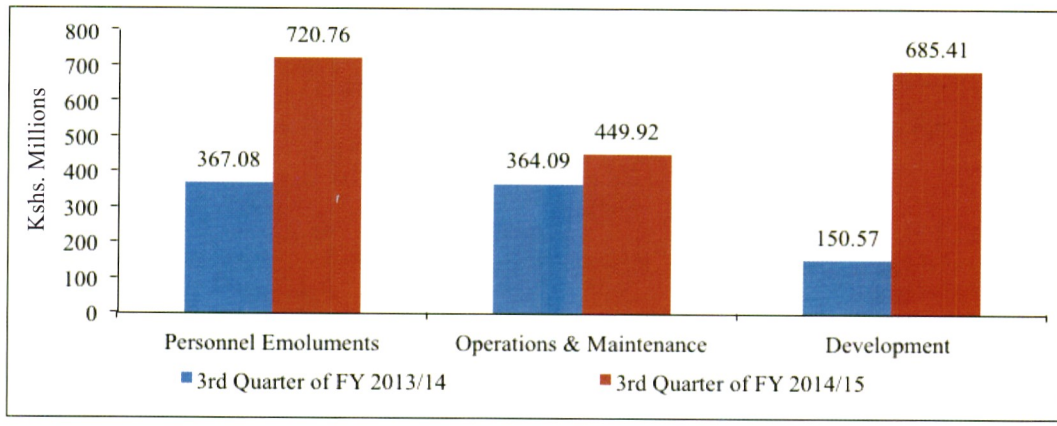
The county spent a total of **Kshs.1.86 billion** during the first nine months of FY 2014/15 which is 82.5 per cent of the total funds released for operations and an improvement from the Kshs.881.8 million spent in the same period of FY 2013/14. A total of Kshs.1.17 billion (63.1 per cent) was spent on recurrent activities while Kshs.685.4 million (36.9 per cent) on development activities. Recurrent expenditure was 80.3 per cent of the funds released for recurrent activities while development expenditure accounted for 86.4 per cent of the funds released for development activities. The expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.256.82 million for recurrent expenditure and Kshs.40.03 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **59.6 per cent** of the annual recurrent budget, an increase from an absorption rate of 37.7 per cent realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of **46.5 per cent** of the annual development

budget, an improvement from an absorption rate of 15.9 per cent realized in the same period of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.1.17 billion shows that the County spent Kshs.720.76 million (61.6 per cent) on personnel emoluments, Kshs.449.92 million (38.4 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period of FY 2013/14 when the County spent Kshs.367 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 150.

Figure 151: Samburu County, Third Quarter Expenditure by Economic Classification



Source: *Samburu County Treasury*

A breakdown of expenditure by department shows that Roads and Public Works Department had the highest absorption rate of its annual recurrent budget at 79.2 per cent while Agriculture, Livestock and Fisheries Department had the highest absorption rate of its annual development budget at 76.8 per cent. The department of Environment and Natural Resources had the lowest absorption rate at 22.0 per cent of its annual recurrent budget while the County Assembly had the lowest absorption rate of 7.5 per cent of its annual development budget. The expenditure of various departments is summarised in Table 40.

Table 40: Samburu County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

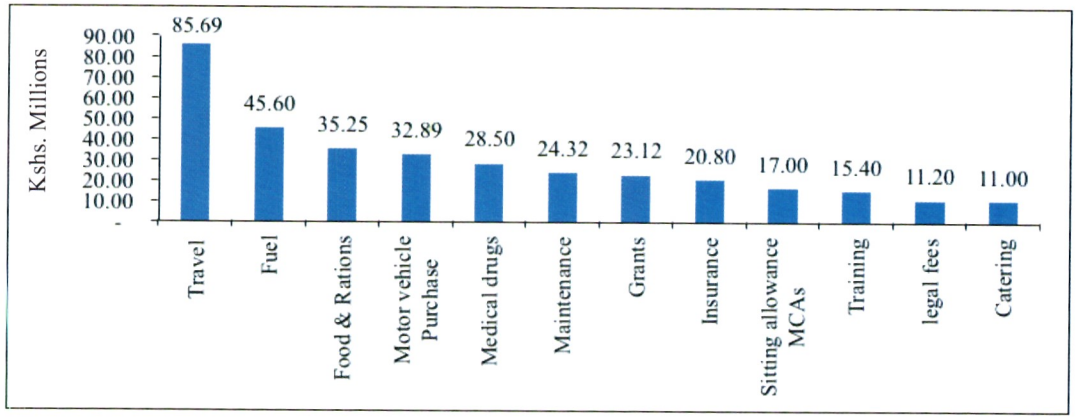
DEPARTMENT	BUDGET ALLOCATION (Kshs. Millions)		EXCHEQUER ISSUES (Kshs. Millions)		EXPENDITURE (Kshs. Millions)		% of Expenditure to Exchequer Issues		% of Expenditure to Budget Allocation	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Assembly	331.77	100	215.87	17.6	217.9	7.54	100.9	42.8	**65.7**	**7.5**
County Executive	273.71	30	204.13	17	185.72	-	91.0		**67.9**	
Agriculture, Livestock and Fisheries	128.67	160	96.83	107.25	48.92	122.94	50.5	114.6	**38.0**	**76.8**
Education, Youth Affairs and Sports	252.8	118.5	189.98	81	131.26	65.2	69.1	80.5	**51.9**	**55.0**
Finance and Economic Planning.	220.48	50	166.17	30	142.62	25.34	85.8	84.5	**64.7**	**50.7**
Environment and Natural Resources	28.18	39.66	21.14	27	6.2	6.7	29.3	24.8	**22.0**	**16.9**
County Health Services	429.44	175.48	327.32	100	270.89	82.26	82.8	82.3	**63.1**	**46.9**
Roads ,Public Works, Transport and Water	103.08	546.94	89.15	283.87	81.66	292.29	91.6	103.0	**79.2**	**53.4**
Cooperatives, Trade, Investment, Tourism & Enterprise Development	102.48	126.5	76.61	49.75	43.44	48.38	56.7	97.2	**42.4**	**38.2**
Lands, Housing and Urban Development	40.77	84	30.63	49.9	21.13	17.48	69.0	35.0	**51.8**	**20.8**
Gender, Culture and Social services	53.15	44	40.07	30	20.34	17.26	50.8	57.5	**38.3**	**39.2**
TOTAL	**1,964.53**	**1,475.08**	**1,457.90**	**793.37**	**1,170.08**	**685.39**	80.3	86.4	**59.6**	**46.5**

Source: *Samburu County Treasury*

The County spent Kshs.17.01 million on sitting allowances to the 26 MCAs, representing an absorption rate of 33.6 per cent of the annual MCAs sitting allowance budget, an increase from the Kshs.8.8 million spent in the same period of FY 2013/14. Each MCA was paid an average monthly sitting allowance of Kshs.70,013 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.85.69 million compared to Kshs.65.6 million in the same period of FY 2013/14, representing an increase of 30.6 per cent. This expenditure comprised of Kshs.32.34 million incurred by the County Assembly and Kshs.53.35 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 151.

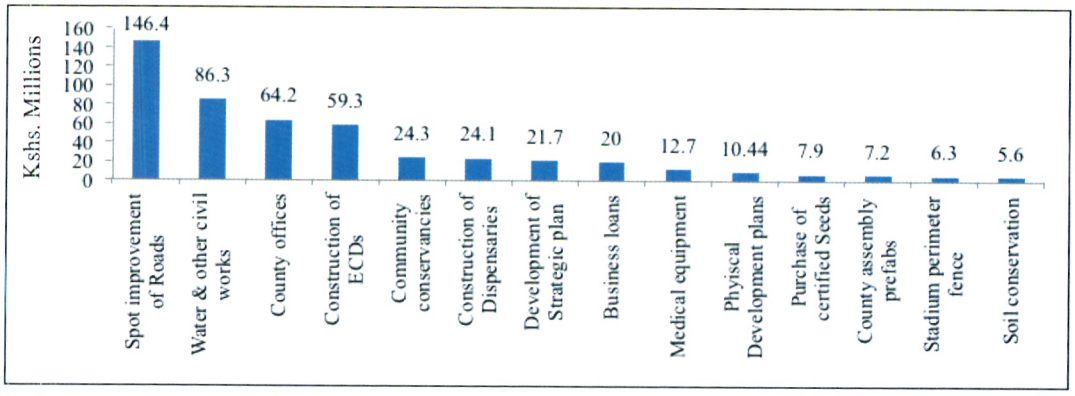
Figure 152: Samburu County, Operations and Maintenance Expenditure



Source: *Samburu County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.64.2 million as part payment for construction of county offices; Kshs.146.4 million on spot improvement of roads across the county; Kshs.86.3 million on water and other civil works; Kshs.59.3 million on construction of ECD classrooms; Kshs.24.3 million on community conservancies; Kshs.21.2 million on development of a strategic plan for the county and Kshs.6.3 million on construction of perimeter fence and refurbishment of Kenyatta Stadium among other development projects undertaken during the period under review as shown in figure 152.

Figure 153: Samburu County Analysis of Development Expenditure



Source: *Samburu County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. So far the County has fully operationalized IFMIS at both the County Executive and the County Assembly level. However, the County Assembly depends on the County Treasury to process transactions.

During monitoring of the budget in the reporting period, the office noted the following issues that need to be addressed.

1. Lack of an audit committee to enhance oversight on financial management.
2. Lack of a monitoring, evaluation and reporting framework to enable effective monitoring and reporting on development projects.
3. Large amounts of imprest outstanding imprest.
4. Diversion of funds released for development activities to recurrent activities. A total of Kshs. 93.3 million was paid out of the development operational account to finance recurrent operations.

The County should implement the following recommendations in an effort to improve budget execution:

1. *Constitute an audit committee to enhance oversight over financial management.*
2. *Develop a monitoring, evaluation and reporting framework to enable effective tracking and reporting on implementation of development projects.*
3. *The County Treasury should ensure strict adherence to the regulations guiding the issuance and surrender of imprest.*
4. *The County Treasury should ensure approved withdrawals are utilised for intended purposes through timely exchequer notifications to the departments and stringent budgetary control.*

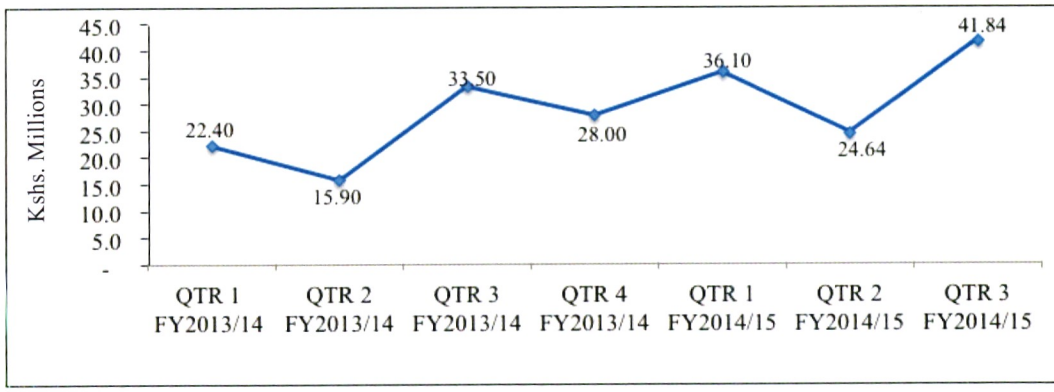
Siaya County

In the FY 2014/15, the revised Budget for Siaya County amounts to Kshs.5.89 billion with Kshs.3.43 billion (58.3 per cent) allocated to recurrent expenditure and Kshs.2.45 billion (41.7 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 41. In order to finance this budget, the County expects to receive Kshs.4.36 billion (74.1 per cent) as transfers from the National Government, collect Kshs.301.53 million (5.1 per cent) from local sources,

DANIDA grant of Kshs.25.15 million (0.4 per cent) and Kshs.1.22 billion (20.4 per cent) as projected cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.2.42 billion from the National Government as a direct transfer to the CRF, raised Kshs.102.58 million from local sources and had Kshs.1.22 billion as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.41.84 million which is an improvement from Kshs.36.10 million collected in the first quarter and Kshs.24.64 million collected in the second quarter of FY 2014/15. The total local revenue raised as at March 2015 accounted for 34.0 per cent of the annual local revenue target. Figure 153 below shows the trend of local revenue collection by quarter.

Figure 154: Siaya County Trend in Local Revenue Collection by Quarter



Source: *Siaya County Treasury*

During the reporting period, the County accessed **Kshs.3.12 billion** from the CRF which is 53.1 per cent of the approved Supplementary Budget, a decrease from 77 per cent in the same period of FY 2013/14. This amount consisted of Kshs.2.02 billion (64.6 per cent) for recurrent expenditure and Kshs.1.11 billion (35.4 per cent) for development activities.

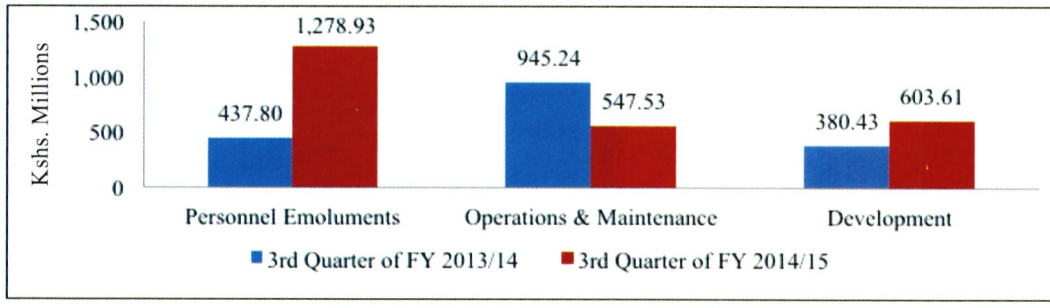
The County spent a total of **Kshs.2.43 billion** during the first nine months of FY 2014/15 which is 77.9 per cent of the total funds released for operations and an improvement from the Kshs.1.44 billion spent in the same period of FY 2013/14. A total of Kshs.1.83 billion (75.2 per cent) was spent on recurrent activities while

Kshs.603.61 million (24.8 per cent) on development activities. Recurrent expenditure was 90.6 per cent of the funds released for recurrent activities while development expenditure accounted for 54.6 per cent of the funds released for development activities. The expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.89.52 million for recurrent expenditure and Kshs.39.2 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **53.2 per cent** of the annual recurrent budget, an increase from an absorption rate of 43.7 per cent realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of **24.6 per cent** of the annual development budget, an improvement from an absorption rate of 12.1 per cent realized in the same period of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.1.83 billion shows that the County spent Kshs.1.28 billion (70.1 per cent) on personnel emoluments and Kshs.547.53 million (29.9 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.437.8 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in figure 154.

Figure 155: Siaya County, Third Quarter Expenditure by Economic Classification



Source: *Siaya County Treasury*

A breakdown of expenditure by department shows that the County Executive (Office of the Governor) had the highest absorption rate of its annual recurrent budget at 110.4 per cent while the Roads Department had the highest absorption

rate of its annual development budget at 37.1 per cent. Absorption rates higher than 100 per cent such as that by the Office of the Governor is irregular and should be regularised before the end of FY2014/15 through a Supplementary Budget. On the other hand Finance and Economic Planning Department had the lowest absorption rate of its annual recurrent budget at 27.0 per cent and did not incur any development expenditure. The expenditure of various departments is summarised in Table 41.

Table 41: Siaya County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

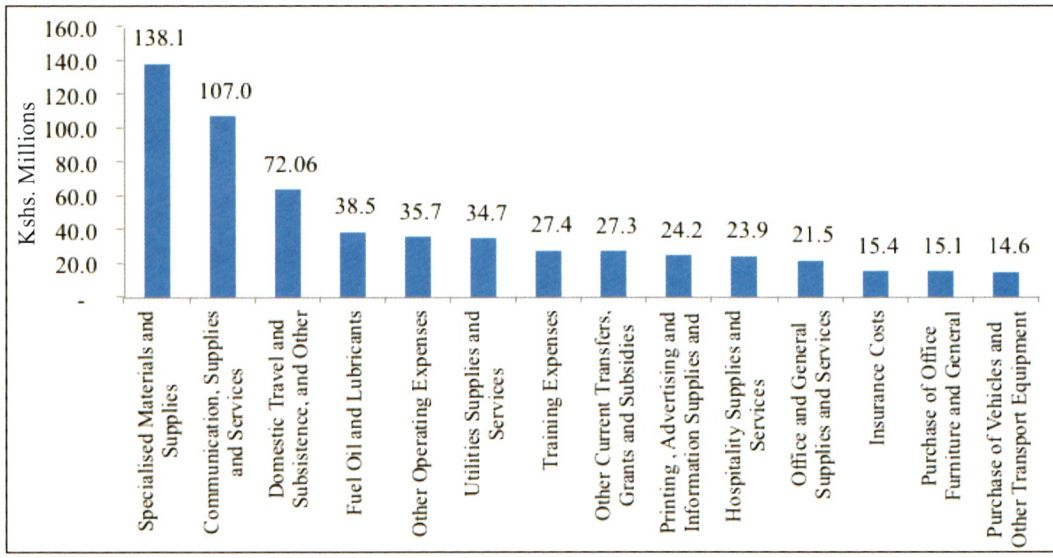
DEPARTMENT	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million)		Expenditure to Exchequer Issues (%)		% of Expenditure to Budget Allocation	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Siaya County Assembly	773.85	94	396.56	47	391.84	33.58	98.8	71.4	50.6	35.7
Office of the Governor (Executive Projects)	290.47	239.56	308.58	58.56	320.73	21.15	103.9	36.1	110.4	8.8
Finance and Economic Planning	584.09	25	103.22	4.5	157.66	0	152.7	0.0	27.0	0.0
Agriculture	218.76	210.49	156.79	105.25	128.28	13.53	81.8	12.9	58.6	6.4
Health	94.59	336.47	64.58	165.23	51.41	83.88	79.6	50.8	54.4	24.9
Education	103.53	518.58	83.31	255.29	73.36	142.74	88.1	55.9	70.9	27.5
Water, Environment and Natural Resources	1,242.65	320.88	831.63	160.44	661.44	32.43	79.5	20.2	53.2	10.1
Physical Planning, Lands and Housing	40.49	51.97	18.88	25.98	12.08	1.09	64.0	4.2	29.8	2.1
Trade Development	19.68	148.96	11.08	70.55	6.47	31.18	58.4	44.2	32.9	20.9
Transport/Roads	43.1	494.65	30.54	206.45	13.76	183.41	45.1	88.8	31.9	37.1
Tourism and ICT	21.41	11.5	11.84	5.75	9.44	0	79.7	0.0	44.1	0.0
TOTAL	**3432.62**	**2452.07**	**2017.02**	**1105.00**	**1826.46**	**603.61**	**90.6**	**54.6**	**53.2**	**24.6**

Source: *Siaya County Treasury*

The County spent Kshs.66.21 million on sitting allowances to the 49 MCAs, representing an absorption rate of 84.2 per cent of the annual budget, an increase from Kshs.23.01 million spent in the same period of FY 2013/14. Each MCA was paid an average monthly sitting allowance of Kshs.150,145 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.72.06 million compared to Kshs183.76 million in the same period of FY 2013/14, representing a decrease of 60.8 per cent. This amount comprised of Kshs.23.28 million incurred by the County Assembly and Kshs.48.77 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 155.

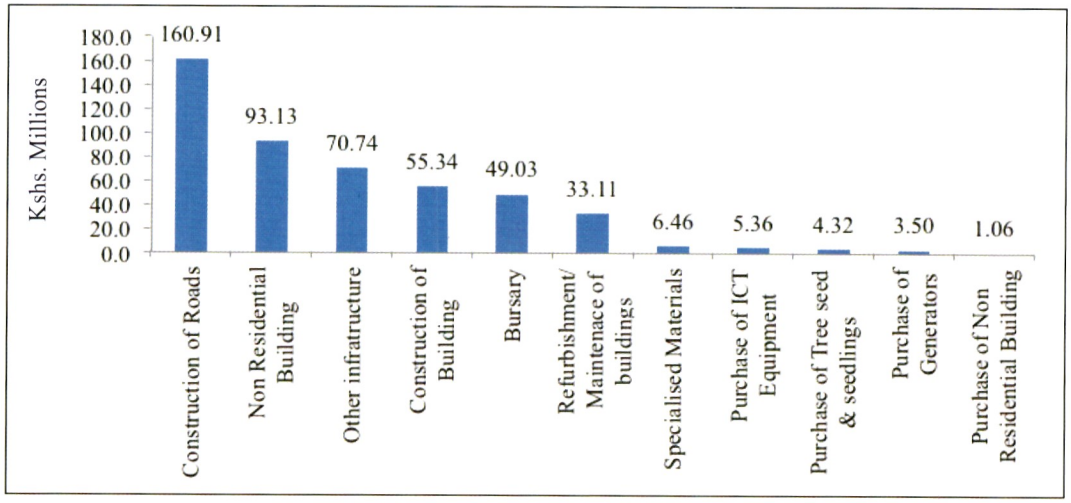
Figure 156: Siaya County, Operations and Maintenance Expenditure



Source: *Siaya County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.160.91 million on road works such as construction of culverts, opening up of access roads, and grading of roads; Kshs.93.13 million on non-residential buildings, and Kshs.70.74 million on other infrastructure projects. Further, the County spend Kshs.49.0 million on bursaries. A total of Kshs.118.7 million was spent on development projects that were not budgeted for. The summary of development expenditure is shown in Figure 156.

Figure 157: Siaya County Analysis of Development Expenditure



Source: *Siaya County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. The following issues have been addressed: full operationalization of IFMIS system; the capacity of the IFMIS staff has vastly improved and local revenue collection has improved marginally.

During monitoring of the budget in the reporting period, the office noted the following issues that need to be addressed.

1. *Failure to deposit local revenue into CRF by some devolved units.*
2. *Failure to establish an Audit Committee to enhance oversight on financial management.*
3. *Lack of regulations to operationalize established County Funds such as the County Emergency Fund, the Bursary Fund, and the Agribusiness Fund.*
4. *Non adherence to public finance regulations as evidenced by expenditure on projects not budgeted for. During the third quarter, Kshs.56 million was paid to contractors who were working on projects that were not budgeted for.*

The County should implement the following recommendations in order to improve

budget execution:

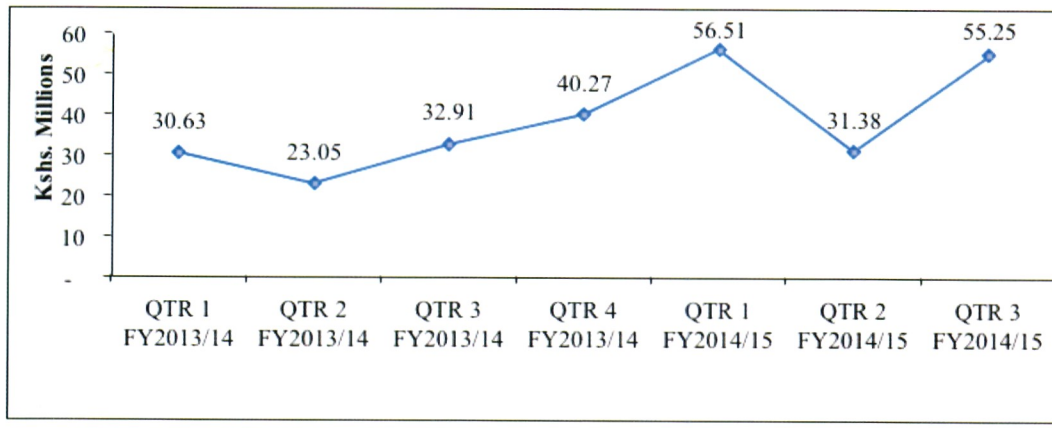
1. *The devolved units that generate revenue should deposit all revenue into the CRF in line with the PFM Act, 2012 framework.*
2. *The County should constitute an Audit Committee to enhance oversight on financial management.*
3. *The County should develop regulations required to operationalize the established County Public Funds.*
4. *The County should strictly adhere to the approved budget. The County Government Act, 2012 prohibits any county spending outside the planning framework.*

Taita Taveta County

In the FY 2014/15, the approved Supplementary Budget for Taita Taveta County amounts to Kshs.4.15 billion with Kshs.2.65 billion (63.9 per cent) allocated to recurrent expenditure and Kshs.1.50 billion (36.1 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 42. To finance this budget, the County expects to receive Kshs.2.89 billion (70.0 per cent) as transfers from the National Government, collect Kshs.521.83 million (12.6 per cent) from local sources, DANIDA grant of Kshs.12.43 million (0.3 per cent), World bank health sector fund and NSSF of Kshs.37.9 million (0.9 per cent) and Kshs.508.41 million (12.3 per cent) as projected cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.1.87 billion from the National Government as a direct transfer to the CRF, raised Kshs.143.14 million from local sources and had Kshs.426 million as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.55.25 million which is a decline from Kshs.56.51 million collected in the first quarter but an improvement from Kshs.31.38 million collected in the second quarter of FY 2014/15. The total local revenue raised as at March 2015 accounted for 27.4 per cent of the annual local revenue target. Figure 157 shows the trend of local revenue collection by quarter.

Figure 158: Taita Taveta County Trend in Local Revenue Collection by Quarter



Source: *Taita Taveta County Treasury*

During the reporting period, the County accessed **Kshs.2.44 billion** from the CRF which is 58.8 per cent of the approved Supplementary Budget, an improvement from 55.7 per cent in the same period of FY 2013/14. This amount consisted of Kshs.1.72 billion (70.6 per cent) for recurrent expenditure and Kshs.717.47 million (29.4 per cent) for development activities.

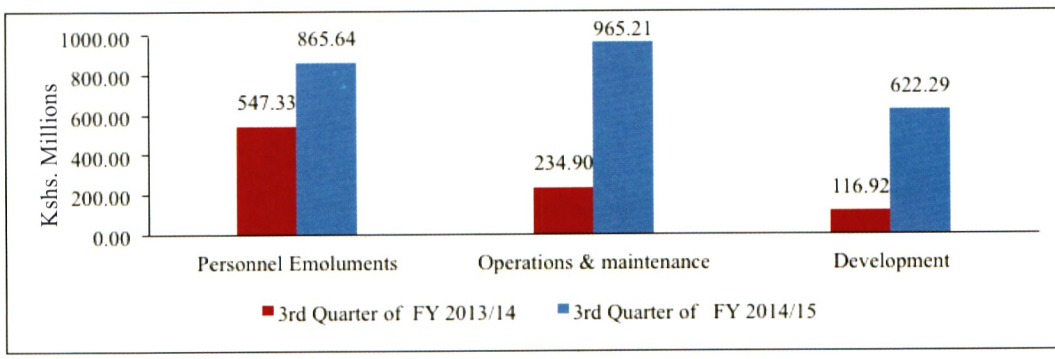
The County spent a total of **Kshs.2.45 billion** during the nine months of FY 2014/15 which is 100.7 per cent of the total funds released for operations and an improvement from the Kshs.899 million spent in the same period of FY 2013/14. A total of Kshs.1.83 billion (74.6 per cent) was spent on recurrent activities while Kshs.622.29 million (25.4 per cent) on development activities. Recurrent expenditure was **106.5 per cent** of the funds released for recurrent activities while development expenditure accounted for 86.7 per cent of the funds released for development activities. This expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.37.8 million for recurrent expenditure and Kshs.535,000 for development activities. In addition, the Office of the Controller of Budget approved release of funds amounting to Kshs.70.7 million for Bursary fund and Kshs.60 million for DATU fund. The corresponding expenditure amounted to Kshs.70.8 million and Kshs.37.2 million respectively.

The recurrent expenditure for the period under review represented an absorption rate

of **69.1 per cent** of the annual recurrent budget, a decrease from an absorption rate of 5.2 per cent realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of **41.6 per cent** of the annual development budget, a decrease from an absorption rate of 61 per cent realized in the same period of FY 2013/14.

Analysis of the recurrent expenditure shows that the County spent Kshs.865.64 million (47.3 per cent) on personnel emoluments and Kshs.965.21 million (52.7 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.547.33 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in figure 158.

Figure 159: Taita Taveta County, Third Quarter Expenditure by Economic Classification



Source: *Taita Taveta County Treasury*

A breakdown of expenditure by department shows that Veterinary Department had the highest absorption rate of its annual recurrent budget at 784.4 per cent. Absorption rate higher than 100 per cent is irregular and should be regularized before the end of the financial year. The expenditure of various departments is summarised in Table 42.

Table 42: Taita Taveta County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs. Millions)		EXCHEQUER ISSUES (Kshs. Millions)		EXPENDITURE (Kshs. Millions)		% of Expenditure to Exchequer Issues		% of Expenditure to Budget Allocation	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Assembly	301.24	85.45	175.43	22.76	295.06	79.41	168.2	348.9	**97.9**	**92.9**
Administration & Devolution Headquarters	1,436.27	7.40	1,002.23	6.05	484.45	6.67	48.3	110.3	**33.7**	**90.2**
Taveta Sub County Administration	2.57	-	1.90	-	2.56	-	134.6	-	**99.6**	-
Wundanyi Sub County	3.11			-		-	125.4	-	**82.8**	-
Administration		-	2.05		2.58					
Mwatate Sub County Administration	2.97	-	1.96	-	2.20	-	112.3	-	**74.1**	-
Voi Sub County Administration	3.18	-	2.10	-	2.74	-	130.8	-	**86.3**	-
Taveta Town Administration	11.22	3.00	8.09	1.50	11.92	-	147.4	0.0	**106.2**	**0.0**
Voi Town Administration	14.10	1.50	11.00	0.75	12.91	1.38	117.3	183.8	**91.6**	**91.9**
Governor's Office	53.38	53.42	40.79	19.43	71.17	7.05	174.5	36.3	**133.3**	**13.2**
Deputy Governor's Office	21.43		12.86	-	3.34	-	26.0	-	**15.6**	-
County Emergency Fund	22.00	-	-	-	2.61	-	-	-	**11.9**	-
County Treasury (Accounting, Audit, Budgeting, Procurement)	212.03	- 5.52	- 89.47	- 3.36	- 124.89	- 1.90	139.6	56.4	**58.9**	**34.3**
County Treasury(Revenue Management)	5.78	-	4.57	-	-	-	0.0	-	**0.0**	-
Planning	101.28	3.14	39.28	0.64	36.04	1.92	91.7	298.4	**35.6**	**61.3**
Agriculture	7.18	37.67	11.78	17.39	41.17	16.02	349.6	92.1	**573.4**	**42.5**
Livestock	7.97	42.94	-	20.62	7.48	11.64	-	56.4	**94.0**	**27.1**
Water Services	6.02	355.70	3.97	103.13	12.11	103.91	304.7	100.8	**201.1**	**29.2**
Education	108.15	81.22	81.74	38.49	129.32	38.03	158.2	98.8	**119.6**	**46.8**
Youth Development	4.52	6.28	3.04	4.15	2.32	3.27	76.4	78.6	**51.3**	**52.0**
Youth Training(Polytechnics)	3.30	43.66	2.17	21.31	24.20	17.99	1112.8	84.4	**734.4**	**41.2**
Health	204.10	202.48	149.82	115.57	385.75	84.69	257.5	73.3	**189.0**	**41.8**
Sports	2.00	1.30	0.93	0.81	0.85	0.60	91.4	73.9	**42.4**	**46.2**
Housing	1.91	14.45	1.30	8.77	2.24	-	171.9	0.0	**116.9**	**0.0**
Public Works	4.56	34.25	3.01	12.94	16.27	-	540.6	0.0	**356.7**	**0.0**
Trade, Tourism and Industry	16.14	53.45	10.61	26.41	13.98	24.41	131.8	92.4	**86.6**	**45.7**
Cultural Services	2.14	-	1.33		1.05		78.7	-	**49.2**	-
Cooperative Development	3.71	-	2.07		4.67		225.5	-	**126.1**	-
Veterinary	3.17	12.52	-	6.26	24.83	2.43	-	38.8	**784.4**	**19.4**
Roads And Transport	8.71	199.27	5.75	134.80	8.09	45.01	140.8	33.4	**92.9**	**22.6**

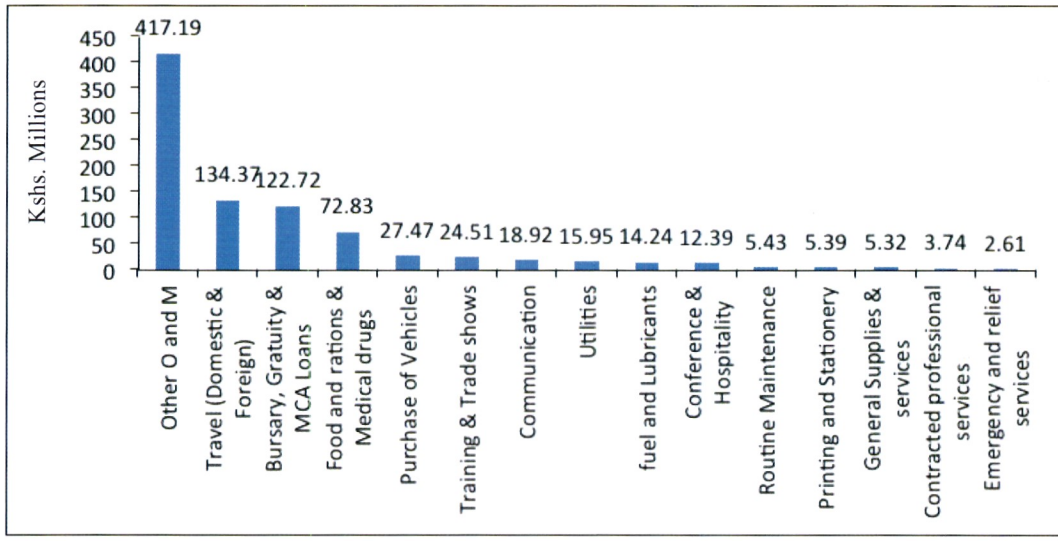
DEPARTMENT	BUDGET ALLOCATION (Kshs. Millions)		EXCHEQUER ISSUES (Kshs. Millions)		EXPENDITURE (Kshs. Millions)		% of Expenditure to Exchequer Issues		% of Expenditure to Budget Allocation	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Public Service Board	20.53	-	14.55		32.67		224.5	-	**159.1**	-
ICT	5.22	34.70	3.41	19.35	5.47	22.63	160.5	117.0	**104.7**	**65.2**
Min Env,Mining & Natural Resource	9.51	24.30	5.47	13.71	10.62	11.68	194.4	85.2	**111.7**	**48.1**
Lands & Physical Planning	2.50	11.60	1.21	7.61	2.52	-	208.5	0.0	**100.7**	**0.0**
Gender	4.73	60.00	3.12	60.00	6.01	37.26	192.4	62.1	**127.0**	**62.1**
One Ward One Programme	-	4.00	-			4.00	-	-	-	**100**
Fisheries	2.05	5.74	-	2.87	30.84	3.24	-	113.0	**1502.3**	**56.5**
Equalization of Wards Infrastructure	-	67.03	-	21.66		67.03	-	309.4	-	**100**
Defunct Local Authorities	-	44.23	-	27.12		30.11	-	111.1	-	**68.1**
Gratuity Fund	32.52	-	20.59		15.92		77.3	-	**49.0**	
Total	**2,651.18**	**1,496.21**	**1,717.6**	**717.47**	**1,830.85**	**622.29**	**106.59**	**86.7**	**69.1**	**41.6**

Source: *Taita Taveta County Treasury*

The County spent Kshs.26.17 million on sitting allowances to the 35 MCAs, representing an absorption rate of 46.4 per cent of the annual budget, an increase from the Kshs.2.0 million spent in the same period of FY 2013/14. Each MCA was paid an average monthly sitting allowance of Kshs.83,065 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.134.37 million compared to Kshs.52 million in the same period of FY 2013/14, representing an increase of 38 per cent. This expenditure comprised of Kshs.70.11 million incurred by the County Assembly and Kshs.64.26 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 159.

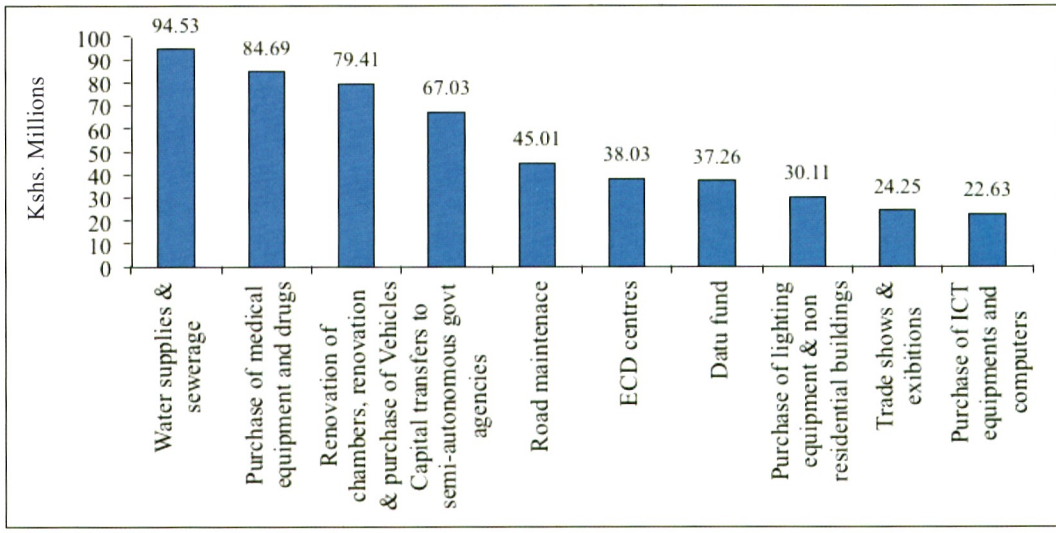
Figure 160: Taita Taveta County, Operations and Maintenance Expenditure



Source: *Taita Taveta County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.94.53 million on water supplies and sewerage; Kshs.84.69 on purchase of medical drugs and renovations; Kshs.79.41 million on renovation of chambers and repairs; Kshs.67.03 million to capital transfers to semi-autonomous government agencies; Kshs.45.01 million on road maintenance; Kshs.38.03 million on ECD centres and non-residential buildings as shown in Figure 160.

Figure 161: Taita Taveta County Analysis of Development Expenditure



Source: *Taita Taveta County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. The following issues have been addressed: full operationalization of IFMIS; automation of revenue collection; human resource capacity building, and designation of departmental accounting officers.

During monitoring of the budget implementation in the reporting period, the office noted the following issues that need to be addressed.

1. The County spent Kshs.2.6 million from the Emergency Fund without approved for the administration of the Fund.
2. Slow implementation of development projects resulting in low absorption of development funds.
3. Delays in disbursement of funds to projects that has have affected project implementation. Some projects have stalled due to non-remittance of funds by the County Treasury, yet exchequer issues have been released.
4. The County lacks a monitoring and evaluation framework to monitor project implementation.

The County should implement the following recommendations in order to improve

budget execution:

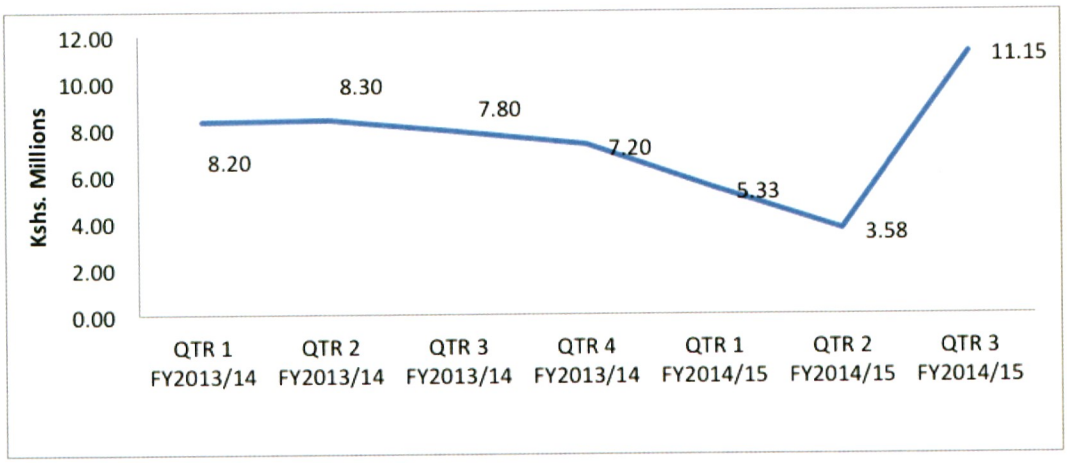
1. *Develop regulations to operationalize the established County Funds.*
2. *The County should review its development project implementation mechanisms with a view to expedite implementation of development projects.*
3. *Development work plans should be adhered to. This will ensure timely funding of projects and will eliminate instances of stalled projects.*
4. *Establish a monitoring and evaluation framework to monitor project implementation.*

Tana River County

In the FY 2014/15, the approved Budget for Tana River County amounts to Kshs. 3.58 billion with Kshs.1.80 billion (50.4 per cent) allocated to recurrent expenditure and Kshs.1.78 billion (49.6 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in table 1. In order to finance this budget, the County expects to receive Kshs.3.48 billion (96.6 per cent) as transfers from the National Government and to collect Kshs.120.00 million (3.4 per cent) from local sources. Further, the County expected to receive DANIDA grant of Kshs.7.1 million and had Kshs.1.4 billion as cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.1.92 billion from the National Government as direct transfer to the CRF Account, raised Kshs.20.06 million from local sources and had Kshs.1.4 billion as cash balance brought forward from the FY 2013/14. The local revenue raised in the third quarter was Kshs.11.15 million which is an improvement from Kshs.5.33 million collected in the first quarter and Kshs.3.58 million collected in the second quarter of the FY 2014/15. The Local revenue raised as at March 2015 accounted for 16.7 per cent of the annual local revenue target. Figure 161 shows the trend of local revenue collection by quarter.

Figure 162: Tana River County Trend in Local Revenue Collection by Quarter



Source: *Tana River County Treasury*

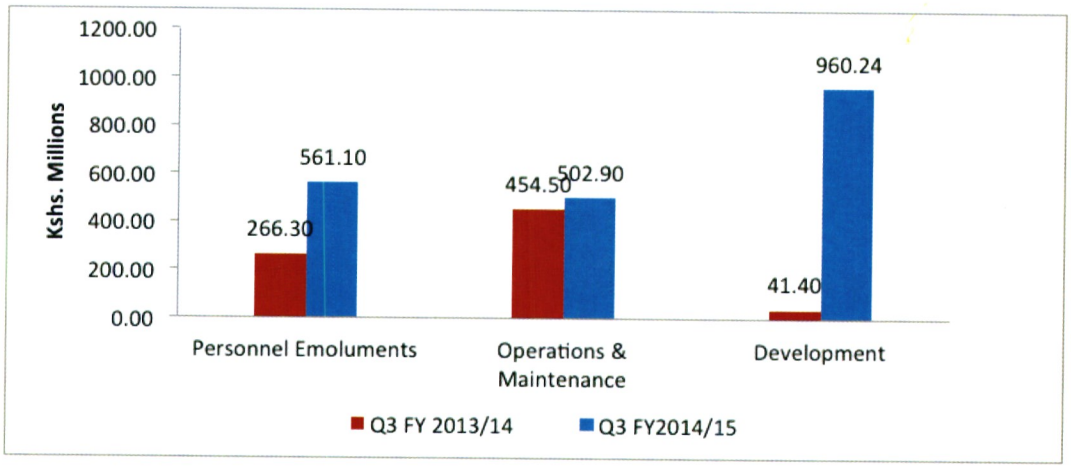
During the reporting period, the County accessed **Kshs.2.96 billion** from the CRF which is 82.8 per cent of the approved budget, an improvement from 44.3 per cent in the same period in the financial year 2013/14. The withdrawals consisted of Kshs.1.20 billion (40.4 per cent) released for recurrent expenditure and Kshs.1.77 billion (59.6 per cent) for development activities.

The County spent a total of **Kshs.2.02 billion** during the first nine months of FY 2014/15 which was 68.3 per cent of the total funds released and an improvement from the Kshs.762.30 million spent in the same period of FY 2013/14. Kshs.1.06 billion (52.6 per cent) was spent on recurrent activities and Kshs.960.24 million (47.4 per cent) on development activities. Recurrent expenditure was 88.8 per cent of the funds released for recurrent activities while development expenditure accounted for 54.3 per cent of the funds released for development activities. The County did not provide data on outstanding commitments as at 31st March, 2015.

The recurrent expenditure for the period under review represented an absorption rate of **59.0 per cent** of the annual recurrent budget, an increase from an absorption rate of 35.6 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of **54.0 per cent** of the annual development budget, an improvement from an absorption rate of 3.5 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.1.06 billion shows that the County spent Kshs.561.10 million (52.7 per cent) on personnel emoluments and Kshs.502.90 million (47.3 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period in the financial year 2013/14 when the County spent Kshs.266.30 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in figure 162.

Figure 163: Tana River County, Third Quarter Expenditure by Economic Classification



Source: *Tana River County Treasury*

A breakdown of expenditure by department shows that five departments reported above 100 per cent expenditure as a percentage of exchequer issues which is irregular and should be corrected before the end of the financial year. These departments are the Executive, Finance & Economic Planning, County Public Service Board, Environment & Natural Resources and Roads & Public Works. The expenditure of various departments is summarised in Table 43.

Table 43: Tana River County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

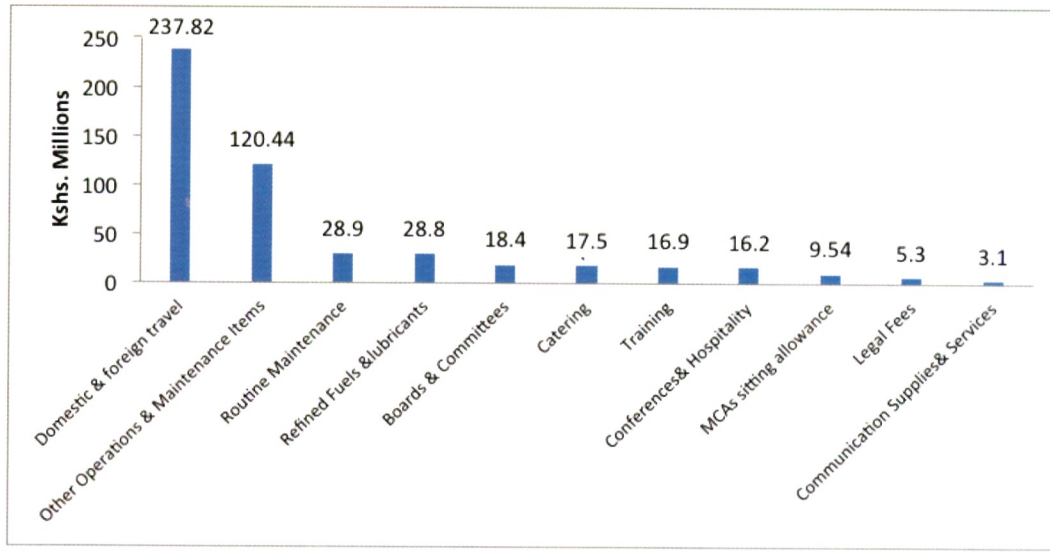
DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENDITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Executive	380.82	83.38	220.41	82.69	253.19	41.74	**114.9**	**50.5**	**66.5**	**50.1**
Finance & planning	243.79	52.58	181.89	52.29	210.20	-	**115.6**	**0.0**	**86.2**	**0.0**
Cohesion&Special programmes	10.95	134.56	8.47	133.28	8.00	40.12	**94.4**	**30.1**	**73.1**	**29.8**
Agriculture,Lands,Veterinary,livestock, Fisheries	187.67	86.60	140.83	86.60	133.49	26.78	**94.8**	**30.9**	**71.1**	**30.9**
Trade,Tourism & Industrialization	30.34	39.55	22.17	37.78	21.99	-	**99.2**	**0.0**	**72.5**	**0.0**
Roads& Public works	34.68	852.02	26.34	851.01	26.89	537.28	**102.1**	**63.1**	**77.5**	**63.1**
Health, Water & Sanitation	308.05	189.16	229.55	188.58	162.78	188.59	**70.9**	**100.0**	**52.8**	**99.7**
Education,Youth Development& Vocational Training	24.17	164.65	18.09	164.32	17.97	106.76	**99.4**	**65.0**	**74.4**	**64.8**
Gender,Culture& Social Services	26.16	103.85	19.08	102.93	18.58	-	**97.4**	**0.0**	**71.0**	**0.0**
Environment & Natural Resources	31.71	6.45	23.85	6.23	25.47	-	**106.8**	**0.0**	**80.3**	**0.0**
County Public Service Board	35.73	-	17.86	-	26.47	-	**148.2**	**0.0**	**74.1**	**0.0**
County Assembly	489.25	61.75	289.00	60.88	158.97	17.80	**55.0**	**29.2**	**32.5**	**28.8**
Total	**1,803.31**	**1,774.56**	**1,197.55**	**1,766.58**	**1,064.00**	**959.08**	**88.8**	**54.3**	**59.0**	**54.0**

Source: *Tana River County Treasury*

The County spent Kshs.9.54 million on sitting allowances to the 26 MCAs, representing an absorption rate of 19.5 per cent of the annual allocation, an increase from the Kshs.4.5 million spent in the same period of FY 2013/14. Each MCA was paid an average monthly sitting allowance of Kshs.39,239 compared to the SRC recommended amount of Kshs.124, 800. The total expenditure on domestic and foreign travel amounted to Kshs.237.82 million compared to Kshs.97.3 million in the same period of FY 2013/14, representing an increase of 144.4 per cent. The total travel expenditure for the County Assembly and the County Executive amounted

to Kshs.42.39 million and Kshs.195.43 million respectively. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 163.

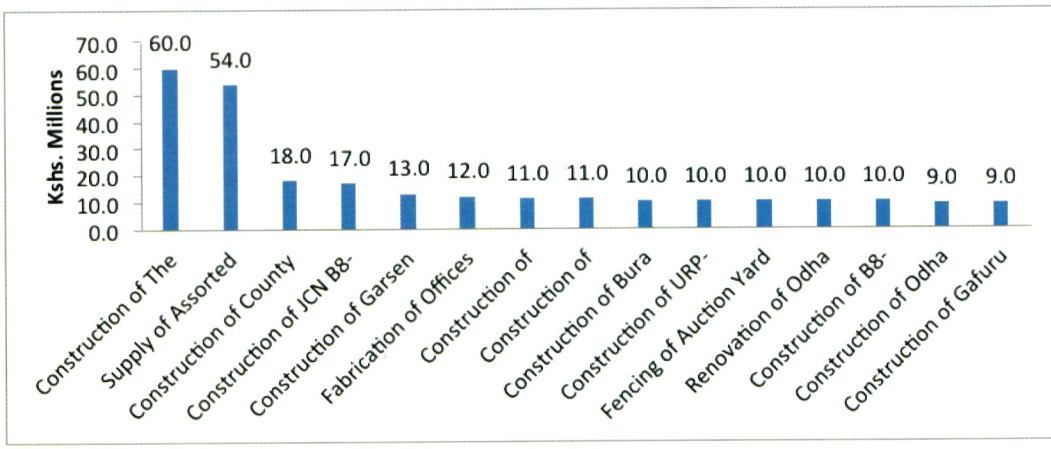
Figure 164: Tana River County, Operations and Maintenance Expenditure



Source: *Tana River County Treasury*

Analysis of the development expenditure for the reporting period of Kshs.960.2 million shows that the County spent Kshs.60 million on the construction of the Governor's residence, Kshs.70 million on construction of 5,366 kilometres of roads, which included: (i) Juction B8 to Assa road of 103 kilometres at a cost of Kshs.20 million, and (ii) Danisa to Galili road of 112 Km at a cost of Kshs.10 million. Also, Kshs.54 million was spent on purchase and supply of 40 metric tonnes of assorted relief food; Kshs.18 million on the construction of an administration block for the County Assembly, Kshs.13 million on construction of auction yards, Kshs.12 million on construction of revenue offices, and Kshs.18 million on the construction of ECDE centres. Other development projects amount to Kshs.696.2 million. A breakdown of the 15 top projects is as shown in Figure 164.

Figure 165: Tana River County Analysis of Development Expenditure



Source: *Tana River County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. The following issues have been addressed: (i) capacity building of technical departments; and, (ii) constitution of an Audit Committee in line with Section 155 (5) of the PFM Act 2012.

During monitoring of the budget in the period under review, the office noted the following issues that need to be addressed.

1. Intermittent use of IFMIS and G-Pay systems by both the County Executive and the County Assembly.
2. Delay in submission of financial reports to OCOB.
3. Lack of adequate office space to accommodate the increased number of staff, hence affecting budget implementation.

The County should implement the following recommendations in order to improve budget execution:

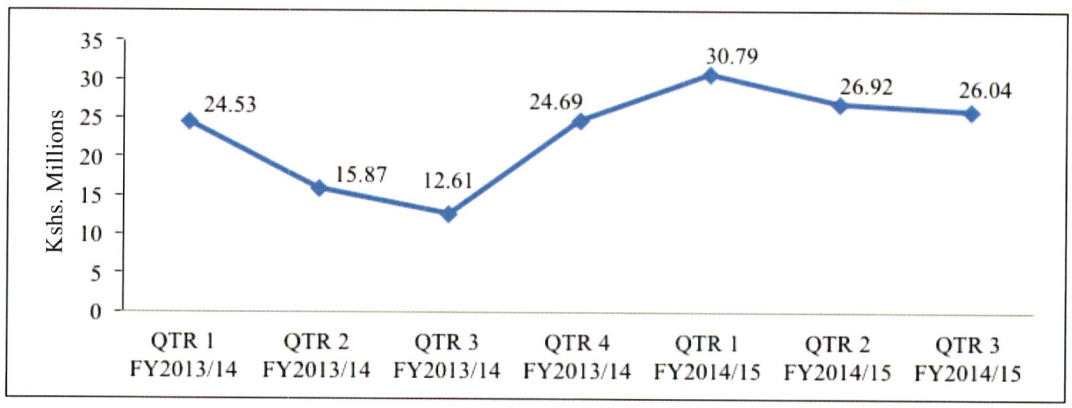
1. *Ensure all financial transactions are processed in IFMIS.*
2. *The County Treasury should ensure that financial reports are submitted on a timely basis.*
3. *The County should provide adequate office space for staff to enhance service delivery to the public.*

Tharaka Nithi County

In the FY 2014/15, the approved Budget for Tharaka Nithi County amounts to Kshs.3.72 billion with Kshs.1.83 billion (49.2 per cent) allocated to recurrent expenditure and Kshs.1.89 billion (50.8 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 44. In order to finance this budget, the County expects to receive Kshs.2.74 billion (69.5 per cent) as transfers from the National Government, collect Kshs.250.0 million (6.3 per cent) from local sources, conditional loans and grants (DANIDA grants included) of Kshs.698.82 million (17.7 per cent) and Kshs.251.68 million (6.4 per cent) as projected cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.1.77 billion from the National Government as a direct transfer to the CRF, raised Kshs.83.75 million from local sources, and had Kshs.251.68 million as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.26.04 million which is a decrease from Kshs.30.79 million collected in the first quarter and Kshs.26.92 million collected in the second quarter of FY 2014/15. The total local revenue raised as at March 2015 accounted for 33.5 per cent of the annual local revenue target. Figure 165 shows the trend in local revenue collection by quarter.

Figure 166: Tharaka Nithi County Trend in Local Revenue Collection by Quarter



Source: *Tharaka Nithi County Treasury*

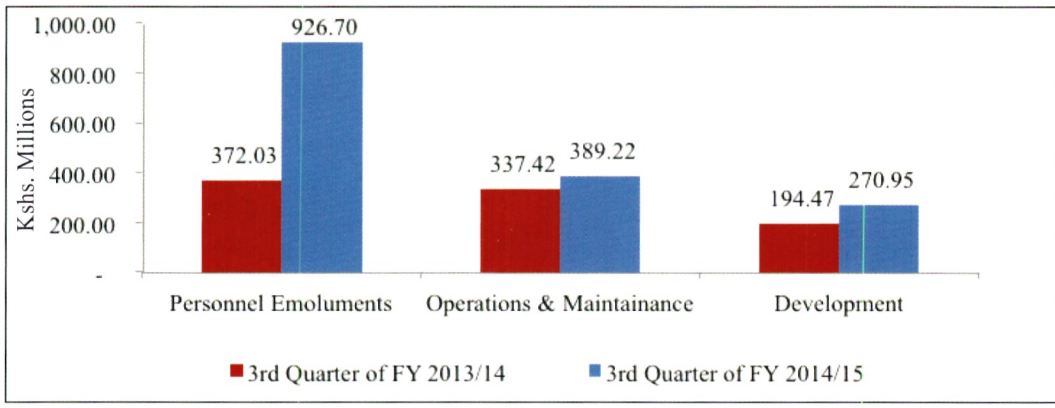
During the reporting period, the County accessed **Kshs.1.83 billion** from the CRF which is 49.2 per cent of the approved budget, an improvement from 43.6 per cent in the same period of FY 2013/14. The withdrawals consisted of Kshs.1.22 billion (66.6 per cent) for recurrent expenditure and Kshs.610.51 million (33.4 per cent) for development activities.

The County spent a total of **Kshs.1.59 billion** during the first nine months of FY 2014/15 which is 86.9 per cent of the total funds released for operations, and an improvement from the Kshs.946.47 million spent in the same period of FY 2013/14. A total of Kshs.1.32 billion (82.9 per cent) was spent on recurrent activities while Kshs.270.95 million (17.1 per cent) on development activities. Recurrent expenditure was 108.1 per cent of the funds released for recurrent activities while development expenditure accounted for 44.4 per cent for development activities. The expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.66.26 million for recurrent expenditure and Kshs.2.90 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **71.9 per cent** of the annual recurrent budget, an increase from an absorption rate of 17.4 per cent realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of **14.4 per cent** of the annual development budget, an improvement from an absorption rate of 8.7 per cent realized in the same period of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.1.32 billion shows that the County spent Kshs.926.70 million (70.4 per cent) on personnel emoluments and Kshs.389.22 million (29.6 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period of FY 2013/14 when the County spent Kshs.372.03 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in figure 166.

Figure 167: Tharaka Nithi County, Third Quarter Expenditure by Economic Classification



Source: *Tharaka Nithi County Treasury*

A breakdown of expenditure by department shows that Health Department had the highest absorption rate of its annual recurrent budget at 80.5 per cent while the Education, Youth, Gender and Social Services Department had the lowest absorption rate of its annual recurrent budget at 40.6 per cent. On the other hand, the Finance and Economic Planning Department had the highest absorption rate of its annual development budget at 51.2 per cent while the four departments did not incur any development expenditure. A summary of the expenditure by the various departments is provided in Table 44.

Table 44: Tharaka Nithi County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% of Expenditure to Exchequer Issues		% of Expenditure to Budget Allocation	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Office of the Governor	174.71	0	121.1	0	140.18	0	115.8		80.2	
Finance and Economic Planning	140.87	110.95	99.17	24	98.54	56.77	99.4	236.5	70.0	51.2
Education, Youth , Gender & Social services	60.37	240.65	41.6	72.28	24.54	1.07	59.0	1.5	40.6	0.4
Health Services	723	196	521	55	582.13	24.79	111.7	45.1	80.5	12.6
Physical Planning, Land, Housing, Energy and ICT	43.24	195.24	30.1	16.2	20.81	0	69.1	0.0	48.1	0.0
Road, Transport, Public Works and Legal Affairs	40.75	476.15	27.94	257.59	23.94	124.88	85.7	48.5	58.7	26.2
County Assembly	290.03	130	123.41	10	192.25	0	155.8	0.0	66.3	0.0
Labour and Urban Development	91.38	124.2	65.93	26.4	70.91	0	107.6	0.0	77.6	0.0
Trade, industrialisation and Co-operative Development	39.15	91.2	27.5	0	26.96	0	98.0		68.9	0.0
Agriculture, Livestock and Fisheries Development	188.12	182.84	135.87	81.22	112	61.95	82.4	76.3	59.5	33.9
Tourism, Environment, Water & natural resources	39.29	140.35	23.22	67.83	24.03	1.5	103.5	2.2	61.2	1.1
Total	**1830.9**	**1887.6**	**1216.8**	**610.5**	**1317.3**	**271.0**	**108.3**	**44.4**	**71.9**	**14.4**

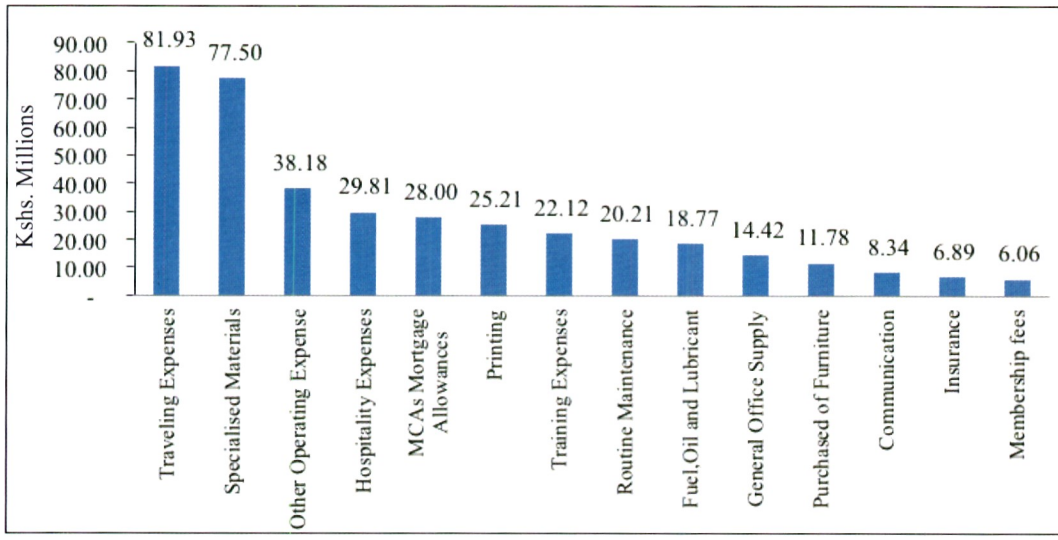
Source: *Tharaka Nithi County Treasury*

The County spent Kshs.12.12 million on sitting allowances to the 25 MCAs, representing an absorption rate of 41.0 per cent of the annual budget, an increase from the Kshs.11.22 million spent in the same period of FY 2013/14. Each MCA was paid an average monthly sitting allowance of Kshs.53,868 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.81.93 million compared to Kshs.112.31 million in the same period of FY 2013/14, representing a decrease of 27.1 per cent. This expenditure comprised of Kshs.25.26 million

incurred by the County Assembly and Kshs.56.66 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in figure 167.

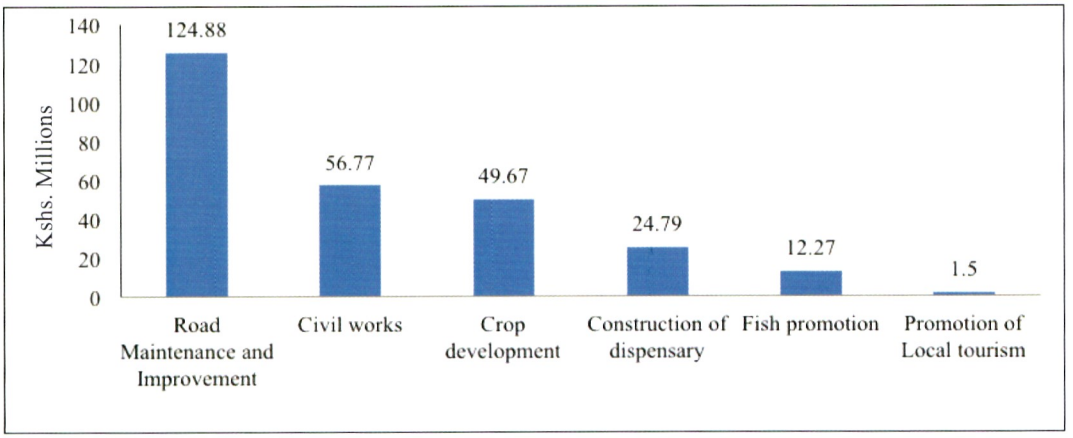
Figure 168: Tharaka Nithi County, Operations and Maintenance Expenditure



Source: *Tharaka Nithi County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.124.88 million on maintenance and improvement of roads; Kshs.56.77 million on civil works; Kshs.49.67 million on crop development; Kshs.24.79 million on construction of dispensaries; Kshs.12.27 million for fisheries promotion, and Kshs.1.5 million for promotion of the local tourism as shown in Figure 168.

Figure 169: Tharaka Nithi County Analysis of Development Expenditure



Source: *Tharaka Nithi County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. Already, some recommendations have been implemented.

During monitoring of the budget implementation in the reporting period, the office noted the following issues that need to be addressed;

1. Lack of an internal audit committee, which is contrary to Section 155(5) of PFM Act, 2012 to provide quality assurance.
2. Failure to deposit locally generated revenue into the CRF by the Health Department. This is contrary to Section 109(2) of PFM Act, 2012.
3. Escalating wage bill which, if not addressed, may be unsustainable.

The County should implement the following recommendations in an effort to improve budget execution:

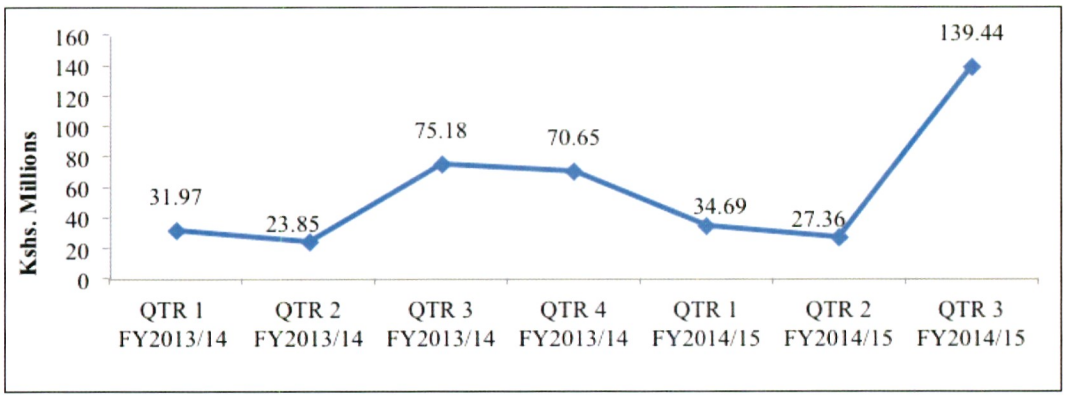
1. *The County should establish an Internal Audit Committee in line with section 155(5) of the PFM Act, 2012 to enhance oversight on financial operations.*
2. *The County Treasury should ensure that all money raised or received by or on behalf the County government is paid to CRF per section 109 (2) of PFM Act, 2012.*
3. *The County should liaise with National government to address the huge wage bill.*

Trans Nzoia County

In the FY 2014/15, the approved Supplementary Budget for Trans Nzoia County amounts to Kshs.5.17 billion with Kshs.2.96 billion (57.2 per cent) allocated to recurrent expenditure and Kshs.2.21 billion (42.8 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 45. In order to finance this budget, the County expects to receive Kshs.4.34 billion (84.1 per cent) as transfers from the National Government, collect Kshs.385.00 million (7.4 per cent) from local sources, DANIDA grant of Kshs.8.95 million (0.2 per cent) and Kshs.429.49 million (8.3 per cent) as projected cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.2.88 billion from the National Government as a direct transfer to the CRF, raised Kshs.201.50 million from local sources and had Kshs.429.49 million as cash balance brought forward from the FY 2013/14. The local revenue raised in the third quarter was Kshs.139.44 million which is an improvement from Kshs.34.69 million collected in the first quarter and Kshs.27.36 million collected in the second quarter of the FY 2014/15. The total local revenue raised as at March 2015 accounted for 52.3 per cent of the annual local revenue target. Figure 169 shows the trend of local revenue collection by quarter.

Figure 170: Trans Nzoia County Trend in Local Revenue Collection by Quarter



Source: *Trans Nzoia County Treasury*

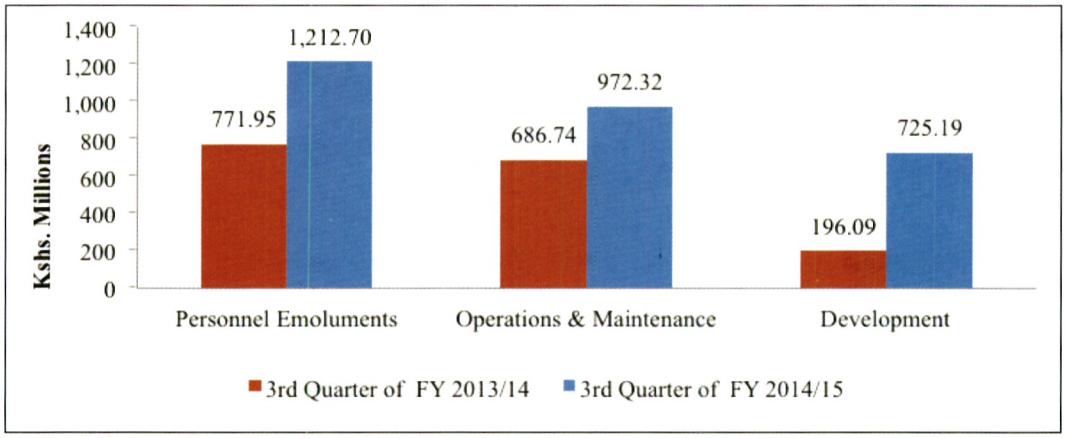
During the reporting period, the County accessed **Kshs.3.47 billion** from the CRF which is 67.1 per cent of the approved Supplementary Budget, an improvement from 50.4 per cent in the same period of financial year 2013/14. This amount consisted of Kshs.1.92 billion (55.3 per cent) for recurrent expenditure and Kshs.1.55 billion (44.7 per cent) for development activities.

The County spent a total of **Kshs.2.87 billion** during the first nine months of FY 2014/15 which is 82.7 per cent of the total funds released for operations and an improvement from the Kshs.1.65 billion spent in the same period of FY 2013/14. A totals of Kshs.2.14 billion (74.7 per cent) was spent on recurrent activities while Kshs.725.19 million (25.3 per cent) on development activities. Recurrent expenditure was 111.7 per cent of the funds released for recurrent activities while development expenditure accounted for 46.9 per cent of the funds released for development activities. The County transferred Kshs.124 million and Kshs.100 million in the first and third quarter respectively from the requisitioned funds for development activities to finance recurrent expenditure, contravening Section 154 (1) (b) of the PFM Act, 2012. This is irregular and corrective action should be taken by the officers concerned. This expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.168.75 million for recurrent expenditure and Kshs.41.18 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **72.4 per cent** of the annual recurrent budget, an increase from an absorption rate of 47.6 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of **32.8 per cent** of the annual development budget, an improvement from an absorption rate of 14.4 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.2.14 billion shows that the County spent Kshs.1.21 billion (56.7 per cent) on personnel emoluments and Kshs.927.32 million (43.3 per cent) on operations and maintenance expenditure. The operations and maintenance expense include Kshs.55.73 million paid to clear pending bills from the previous financial year. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period financial year 2013/14 when the County spent Kshs.771.95 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 170.

Figure 171: Trans Nzoia County, Third Quarter Expenditure by Economic Classification



Source: *Trans Nzoia County Treasury*

A breakdown of expenditure by department shows that the Governance Department had the highest absorption rate of its annual recurrent and development budget at 123.9 per cent and 74.2 per cent respectively. Absorption rates that are higher than 100 per cent indicate diversion of funds from other departments, which is irregular. The Education Department had the lowest absorption rate of its annual recurrent budget at 33.2 per cent while Economic Planning, Commerce and Industry Department had the lowest absorption rate of its annual development budget at 7.4 per cent. The expenditure of various departments is summarised in **Table 45**.

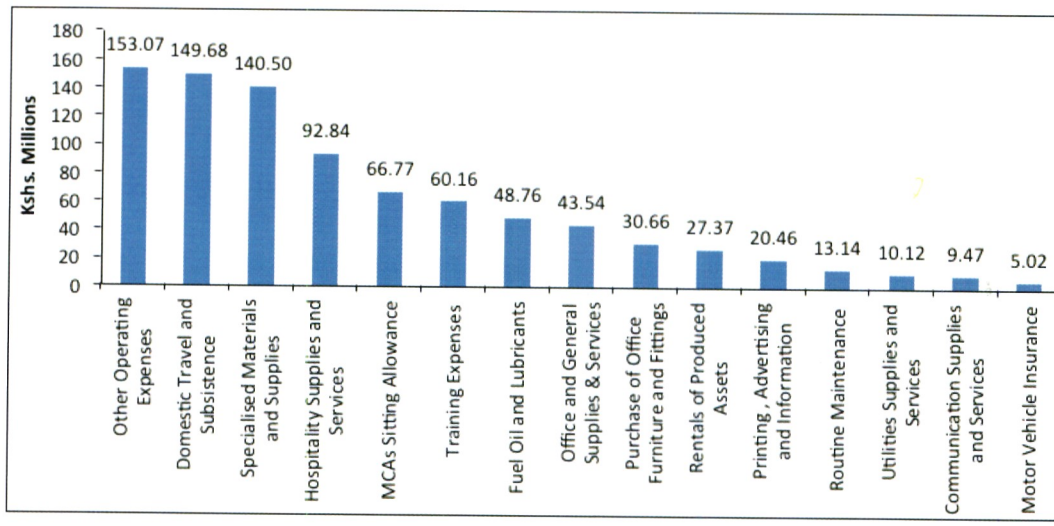
Table 45: Trans Nzoia County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% of Expenditure to Exchequer Issues		% of Expenditure to Budget Allocation	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Governance & PSB sector	280.2	191.98	212.36	109.4	347.17	142.41	163.5	130.2	**123.9**	**74.2**
Finance sector	366.4	34	274.86	14.38	201.55	8.21	73.3	57.1	**55.0**	**24.1**
Education sector	61.19	228.44	49.05	106.72	20.3	110.68	41.4	103.7	**33.2**	**48.5**
Health Services	1,052.84	369.5	668.88	282.15	749.27	146.96	112.0	52.1	**71.2**	**39.8**
Gender, Culture , youth ,sports & tourism	61.86	139.47	39.83	60.03	22.06	18.14	55.4	30.2	**35.7**	**13.0**
Public Works, Roads and Transport	205.31	414	137.46	327.37	108.79	118.84	79.1	36.3	**53.0**	**28.7**
County Assembly	495.06	106.4	213.6	68.39	405.52	0	189.9	0.0	**81.9**	**0.0**
Lands, Housing & Physical planning	25.38	138.65	17.4	106.79	19.02	14.93	1.1	14.0	**74.9**	**10.8**
Economic planning, commerce & industry	44.24	148.01	30.25	78.9	33.9	10.9	112.1	13.8	**76.6**	**7.4**
Agriculture, livestock & fisheries	295.61	142.41	220.94	100.78	192.07	24.55	86.9	24.4	**65.0**	**17.2**
Environment, Water & natural resources	68.36	295.96	50.6	292.56	38.27	129.58	75.6	44.3	**56.0**	**43.8**
Total	**2,956.45**	**2,208.82**	**1,915.23**	**1,547.47**	**2,140.02**	**725.19**	**111.7**	**46.9**	**72.4**	**32.8**

Source: *Trans Nzoia County Treasury*

The County spent Kshs.66.77 million on sitting allowances to the 39 MCAs, representing an absorption rate of 90.1 per cent of the annual budget, an increase from the Kshs.53.10 million spent in the same period of 2013/14 financial year. Each MCA was paid an average monthly sitting allowance of Kshs.190,222 compared to the SRC recommended amount of Kshs.124,800. The total expenditure on domestic and foreign travel amounted to Kshs.149.68 million compared to Kshs.125.90 million in the same period of FY 2013/14, representing an increase of 18.8 per cent. The total travel expenditure for the County Assembly and the County Executive amounted to Kshs.71.99 million and Kshs.77.69 million respectively. The breakdown of operations and maintenance expenditure for the period under review is shown in figure 171.

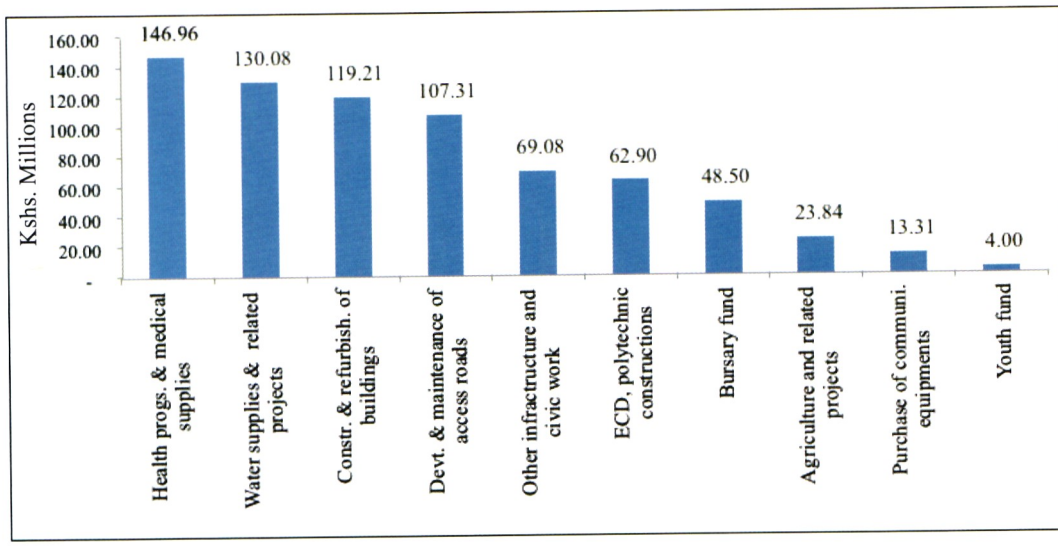
Figure 172: Trans Nzoia County, Operations and Maintenance Expenditure



Source: *Trans Nzoia County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.146.96 million on health programmes and medical supplies, Kshs.119.21 on construction and refurbishment of buildings, Kshs.107.31 million on installation of culverts and maintenance of access roads, Kshs.48.5 million on the Bursary Fund, Kshs.4 million on the Youth Fund, Kshs.130.08 million on construction of water supplies and water related projects, Kshs.13.31 million on purchase of communication and other information technology equipment, Kshs.23.84 million on agriculture and related projects, Kshs.62.90 million on construction of ECD classrooms, polytechnics and other educational programmes and Kshs.69.08 million on development of other infrastructure and civil works as shown in Figure 172.

Figure 173: Trans Nzoia County, Analysis of Development Expenditure



Source: *Trans Nzoia County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. So far, the following issues have been addressed: (i) timely submission of revenue and expenditure returns, and (ii) improvement in revenue collection.

During monitoring of the budget implementation in the reporting period, the office noted the following issues that need to be addressed;

1. Lack of an Audit Committee contrary to Section 155(5) of the PFM Act, 2012.
2. Low absorption of development funds which stands at 32.8 per cent of the annual development budget;
3. Inadequate controls in budgetary control as evidenced by diversion of funds approved for development activities to recurrent activities.
4. The County has not fully adopted IFMIS whereby financial transactions and reporting is done manually.
5. Lack of Monitoring and Evaluation Unit/Committees that would monitor and report on implementation of developmental projects.

The following recommendations should be implemented in order to improve budget execution:

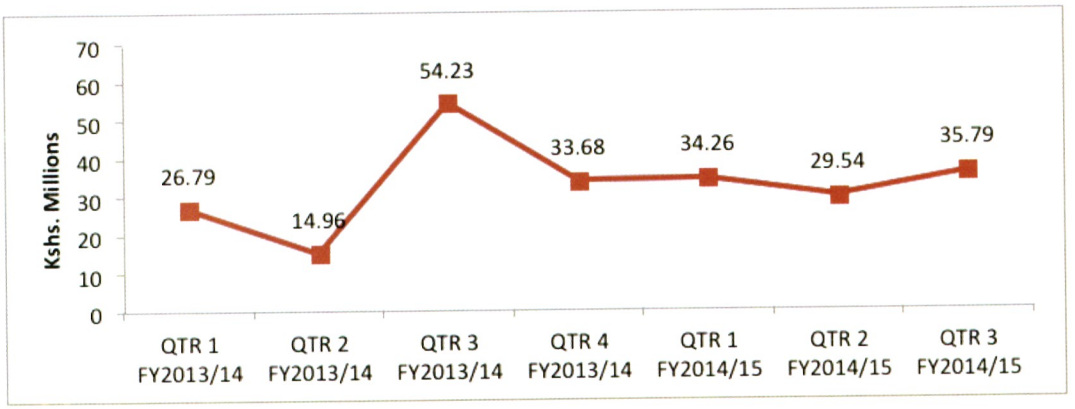
1. *Constitute an audit committee as per Section 155(5) of the PFM Act,2012*
2. *Put measures in place to improve absorption of development funds.*
3. *Ensure compliance with section 154 of the PFM Act, 2012 on reallocation of funds between votes.*
4. *Ensure full adoption of IFMIS in processing financial transaction.*
5. *Constitute a monitoring and evaluation unit to monitor and report on development project implementation.*

Turkana County

In the FY 2014/15, the approved Budget for Turkana County amounts to Kshs.12.99 billion with Kshs.4.05 billion (31 per cent) allocated to recurrent expenditure and Kshs.8.95 billion (69 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in table 46. In order to finance the budget, the County expects to receive Kshs.9 billion (69 per cent) as transfers from the National Government, collect Kshs.500 million (4 per cent) from local sources, Kshs.3.5 billion (29 per cent) balance brought forward from FY 2013/14, and receive Kshs.9.8 million as grants from DANIDA.

During the first nine month of the FY 2014/15, the County received Kshs.5.2 billion from the National Government as direct transfer to the CRF Account, raised Kshs.99.59 million from local sources, and had Kshs.3.5 billion as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.35.79 million which is an increase from Kshs.34.26 million collected in the first quarter and Kshs.29.54 million collected in the second quarter of FY 2014/15. The Local revenue raised as at March 2015 accounted for 19.9 per cent of the annual local revenue target. Figure 173 shows the trend of local revenue collection by quarter.

Figure 174: Turkana County Trend in Local Revenue Collection by Quarter



Source: *Turkana County Treasury*

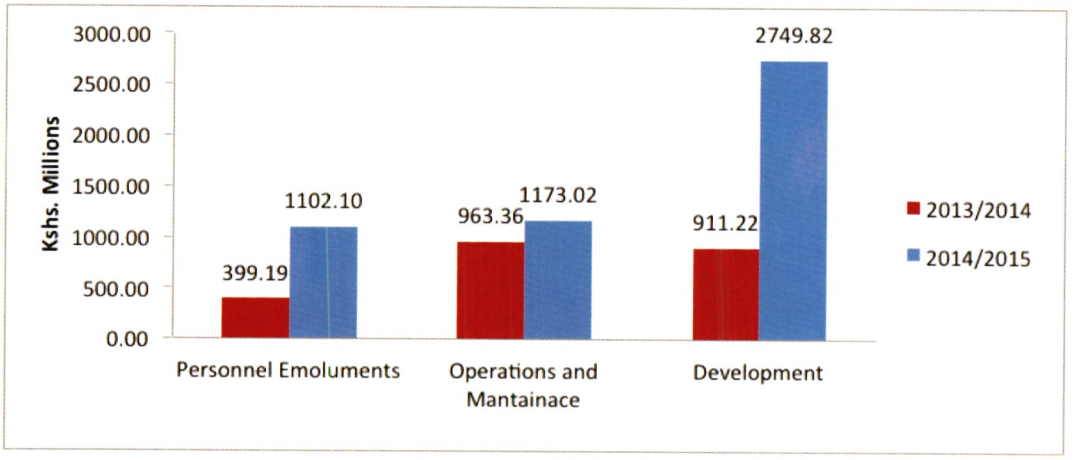
During the reporting period, the County accessed **Kshs.8.83 billion** from the CRF which is 68.0 per cent of the approved budget, an improvement from Kshs.3.0 billion (37 per cent) in the same period of financial year 2013/14. This amount consisted of Kshs.2.49 billion (28.1 per cent) released for recurrent expenditure and Kshs.6.35 billion (71.9 per cent) for development activities.

The County spent a total of **Kshs.5.02 billion** during the nine months of FY 2014/15 which was 56.9 per cent of the total funds released and an improvement from the Kshs.2.3 billion spent in the same period of FY 2013/14. A total of Kshs.2.28 billion (45.3 per cent) was spent on recurrent activities and Kshs. 2.75 billion (54.7 per cent) on development activities. Recurrent expenditure was 91.5 per cent of the funds released for recurrent activities while development expenditure accounted for 43.3 per cent of the funds released for development activities. The County did not submit a report on outstanding commitments as at 31st March, 2015.

The recurrent expenditure for the period under review represented an absorption rate of **56.2 per cent** of the annual recurrent budget, a decrease from an absorption rate of 60 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of **30.7 per cent** of the annual development budget, an increase from an absorption rate of 40 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.2.28 billion shows that the County spent Kshs.1.10 billion (48.4 per cent) on personnel emoluments and Kshs.1.17 billion (51.6 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period in the financial year 2013/14 when the County spent Kshs.399.19 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 174.

Figure 175: Turkana County, Third Quarter Expenditure by Economic Classification



Source: *Turkana County Treasury*

A breakdown of expenditure by department shows that the County Public Service Board had the highest absorption rate of its annual recurrent budget at 97.7 per cent while the Finance & Planning Department had the highest absorption rate of its annual development budget at 65.2 per cent. The expenditure of various departments is summarised in Table 46.

Table 46: Turkana County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENDITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Finance and Planning	135.11	946.05	303.33	686.87	107.51	616.74	35.4	89.8	79.6	65.2
Education, HRD, Culture & Social Services	40.82	1,284.30	180.18	932.35	25.34	432.48	14.1	46.4	62.1	33.7
County Public Service Board	38.15	-	51.13	-	37.29	-	72.9	-	97.7	-
Office of the Deputy Governor	32.19	-	30.49	-	23.40	-	76.7	-	72.7	-
Health & Sanitation Services	234.36	1,210.51	708.18	951.41	108.05	127.57	15.3	13.4	46.1	10.5
Transport, Roads, Housing & Public Works	51.74	1,065.08	65.98	732.54	35.49	295.36	53.8	40.3	68.6	27.7
Nairobi Liason Office	15.78	-	11.62	-	12.35	-	106.3	-	78.2	-
Energy, Environment & Natural Resources	55.27	361.24	55.00	230.62	32.32	38.74	58.8	16.8	58.5	10.7
Tourism, Trade & Industrialization	43.28	446.90	44.86	303.45	41.20	170.44	91.8	56.2	95.2	38.1
Pastoral Economy & Fisheries	37.76	643.54	87.99	471.77	29.35	148.62	33.4	31.5	77.7	23.1
Land, Physical Planning & Urban Management	54.13	452.63	74.65	286.32	35.60	29.24	47.7	10.2	65.8	6.5
Water services, Irrigation & Agriculture	92.15	968.57	136.65	684.29	39.71	287.54	29.1	42.0	43.1	29.7
Public Service,Disaster Management and Decentralized Administration	2,098.12	876.00	350.55	638.00	979.90	370.79	279.5	58.1	46.7	42.3
Office of the Governor	150.29	458.53	85.89	329.26	70.18	223.80	81.7	68.0	46.7	48.8
County Assembly	967.30	235.00	300.00	100.00	697.43	8.40	232.5	8.4	72.1	3.6
Total	**4,046.45**	**8,948.36**	**2,486.50**	**6,346.88**	**2,275.12**	**2,749.71**	**91.5**	**43.3**	**56.2**	**30.7**

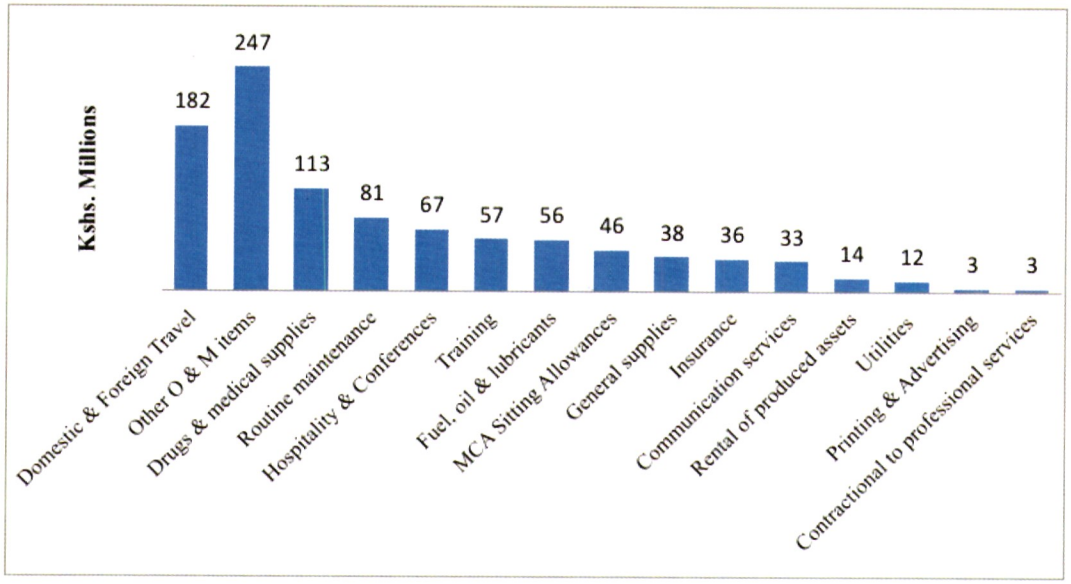
Source: *Turkana County Treasury*

The County spent Kshs.45.50 million on sitting allowances to the 47 MCAs, representing an absorption rate of 455.0 per cent of the annual allocation, an increase from the Kshs.7.9 million spent in the same period of 2013/14 financial year The County Assembly under budgeted the MCAs sitting allowance and this should

be corrected through a Supplementary Budget. Each MCA was paid an average monthly sitting allowance of Kshs.105,324 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.181.73 million compared to Kshs.162.7 million in the same period of FY 2013/14, representing an increase of 11.7 per cent. This expenditure consisted of Kshs.124.76 million incurred by the County Assembly and Kshs.56.97 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure175.

Figure 176: Turkana County, Operations and Maintenance Expenditure

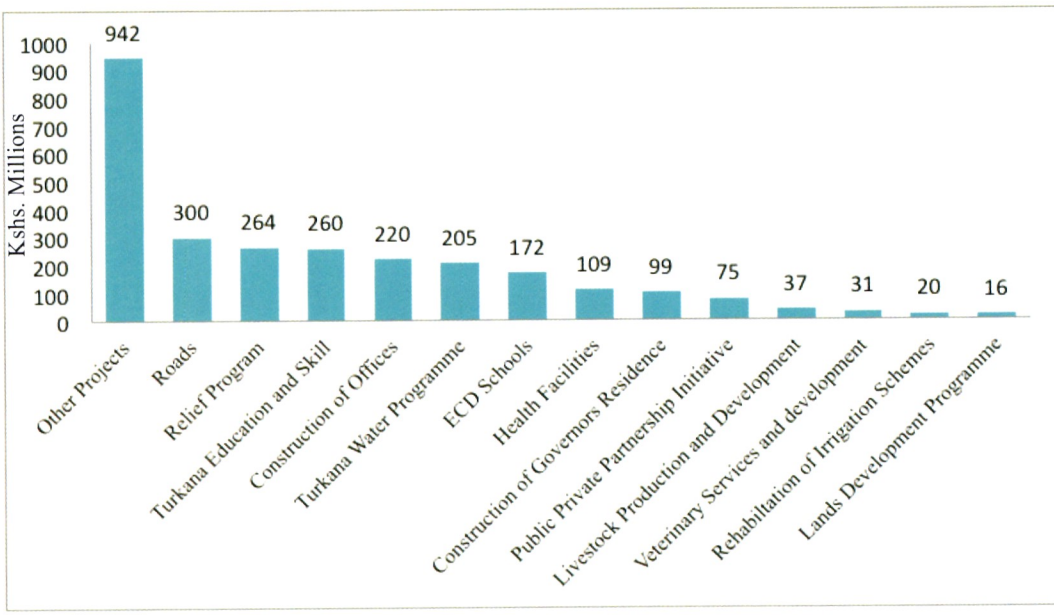


Source: *Turkana County Treasury*

Analysis of the development expenditure shows that the County spent Kshs. 300 million on construction of a 6 kilometre tarmac road in Lodwar town and pavement of other roads in Kainuk, Loyapat Kaptir, Kalokol Lobolo, Lorugum- NB- Uganda Road, Lomelo- Kamuge, Kataboi Lopur, and Lokangae- Lokiyoto- Loruth. Also, Kshs.264 million was spent on relief program for the purchase of beans, maize, cooking oil and transport to the various distribution centres in 30 wards while Kshs.260 million was spent on Bursary/scholarship fund.

Further, Kshs.109 million was spent on construction of inpatient blocks in health facilities, equipment's, fencing, gate, surveying, power connectivity, water, toilets, staff quarters, incinerator for all the recently constructed dispensaries in all wards. Kshs. 171.66 million was spent on construction of ECD classes in Lokaburu , Naremet , Namoroto , Katilia ,Nakalale, Lobei among others, Kshs. 220.21 million on construction of County Treasury building offices, County Executive office building among others projects shown in Figure 176.

Figure 177: Turkana County Analysis of Development Expenditure (Kshs. Millions)



Source: *Turkana County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. The following issues have been addressed: full operationalization of IFMIS, human capacity building, compliance with legal budgetary timelines and designation of departmental accounting officers.
During the monitoring of the budget implementation in the period under review, the office noted the following issues that need to be addressed:

1. Inadequate internal audit arrangements contrary to Section 155 of the PFM Act, 2012.

2. Lack of regulations to operationalize the County Emergency Fund contrary to Section 116 of the PFM Act, 2012.
3. Delays in approval of key policy documents and legislation attributable to weak coordination and cooperation between the County Executive and County Assembly.
4. Underperformance of local revenue collection.

The County should implement the following recommendations in order to improve budget execution:

1. *Establish sound internal audit arrangements in line with Section 155 of the PFM Act, 2012 to enhance financial management oversight.*
2. *Expedite the approval of regulations for administration of the County Emergency Fund in line with Section 116 of the PFM Act, 2012*
3. *The County Executive and County Assembly should work harmoniously to ensure key policy documents and regulations are timely enacted.*
4. *The County Treasury should revise its revenue targets which appear unrealistic and may result to non-execution of some planned activities in FY 2014/15.*

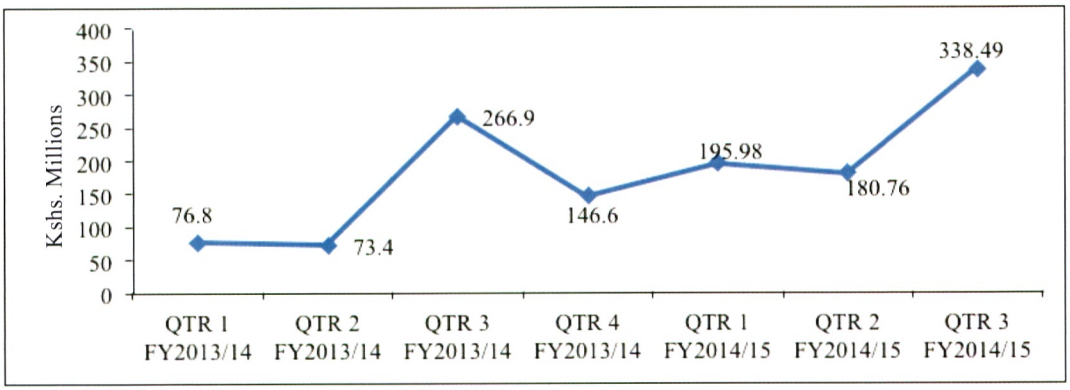
Uasin Gishu County

In the FY 014/15, the approved Supplementary Budget for Uasin Gishu County amounted to Kshs.7.26 billion with Kshs.3.78 billion (52.2 per cent) allocated to recurrent expenditure and Kshs.3.47 billion (47.8 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 47. In order to finance this budget, the County expects to receive Kshs.4.54 billion (62.5 per cent) as transfers from the National Government, collect Kshs.1.19 billion (16.4 per cent) from local sources, receive Kshs.14.9 million (0.2 per cent) as conditional grant from DANIDA, utilise Kshs.1.49 billion (20.5 per cent) as projected cash balance from FY 2013/14, and Kshs.29.8 million (0.4 per cent) form donor funded projects.

During the first nine months of FY 2014/15, the County received Kshs.2.49 billion from the National Government as direct transfer to the CRF, raised Kshs.715.24 million from local sources and had Kshs.1.49 billion as cash balance brought forward from the FY 2013/14. The local revenue raised in the third quarter was

Kshs.338.49 million, an improvement from Kshs.195.98 million collected in the first quarter and Kshs.180.76 million collected in the second quarter of FY 2014/15. The total local revenue raised as at March 2015 accounted for 59.9 per cent of the annual local revenue target. Figure 177 below, shows the trend of local revenue collection by quarter.

Figure 178: Uasin Gishu County Trend in Local Revenue Collection by Quarter



Source: *Uasin Gishu County Treasury*

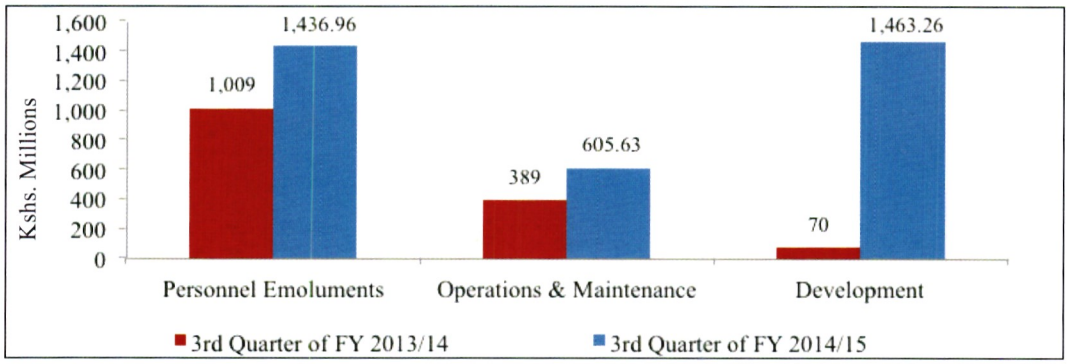
During the reporting period, the County accessed **Kshs.4.19 billion** which is 57.7 per cent of the approved Supplementary Budget, an improvement from 38.9 per cent in the same period of FY 2013/14. This amount consisted of Kshs.2.45 billion (58.6 per cent) released for recurrent expenditure and Kshs.1.73 billion (41.4 per cent) for development activities.

The County spent a total of **Kshs.3.51 billion** during the first nine months of FY 2014/15 which is 83.7 per cent of the total funds released for operations and an improvement from the Kshs.389.2 million spent in the same period of FY 2013/14. A total of Kshs.2.04 billion (58.3 per cent) was spent on recurrent activities while Kshs.1.46 million (41.7 per cent) on development activities. Recurrent expenditure was 83.3 per cent of the funds released for recurrent activities while development expenditure accounted for 84.3 per cent of the funds released for development activities. There was no outstanding commitments for recurrent and development activities as at March, 2015.

The recurrent expenditure for the period under review represented an absorption rate of **53.9 per cent** of the annual recurrent budget, an increase from an absorption rate of 17.4 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of **42.2 per cent** of the annual development budget, an improvement from an absorption rate of 8.7 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.2.04 billion shows that the County spent Kshs.1.43 billion (70.3 per cent) on personnel emoluments, and Kshs.605.6 million (29.7 per cent) on operations and maintenance. Expenditure on personnel emoluments has increased in the period under review compared to the same period in FY 2013/14 when the County spent Kshs.1.01 billion. A comparison of the total expenditure between the period under review and the same period in the last financial year is shown in Figure 178 below.

Figure 179: Uasin Gishu County, Third Quarter Expenditure by Economic Classification



Source: *Uasin Gishu County Treasury*

A breakdown of expenditure by department shows that the Health Services Department had the highest absorption rate of recurrent budget at 85.5 per cent while the Lands, Housing and Physical Planning Department had the lowest absorption rate of recurrent budget at 4.2 per cent. The Roads, Transport and Infrastructure Department registered the highest absorption rate of development expenditure at 58.2 per cent, while the Lands, Housing and Physical Planning Department attained the lowest abortion at 13.5 per cent. The expenditure by the various departments is summarised in Table 47.

Table 47: Uasin Gishu County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs)		EXCHEQUER ISSUES (Kshs)		EXPENDITURE (Kshs)		% of Expenditure to Exchequer Issues		% of Expenditure to Budget Allocation	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Governor's Office	110	10.00	77	0.00	49.92	-	65.2		**45.3**	-
Finance and Economic Planning	703	153.32	267	5.00	258.84	-	97.1	-	**36.8**	-
Public Service Management	468	75.00	261	34.96	318.89	-	122.0	-	**68.2**	-
ICT and E-Government	34	140.56	21	115.62	5.83	69.18	27.7	59.8	**17.2**	**49.2**
Roads, Transport and Infrastructure	270	1538.45	169	923.76	163.06	894.99	96.6	96.9	**60.4**	**58.2**
Lands, Housing and physical planning	145	107.37	114	14.78	6.04	14.52	5.3	98.3	**4.2**	**13.5**
Water, Environment, Energy and Natural Resources	204	214.81	148	101.55	20.72	78.47	14.0	77.3	**10.1**	**36.5**
Health Services	796	346.71	607	170.30	680.77	161.10	112.1	94.6	**85.5**	**46.5**
Agriculture, Livestock and Fisheries	349	226.77	258	89.36	159.85	51.08	62.0	57.2	**45.8**	**22.5**
Trade, Cooperatives, Tourism and Wildlife	82	151.29	54	30.94	17.18	-	31.8	-	**20.9**	-
Education, Social Cultural, Youth and Sports	259	434.11	206	236.00	95.87	184.28	46.6	78.1	**37.0**	**42.5**
County Public Service Board	35	3.73	25	0.00	9.06	-	36.8		**26.0**	-
County Assembly	333	68.50	254	12.50	256.56	9.64	101.0	77.1	**77.0**	**14.1**
TOTAL	**3,789.21**	**3,470.61**	**2,459.72**	**1,734.77**	**2,042.59**	**1,463.26**	**83.3**	**84.3**	**53.9**	**42.2**

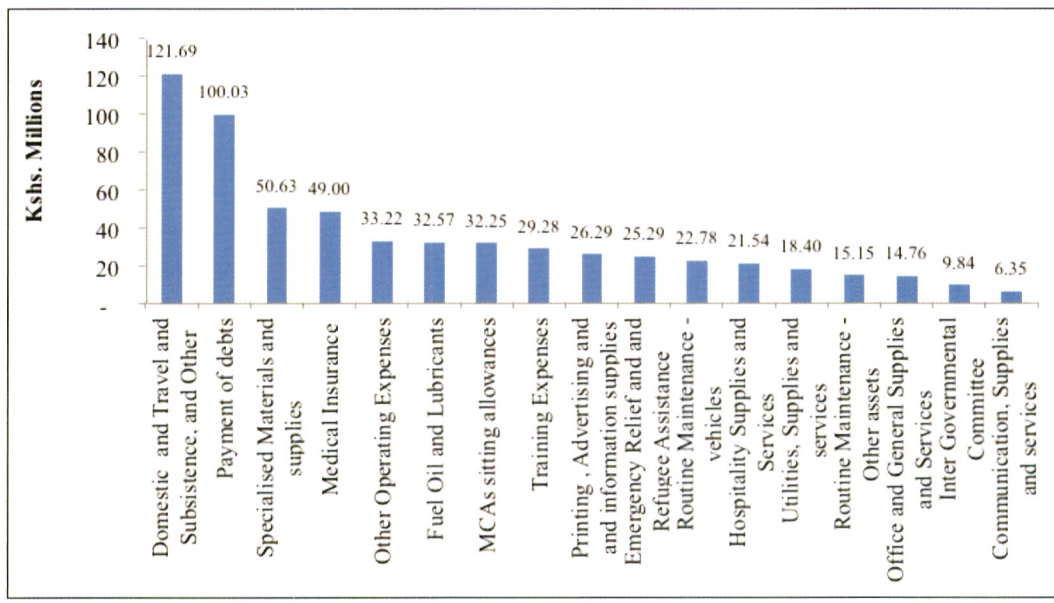
Source: *Uasin Gishu County Treasury*

The County spent Kshs.32.25 million on sitting allowances to the 45 MCAs, representing an absorption rate of 66.1 per cent of the annual allocation of Kshs.48.76 million, representing a decline from 73.3 per cent recorded in the same period of FY 2013/14. Each MCA received an average monthly sitting allowance of Kshs.79,641

compared to the SRC recommended amount of Kshs.124,800. In the Half Year of FY 2014/15 CBIRR, it was reported that the County Assembly spent Kshs.84.33 million on sitting allowances. This was based on expenditure report submitted by the County Treasury which has since been clarified as erroneous.

The total expenditure on domestic and foreign travel amounted to Kshs.121.69 million compared to Kshs.82.3 million in the same period of FY 2013/14, representing an increase of 47.9 per cent. This amount consisted of Kshs.44.74 million by the County Assembly and Kshs.76.94 million by the County Executive. A breakdown of the operations and maintenance expenditure for the period under review is shown in Figure 179.

Figure 180: Uasin Gishu County, Operations and Maintenance Expenditure



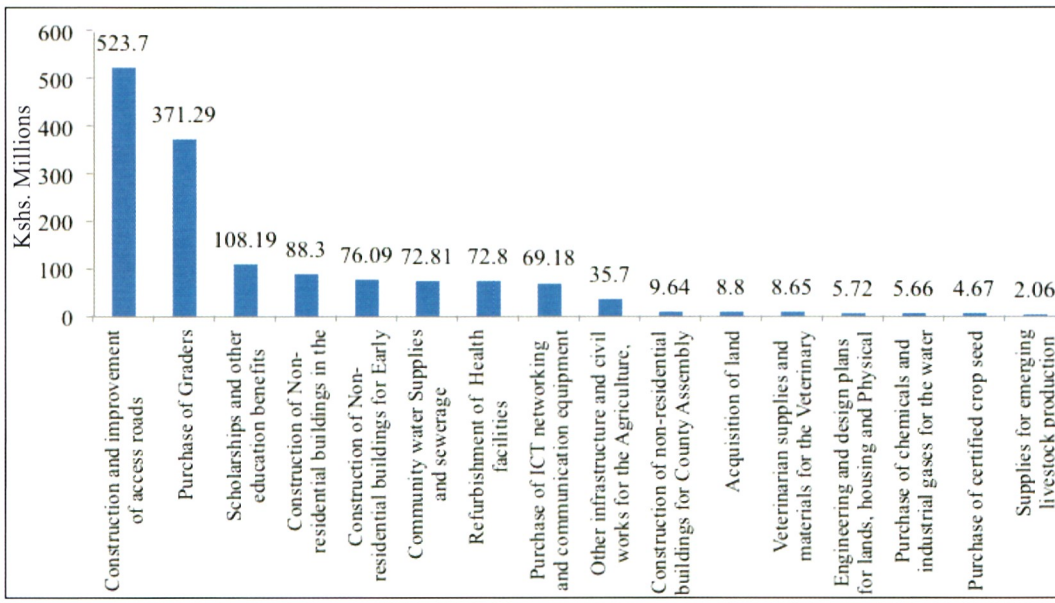
Source: *Uasin Gishu County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.523.70 million on construction and improvement of access roads; Kshs.371.29 million on purchase of graders; Kshs.88.30 million on construction of non-residential buildings in the Health Services Department; Kshs.72.80 million on refurbishment of health facilities; Kshs.108.19 million on scholarships and other education benefits and Kshs.76.09 million on construction of non-residential buildings for Early Childhood

Development Education.

Also, the County spent Kshs.69.18 million on purchase of ICT networking and communication equipment; Kshs.5.72 million on engineering and design plans for lands, housing and Physical Planning; Kshs.8.80 million on acquisition of land; Kshs.5.66 million for purchase of chemicals and industrial gases for the water department; Kshs.72.81 million for community water Supplies and sewerage; Kshs.2.06 million was spent on supplies for emerging livestock production; Kshs.4.67 million for the purchase of certified crop seed; Kshs.35.70 million was spent other infrastructure and civil works for the Agriculture, Livestock and Fisheries Department; Kshs.8.65 million was spent on veterinarian supplies and materials for the Veterinary Department and Kshs.9.64 million was spent on the construction of non-residential buildings for the county assembly as shown in Figure 180.

Figure 181: Uasin Gishu County Analysis of Development Expenditure



Source: *Uasin Gishu County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. The following issues have been addressed: (i) full operationalization of IFMIS, (ii) automation of revenue collection, (iii)

human capacity building, (iv) compliance with legal budgetary timelines, and (v) designation of departmental accounting officers.

The challenges that continued to hamper effective budget implementation in the reporting period were;

1. Inadequate internal audit arrangements.
2. Low local revenue collection compared to annual revenue target.
3. Delay in submission of returns by the County Treasury.
4. Lack of laws to govern revenue collection from various revenue streams, upon which the Finance Act would be anchored. This has exposed the County to the risk of litigation and also restricted optimal revenue collection.
5. The County is yet to submit reports on the various County Funds established line with Section 168 of the PFM Act, 2012.
6. Diversion of funds released for development programmes to other activities (for instance housing loans to MCA's and Executive Committee Members). In other instances, funds released for one department were diverted to different departments signalling weak budgetary control.

The County should implement the following recommendations in an effort to improve budget execution

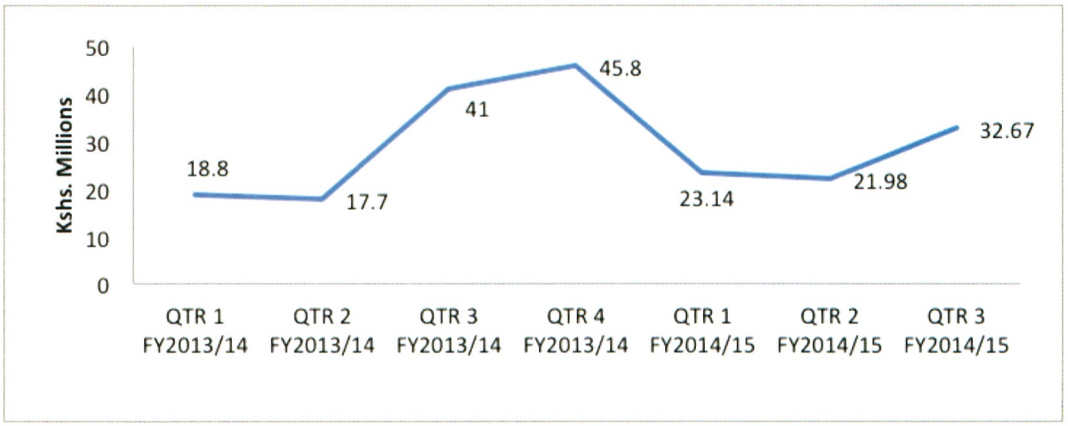
1. *Establish an effective audit department and also constitute an audit committee.*
2. *Put appropriate measures in place to improve local revenue collections.*
3. *Ensure revenue and expenditure reports are submitted to OCOB in time to allow timely preparation and release of quarterly CBIRRs.*
4. *Expedite the approval of necessary laws that govern revenue collection from various streams.*
5. *The County should ensure submission of reports on the various Funds established in line with Section 168 of the PFM Act, 2012.*
6. *The County Treasury should ensure that approved withdrawals are utilised for intended purposes through timely exchequer notifications to the departments and stringent budgetary control.*

Vihiga County

In the FY2014/15, the approved Supplementary Budget for Vihiga County amounts to Kshs.4.76 billion with Kshs.2.54 billion (53.4 per cent) allocated to recurrent expenditure and Kshs.2.22 billion (46.6 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 48. In order to finance this budget, the County expects to receive Kshs.3.38 billion (71 per cent) as transfers from the National Government, collect Ksh.377.74 million (7.9 per cent) from local sources, DANIDA grant of Kshs.23.7 million (0.5 per cent) ,and Kshs.573.45 million(12 per cent) as projected cash balance from FY 2013/14.

During the first nine months of the FY2014/15, the County received Kshs.2.19 billion from the National Government as direct transfer to the CRF Account, raised Kshs.77.98 million from local sources and had Kshs.568.21 million as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter was Kshs.32.67 million which is an improvement from Kshs.23.14 million collected in the first quarter and Kshs.21.98 million collected in the second quarter of the FY 2014/15. The Local revenue raised as at March 2015 accounted for 20.6 per cent of the annual local revenue target. Figure 181 below shows the trend of local revenue collection by quarter.

Figure 182: Vihiga County Trend in Local Revenue Collection by Quarter



Source: *Vihiga County Treasury*

During the reporting period, the County accessed **Kshs.2.84 billion** from the CRF

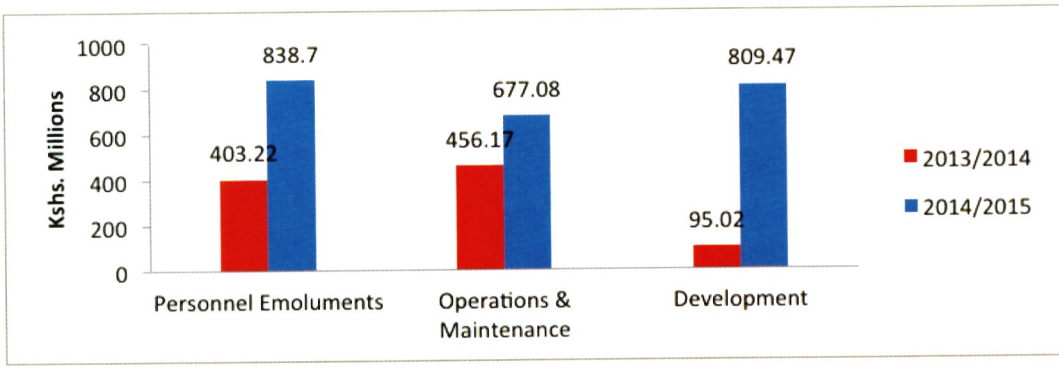
which is 59.7 per cent of the approved Supplementary Budget, an improvement from 13.7 per cent in the same period of financial year 2013/14. The amount consisted of Kshs.1.84 billion (64.8 per cent) released for recurrent expenditure and Kshs.997.62 million (35.2 per cent) for development activities.

The County spent a total of **Kshs.2.33 billion** during the nine months of FY 2014/15 which was 83.0 per cent of the total funds released for operations and an improvement from the Kshs.1.37 billion spent in the same period of FY 2013/14. Kshs.1.52 billion (65.2 per cent) was spent on recurrent activities and Kshs.809.47 million (34.8 per cent) on development activities. Recurrent expenditure was 82.4 per cent of the funds released for recurrent activities while development expenditure accounted for 81.1 per cent of the funds released for development activities. The expenditure does not include outstanding commitments as at 31st March, 2015 that amounted to Kshs.144.73 million for recurrent expenditure and Kshs.131.51 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **59.6 per cent** of the annual recurrent budget, an increase from an absorption rate of 37.8 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of **36.4 per cent** of the annual development budget, an improvement from an absorption rate of 9.6 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.1.52 billion shows that the County spent Kshs.838.7 million (55.3 per cent) on personnel emoluments and Kshs.677.08 million (44.7 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period in the financial year 2013/14 when the County spent Kshs.403.22 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 182 below.

Figure 183: Vihiga County, Third Quarter Expenditure by Economic Classification



Source: *Vihiga County Treasury*

A breakdown of expenditure by department shows that the County Assembly had the highest absorption rate of its annual recurrent budget at 86.9 per cent. The County Executive and the Environment, Forestry and Water Department recorded the second and third highest absorption rates of 81.8 per cent and 67.8 per cent respectively of their annual recurrent budget. The expenditure of various departments is summarized in Table 48.

Table 48: Vihiga County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENDITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Agriculture, Livestock	141.24	86	122.6	61	74.84	66.89	61	109.7	53.0	77.8
Lands, Housing	25.43	138	21.67	66.15	11.24	63	51.9	95.2	44.2	45.7
Transport & Infrastructure	113.14	682.1	84.92	268.47.	41.15	273.9	48.5	102.0	36.4	40.2
Industrialization	32.85	131.6	40.24	17.0	13.8	10.75	34.3	63.2	42.0	8.2
Health Services	755.81	136	531.15	84.25	444.6	69.23	83.7	82.2	58.8	51
Education, Science & T.	96.59	256.2	76.63	113.75	23.74	68.88	31	60.6	24.6	26.9
County Executive	255.52	212.89	184.34	8	209.14	118.56	113.5	1482	81.8	55.7

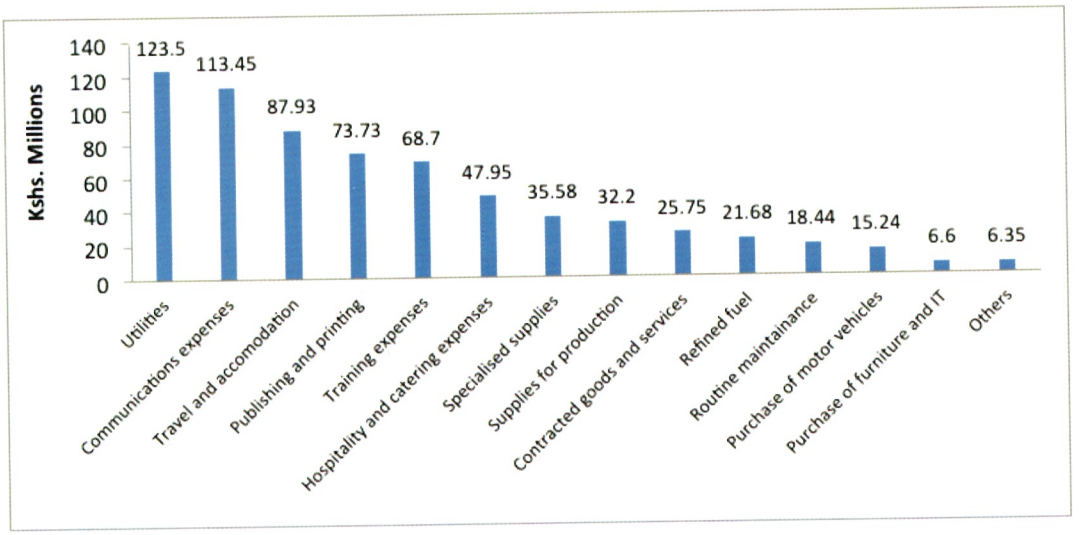
DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENDITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Assembly	295.56	223.00	219.74	153.26	256.76	57.78	116.9	37.7	86.9	25.9
County Treasury	207.38	147.84	124.84	89	126.75	42.24	101.5	47.5	61.1	28.6
County Public Service Board	83.03	0.00	66.16	0.00	27.66	0.00	41.8	0	33.3	0
Public Service & Administration	424.64	3.5	285.11	0.00	228.77	0.00	80.2	0	53.9	0
Gender, Culture Y & S	74.3	51.5	53.57	32.71	32.43	3.00	60.5	9.1	43.6	5.8
Environment, Forestry & Water	36.72	109.62	28.32	104.01	24.9	35.18	87.9	33.8	67.8	32.1
Total	**2,542.21**	**2,221.23**	**1,839.23**	**997.62**	**1,515.78**	**809.47**	**82.4**	**81.1**	**59.6**	**36.4**

Source: *Vihiga County Treasury*

The County spent Kshs.8.96 million on sitting allowances to the 40 MCAs, representing an absorption rate of 11.5 per cent of the annual allocation, a decrease from the Kshs.23.89 million spent in the same period of FY 2013/14 financial year. Each MCA was paid an average monthly sitting allowance of Kshs.24,884 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Ksh.82.22 million compared to Kshs.99.80 million in the same period of FY 2013/14, representing a decline 17.6 per cent. This expenditure consisted of Kshs.67.68 million incurred by the County Assembly and Kshs.14.54 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 183.

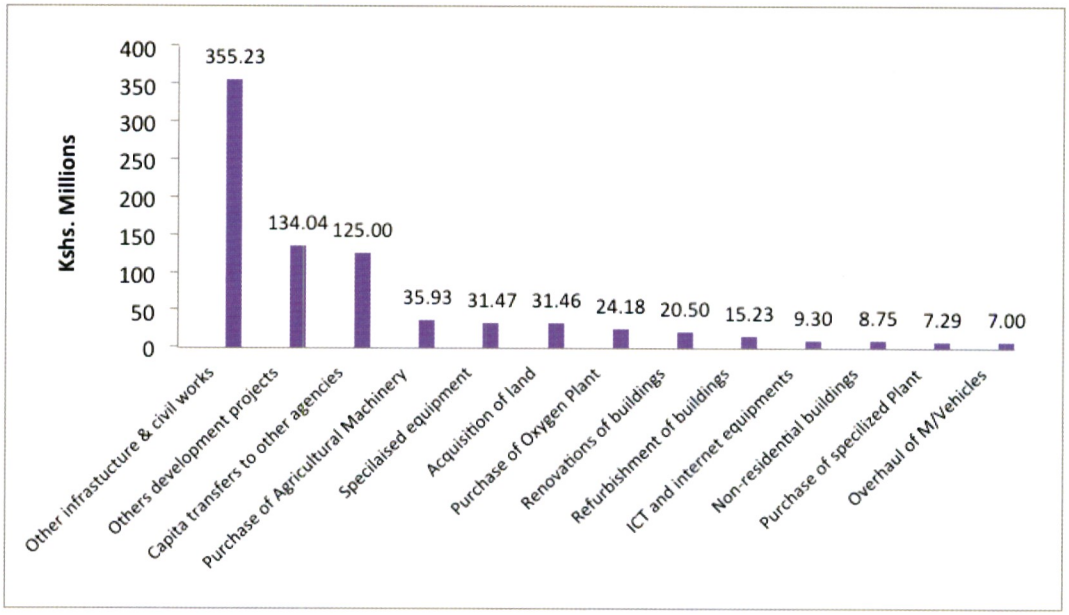
Figure 184: Vihiga County, Operations and Maintenance Expenditure



Source: *Vihiga County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.7.29 million on purchase of specialized plant (instrumentation and calibration equipment), Kshs.24.18 million on purchase of oxygen plant, Kshs.125 million on capital grants to other agencies (emergency relief, scholarships, medium & small enterprises), Kshs.15.23 million on refurbishment of buildings (refurbishing assembly buildings and the County headquarters) and Kshs.355.23 million on development of a perimeter wall at the County Headquarters and County Assembly, about 80 kilometres of roads and 60 culverts as shown in Figure 184.

Figure 185: Vihiga County Analysis of Development Expenditure



Source: *Vihiga County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County which have since been acted on.

The challenges that continued to hamper effective budget implementation in the reporting period were;

1. Low local revenue collection compared to annual target which may affect implementation of planned activities.
2. IFMIS is yet to be installed at the County Assembly, which still operates a manually.
3. Lack of an internal audit committee as per Section 155 (5) of the PFM Act, 2012.
4. Diversion of funds released for one spending entity/department to another contrary to Section 154 of the PFM Act, 2012.
5. Intermittent use of IFMIS in process financial transaction which has resulted in delays in processing payments to suppliers.

The County should implement the following recommendations in order to improve

budget execution:

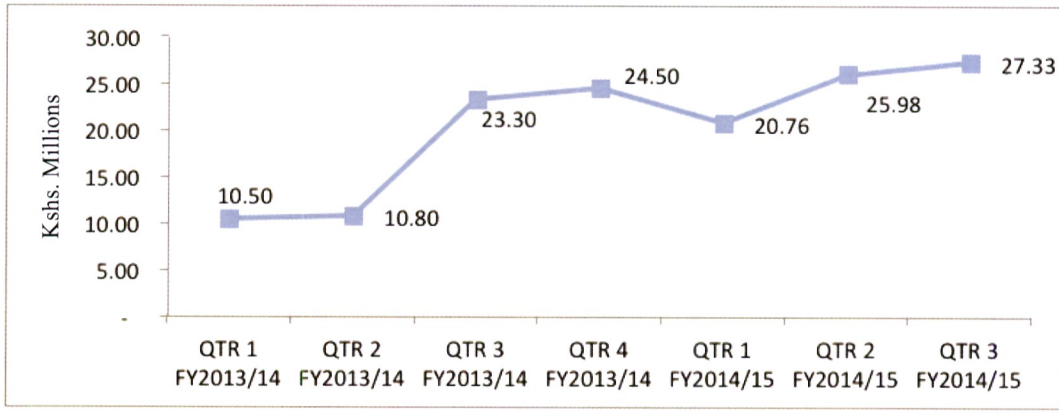
1. *Institute sound measures to improve local revenue collection.*
2. *Liaise with the National Treasury to install IFMIS in the County Assembly.*
3. *Constitute an Internal Audit Committee as per Section 155 (5) of the PFM Act, 2012.*
4. *The County should fund spending entities/departments based on the funded work plans. Funds releases by the Controller of Budget should be utilized in line with the funded work plans..*
5. *The County Treasury should ensure all payment vouchers are prepared and processed in IFMIS.*

Wajir County

In the FY 2014/15, the approved Budget for Wajir County amounts to Kshs.7.26 billion with Kshs.2.89 billion (39.9 per cent) allocated to recurrent expenditure and Kshs.4.37 billion (60.1 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 49. In order to finance this budget, the County expects to receive Kshs.6.18 billion (84.9 per cent) as transfers from the National Government, collect Kshs.102.29 million (1.4 per cent) from local sources, DANIDA grant of Kshs.17.71 million (0.2 per cent) and Kshs.975.18 million (13.4 per cent) as projected cash balance from FY 2013/14.

During the first nine months of FY 2014/15, the County received Kshs.4.06 billion from the National Government as direct transfer to the CRF, raised Kshs.74.07 million from local sources and had Kshs.975.18 million as cash balance brought forward from the FY 2013/14. The local revenue raised in the third quarter was Kshs.27.33 million which is an improvement from Kshs.20.76 million collected in the first quarter and Kshs.25.98 million collected in the second quarter of the FY 2014/15. The total local revenue raised as at March 2015 accounted for 72.41 per cent of the annual local revenue target. Figure 185 below, shows the trend of local revenue collection by quarter.

Figure 186: Wajir County Trend in Local Revenue Collection by Quarter



Source: *Wajir County Treasury*

During the reporting period, the County accessed **Kshs.4.54 billion** from the CRF which is 62.4 per cent of the approved budget, an improvement from 37.0 per cent in the same period of FY 2013/14. This amount consisted of Kshs.2.12 billion (46.6 per cent) released for recurrent expenditure and Kshs.2.42 billion (53.4 per cent) was for development activities.

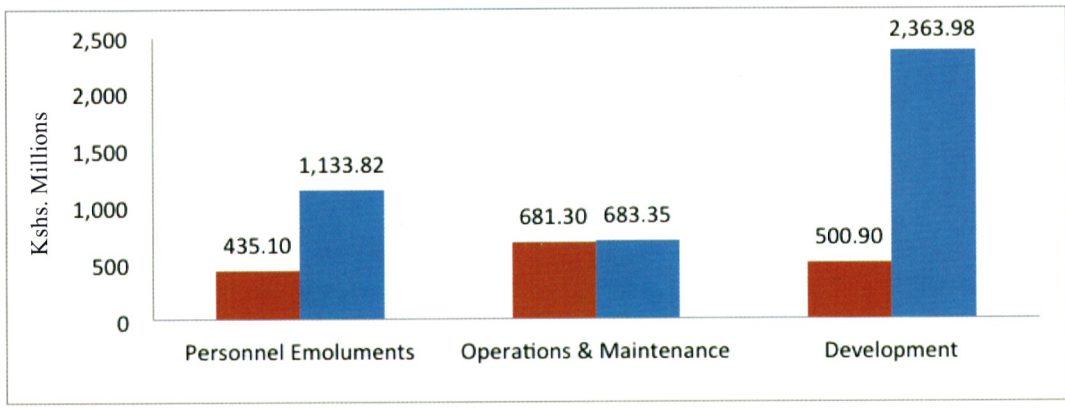
The County spent a total of **Kshs.4.18 billion** during the first nine months of FY 2014/15 which is 92.1 per cent of the total funds released for operations and an improvement from the Kshs.1.60 billion spent in the same period of FY 2013/14. A total of Kshs.1.81 billion (43.5 per cent) was spent on recurrent activities while Kshs.2.36 million (56.5 per cent) on development activities. Recurrent expenditure was 85.8 per cent of the funds released for recurrent activities while development expenditure accounted for 97.5 per cent of fund released for development activities. The expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.14.74 million for recurrent expenditure and Kshs.551.86 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **62.7 per cent** of the annual recurrent budget, an increase from an absorption rate of 41.4 per cent realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of **54.2 per cent** of the annual development budget, an improvement from an absorption rate of 18.4 per cent realized in the

same period of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.1.81 billion shows that the County spent Kshs.1.13 billion (62.4 per cent) on personnel emoluments and Kshs.683.35 million (37.6 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period in FY 2013/14 when the County spent Kshs.435.1 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 186.

Figure 187: Wajir County, Third Quarter Expenditure by Economic Classification



Source: *Wajir County Treasury*

A breakdown of expenditure by department shows that the County Assembly had the highest absorption rate of its annual recurrent budget at 90.3 per cent while the Roads Department had the highest absorption rate of its annual development budget at 71.8 per cent. On the other hand, the ICT Department had the lowest absorption rate of its annual recurrent budget at 30.3 per cent while the Agriculture Development Department had the lowest absorption rate of its annual development budget at 24.4 per cent. The expenditure of various departments is summarised in Table 49.

Table 49: Wajir County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

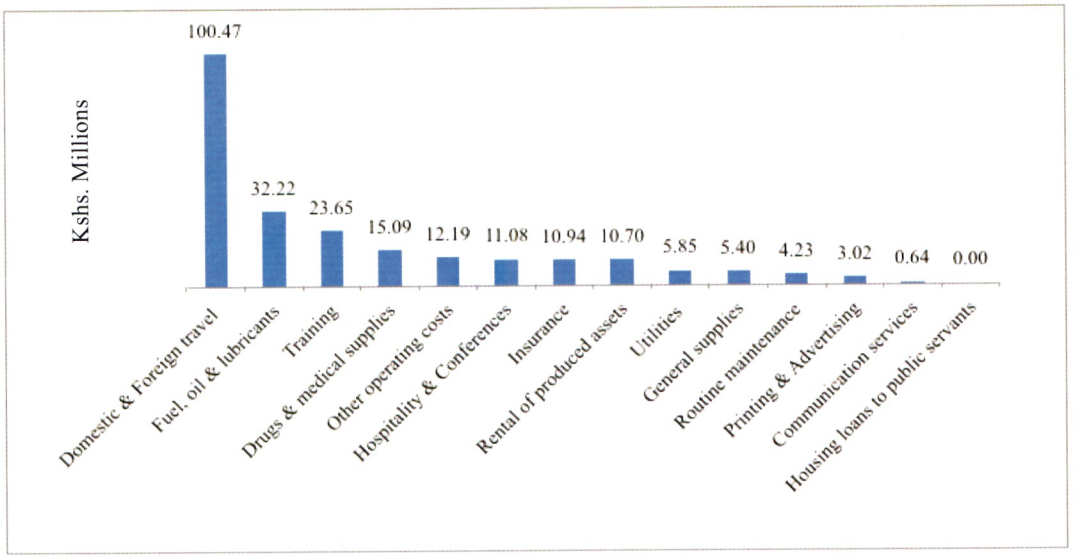
DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		% OF EXPENDITURE TO BUDGET ALLOCATION	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Office of the Governor	294.57	-	248.17	-	222.26	-	38.3	-	75.45	-
Finance and Economic Planning	486.73	-	346.45	-	292.04	-	84.2	-	60	-
Sport, & ICT	101.90	273.99	122.05	189.50	30.95	158.41	25.3	83.59	30.3	57.8
Health Services	730.74	783.35	466.35	265.60	297.01	253.37	63.6	95.40	40.6	32.3
Gender, Culture & Social Development	173.85	-	127.25	-	101.56	-	79.8	-	58.4	-
Public Works, Roads and Transport	59.40	1505.73	99.66	986.70	38.39	1081.31	38.7	109.5	64.6	71.8
County Assembly	341.02	-	351.45	-	307.98	-	87.6	-	90.3	-
Lands, Housing & Physical planning	55.26	160.59	40.03	152.86	42.51	58.15	106.2	38.0	76.9	36.2
Education and Youth	173.85	119.97	123.56	32.38	118.28	48.12	95.7	148.6	68.0	40.1
Trade, industralisation and tourism	52.97	158.15	48.37	45.00	31.66	43.33	65.4	96.2	59.7	27.4
Agriculture	121.75	446.71	83.12	164.23	85.47	179.03	102.8	109.0	70.2	24.4
Water, sanitation & natural resources	133.36	859.44	147.00	568.59	100.29	523.02	68.2	91.9	75.2	60.8
Total	**2890.01**	**4370.20**	**2121.04**	**2423.0**	**1814.35**	**2360.1**	**85.8**	**97.5**	**62.7**	**54.1**

Source: *Wajir County Treasury*

The County spent Kshs.42.54 million on sitting allowances to the 46 MCAs, representing an absorption rate of 17.5 per cent of the annual budget, an increase from the Kshs.40.8 million spent in the same period of FY 2013/14. Each MCA was paid an average monthly sitting allowance of Kshs.102,754 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.100.47 million compared to Kshs.118.2 million in the same period of FY 2013/14, representing a decrease of 14.4 per cent. This expenditure consisted of Kshs.23.04 million incurred by the County Assembly and Kshs.77.43 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 187.

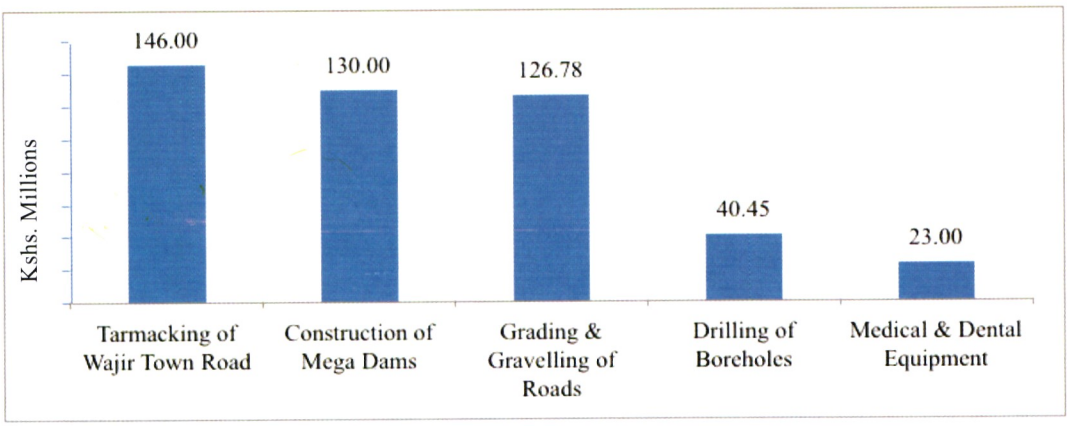
Figure 188: Wajir County, Operations and Maintenance Expenditure



Source: *Wajir County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.146.0 million on tarmacking of Wajir Town roads, which is now 40 per cent complete. Also, Kshs.126.0 million was spent on gravelling and maintenance of access roads, Kshs.23.0 million on purchase of medical equipment, Kshs.130.0 million on construction of mega dams as shown in Figure 188.

Figure 189: Wajir County Analysis of Development Expenditure



Source: *Wajir County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. The County Treasury has operationalized the use of IFMIS as recommended except for the County Assembly.

During monitoring of the budget in the period under review, the office noted the following issues that need to be addressed.

1. Diversion of exchequer releases to fund other departments contrary to the funded work plans.
2. Lack of internal audit committee contrary to Section 155(5) of the PFM Act 2012.

The County should implement the following recommendations in order to improve budget execution:

1. *The County Treasury should ensure that exchequer releases are utilised for intended purposes.*
2. *The County should constitute an Internal Audit Committee in order to enhance oversight on use of public fund.*

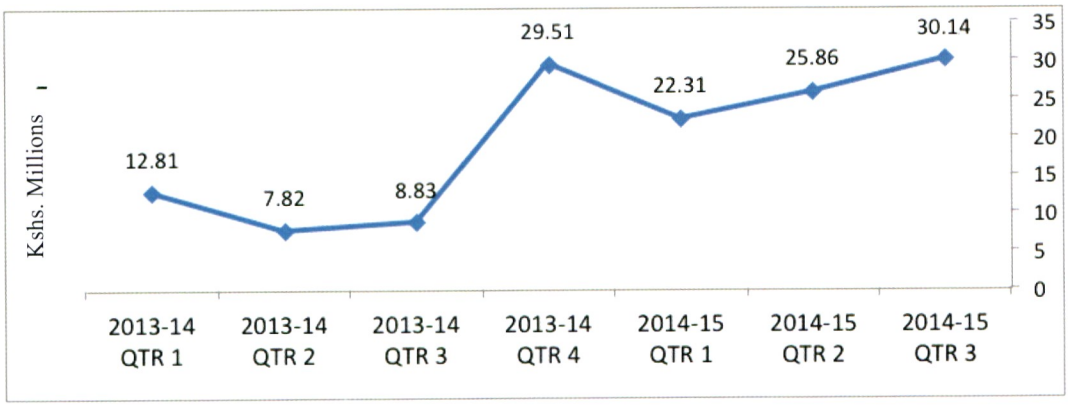
West Pokot County

In the FY 2014/15, the approved Supplementary Budget for West Pokot County amounts to Kshs.4.24 billion with Kshs.2.39 billion (56.5 per cent) allocated to recurrent expenditure and Kshs.1.85 billion (43.5 per cent) to development expenditure. The budget allocation and expenditure by departments is shown in Table 50. In order to finance this budget, the County expects to receive Kshs.3.67 billion (86.6 per cent) as transfers from the National Government, collect Kshs.96.2 million (2.3 per cent) from local sources, DANIDA grant of Kshs.10 million (0.2 per cent) and Kshs.460.16 million (10.7 per cent) as projected cash balance from FY 2013/14.

During the first six months of the FY 2014/15, the County received Kshs.2.51 billion from the National Government as direct transfer to the CRF Account, raised Kshs.78.32 million from local sources and had Kshs.460.16 million as cash balance brought forward from FY 2013/14. The local revenue raised in the third quarter

was Kshs.30.14 million which is an improvement from Kshs.22.31 million collected in the first quarter and Kshs.25.86 million collected in the second quarter of FY 2014/15. The Local revenue raised as at March 2015 accounted for 81.4 per cent of the annual local revenue target. Figure 189 below, shows the trend of local revenue collection by quarter.

Figure 190: West Pokot County Trend in Local Revenue Collection by Quarter



Source: *West Pokot County Treasury*

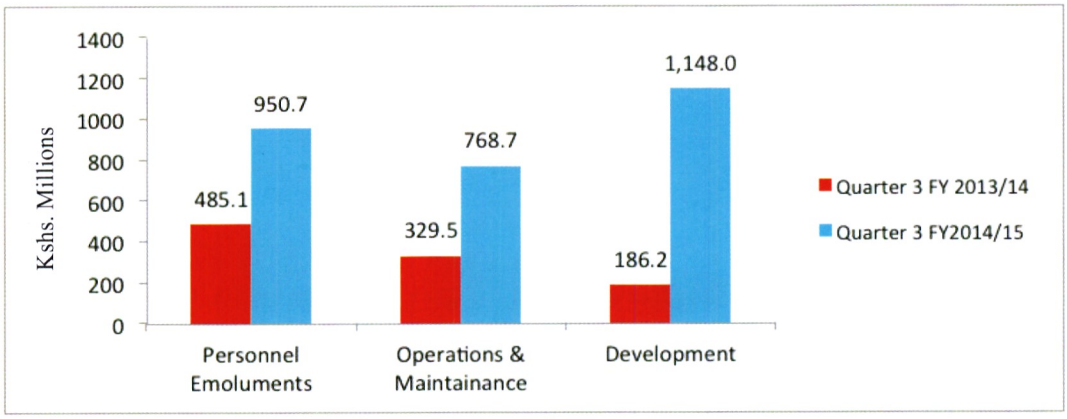
During the reporting period, the County accessed **Kshs.2.93 billion** from the CRF which is 69.0 per cent of the approved Supplementary Budget, an improvement from 41.7 per cent in the same period of financial year 2013/14. This amount consisted of Kshs.1.77 billion (60.7 per cent) released for recurrent expenditure and Kshs.1.15 billion (39.3 per cent) for development activities.

The County spent a total of **Kshs.2.87 billion** during the nine months of FY 2014/15 which was 98.0 per cent of the total funds released for operations, an improvement from the Kshs.1.00 billion spent in the same period of FY 2013/14. Kshs.1.72 billion (60.0 per cent) was spent on recurrent activities and Kshs.1.15 billion (40.0 per cent) on development activities. Recurrent expenditure was 96.9 per cent of the funds released for recurrent activities while development expenditure accounted for 99.8 per cent of the funds released for development. This expenditure does not include outstanding commitments as at March, 2015 that amounted to Kshs.153.21 million for recurrent expenditure and Kshs.7.76 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **71.8 per cent** of the annual recurrent budget, an increase from an absorption rate of 41.1 per cent realized in the same period of FY2013/14. Development expenditure recorded an absorption rate of **62.2 per cent** of the annual development budget, an improvement from an absorption rate of 11.0 per cent realized in the same period of FY2013/14.

Analysis of the recurrent expenditure of Kshs.1.72 billion shows that the County spent Kshs.950.66 million (55.3 per cent) on personnel emoluments, Kshs.768.68 million (44.7 per cent). Operations and maintenance expenditure includes Kshs.100.00 million spent on Bursary Fund. Expenditure on personnel emoluments has increased significantly in the period under review compared to the same period in the financial year 2013/14 when the County spent Kshs.485.14 million. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 190 below.

Figure 191: West Pokot County, Third Quarter Expenditure by Economic Classification



Source: *West Pokot County Treasury*

A breakdown of expenditure by department shows that the Office of the Governor had the highest absorption rate of its annual recurrent budget at 90.7 per cent while the department of Health and Sanitation had the highest absorption rate of its annual development budget at 87.5 per cent. On the other hand, the Health Department had the lowest absorption rate of its annual recurrent budget at 29.3 per cent while the Education, Communication and ICT Department had the lowest absorption

rate of its annual development budget at 13.8 per cent. The expenditure of various departments is summarised in Table 50.

Table 50: West Pokot County FY 2014/15 Budget and Expenditure by Department for the Third Quarter of FY 2014/15

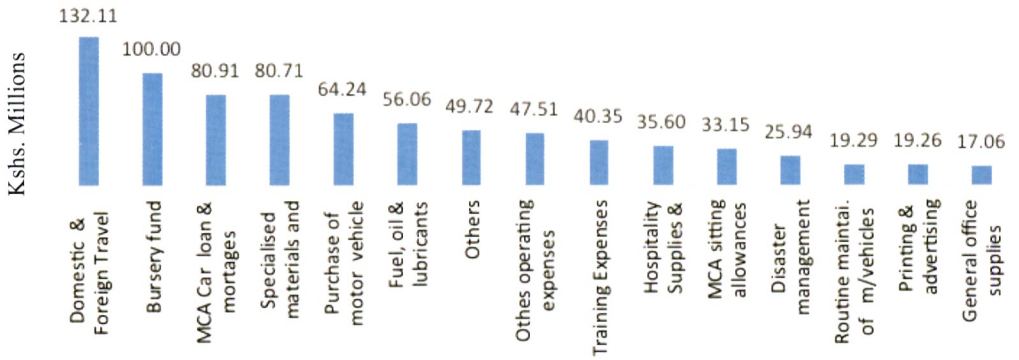
DEPARTMENT	BUDGET ALLOCATION (Kshs million)		EXCHEQUER ISSUES (Kshs million))		EXPENDITURE (Kshs million)		% of Expenditure to Exchequer Issues		% of Expenditure to Budget Allocation	
	REC.	DVT.	REC.	DVT.	REC.	DVT.	REC.	DVT.	REC.	DVT.
Office of the Governor	1,133.86	157.65	850.07	103.00	1,028.38	120.13	121.0%	116.6%	90.7%	76.2%
Finance and Economic Planning	90.06	70.50	67.53	49.00	49.42	31.00	73.2%	63.3%	54.9%	44.0%
Roads, Public Works and Transport	50.72	352.95	37.46	203.00	25.43	283.93	67.9%	139.9%	50.1%	80.4%
Health and Sanitation	404.84	290.03	302.66	178.45	118.76	253.76	39.2%	142.2%	29.3%	87.5%
Education, Communication and ICT	169.42	112.72	125.71	65.00	130.82	15.60	104.1%	24.0%	77.2%	13.8%
Agriculture and Irrigation	40.08	158.26	30.04	103.00	14.63	64.19	48.7%	62.3%	36.5%	40.6%
Livestock, Fisheries and Veterinary Services	32.36	102.63	23.80	64.00	22.52	59.15	94.6%	92.4%	69.6%	57.6%
Trade, Industry and Cooperatives	29.08	117.41	21.50	77.00	14.63	54.87	68.1%	71.3%	50.3%	46.7%
Land, Physical Planning and Urban Development	39.57	125.02	29.65	82.50	24.14	97.97	81.4%	118.8%	61.0%	78.4%
Water development, Environment & Natural Resources	38.91	173.91	28.93	114.45	21.49	63.30	74.3%	55.3%	55.2%	36.4%
Tourism, Culture, Sports, Youth and Gender Development	37.11	97.25	27.49	63.40	17.50	34.92	63.7%	55.1%	47.2%	35.9%
County Assembly	327.10	87.65	229.67	48.00	251.62	69.19	109.6%	144.1%	76.9%	78.9%
TOTAL	**2,393.11**	**1,845.98**	**1,774.51**	**1,150.80**	**1,719.35**	**1,148.02**	**96.9%**	**99.8%**	**71.8%**	**62.2%**

Source: *West Pokot County Treasury*

The County spent Kshs.33.15 million on sitting allowances to the 33 MCAs, representing an absorption rate of 61.4 per cent of the annual allocation, a decrease from the Kshs.68.70 million spent in the same period of FY 2013/14. Each MCA was paid an average monthly sitting allowance of Kshs.111,625 compared to the SRC recommended amount of Kshs.124,800.

The total expenditure on domestic and foreign travel amounted to Kshs.132.11 million compared to Kshs.55.6 million in the same period of FY 2013/14, representing an increase of 137.6 per cent. This expenditure comprised of Kshs.18.52 million incurred by the County Assembly and Kshs.113.59 million by the County Executive. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 191 below.

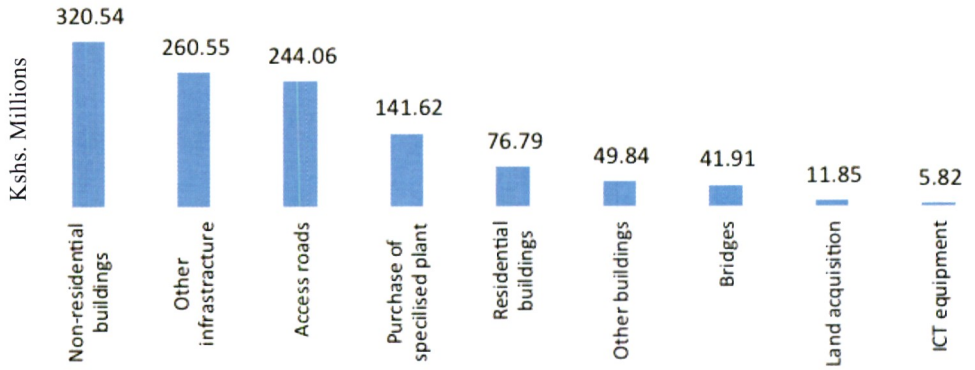
Figure 192: West Pokot County, Operations and Maintenance Expenditure



Source: *West Pokot County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.76.79 million on construction of residential buildings, Kshs.5.82 million on purchase of ICT equipment, Kshs.320.54 million on construction of non-residential buildings that included the Technical Training Institute at Chepareria, construction of 20 ECD centres and rehabilitation of schools and health centres. A total of Kshs.260.55 million was spent on development of other infrastructure and civil works, including purchase of a water drilling rig at Kshs.51.41 million. Figure 192 provides a summary of the development expenditure.

Figure 193: West Pokot County Analysis of Development Expenditure



Source: *West Pokot County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. So far, the following issues have been addressed: (i) enactment of revenue bills to facilitate smooth revenue collection, (ii) revision of the Budget to factor pending bills, and, (iii) staff training to build capacity.

During monitoring of the budget implementation in the reporting period, the office noted the following issues that need to be addressed;

1. The County is yet to operationalize the IFMIS e-procurement module as directed by the National Treasury.
2. High wage bill which stood at 55.3 per cent of the total recurrent expenditure in the reporting period.
3. Diversion of released funds to other departments signalling weak budgetary controls.

The County should implement the following recommendations in order to improve budget execution:

1. *Ensure the IFMIS e-procurement module is operationalize to improve efficiency and transparency in the procurement process.*
2. *Liaise with the National Government to address the escalating wage bill.*
3. *The County Treasury should ensure issued funds are utilised in line with the approved work plan through timely exchequer notifications to the departments and stringent budgetary control.*

4.0 KEY CHALLENGES AND RECOMMENDATIONS

This section highlights the key challenges faced by the County Governments in budget implementation during the reporting period. The challenges are discussed and recommendations aimed at improving budget implementation are made.

4.1 Formulation of Supplementary Budgets

During the first nine months of FY 2014/15, some counties revised their budgets due to various reasons such as in-year change in budget priorities. Budget revisions resulted in variable reduction and increase of allocations across departments.

However, it was noted that some Supplementary Budgets were developed without considering exchequer releases, expenditure and commitments already incurred by implementing entities. This resulted in instances where some allocations were reduced below the levels of exchequer issues, expenditure and commitments, which made the Supplementary Budgets non executable thereby derailing budget implementation.

All Supplementary Budgets should be aligned to the released exchequer issues, expenditure and commitments to avoid budgets with negative balances that cannot be implemented.

4.2 Inadequate Administration and Reporting on Public Funds Established by the Counties

Section 116 of the PFMA provides for the establishment of County Public Funds. Such funds should be managed by an Administrator who should submit quarterly financial reports to the County Treasury and Controller of Budget.

In the reporting period, we noted that Counties have established County Public Funds. However, some of the Counties have not delinked operations of these Funds from their main county operations. There were instances where payment for bursaries and emergencies from established County Public Funds was done from the main county operations account. In addition, there were no reports submitted to the COB, which has led to challenges in the effective monitoring on how the disbursements are being managed and reported.

All established County Public Funds should be managed by a designated Fund Administrator who should prepare quarterly financial reports in line with Section 168 of the PFM Act, 2012.

4.3 Unauthorised Diversion of Exchequer Releases

Some Counties have continued to divert approved releases to expenditure items that were not included in the funded work plans. These diversions have resulted in reconciliation challenges of exchequer records and may result in overdrawing and/or over expenditure of some votes. The Appropriation Act as passed by the County Assembly limits the amount to be drawn for each vote and any over issues is therefore, irregular.

County Treasuries should ensure strict exchequer controls and prohibit diversion of exchequer issues to other purposes rather what was contained in the approved work plans against which exchequer releases were based.

4.4 Lack of Effective Monitoring and Evaluation Frameworks

Several County Governments have not fully embraced M&E in their budget implementation cycle. Further, counties are yet to develop and implement effective M&E frameworks which are key in ensuring completion of development projects within the specified period, and tracked to ensure they achieve the intended developmental and goals.

In order to improve the quality of services offered to the public, Counties should develop and implement a robust monitoring and evaluation framework. As such, all County Governments should establish effective M&E units and also incorporate aspects of monitoring in the budget process.

4.5 Frequent Strike Actions by Health Workers

During the first nine months of FY 2014/15, there were frequent strike actions by health workers who demanded better salaries and working conditions. These actions affected budget execution by disrupting service delivery to the public in the health facilities.

We recommend that the Counties should find a long lasting solution to the frequent labour actions in order to ensure smooth delivery of health services to the public.

4.6 High Expenditure on Personnel Costs

During the first nine months of FY 2014/15, the Counties spent a total of Kshs.74.12 billion on personnel emoluments. This amount was 63.7 per cent of the total recurrent expenditure and 43.9 per cent of the total expenditure.

The high expenditure on personnel emoluments is due to continued recruitment by Counties despite the high wage bill. This trend has denied Counties of crucial resources to implement development projects.

We recommend that each County Public Service Board and the County Assembly Public Service Board should liaise with the National Government to review staff establishment with a view to optimizing staff levels. This will optimize expenditure on personnel costs and also, ensure that County Governments have adequate resources to undertake development projects that benefit the citizens.

5.0 CONCLUSION

This report sought to provide an overview on the progress made in budget implementation during the first nine months of the FY 2014/15. The report indicates that significant progress has been made compared to a similar period in the FY 2013/14. More specifically, overall expenditure by the Counties stood at Kshs. 170.04 billion, an increase from the Kshs.86.7 billion incurred in the first nine months of FY 2013/14. Development expenditure achieved an absorption rate of 37.8 per cent while recurrent expenditure was 64 per cent compared to 11.7 per cent and 45 per cent respectively in the same period of FY 2013/14. The implication is that budget implementation by the Counties is on a positive path.

However, despite the progress, there is need to strengthen the formulation of Supplementary Budgets, to enhance smooth budget implementation. In addition, the County Governments must find a sustainable solution to the frequent labour actions by hospital workers that has continued to negatively affect budget implementation. They must also enhance monitoring, evaluation and reporting on development projects. Finally, the Counties should address the challenges experienced in financial management to ensure adequate administrations and reporting on the public Funds established in the Counties, and also eliminate diversion of exchequer releases.

This report is shared with the Parliament, the Executive, County Assemblies, civil societies, all oversight institutions, the media and the public and it is our hope that it will go a long way in promoting prudent use of public resources and will also form a basis of monitoring the use of public funds by the citizens.

6.0 Annex 1: Third Quarter July 2014-March 2015 Budget Allocations, Funds Released, Expenditure and Absorption Rates

County	Gross Estimates			Exchequer Issues			Expenditure			% of Expenditure to Gross Estimates		% of Expenditure to Exchequer Issues	
	Rec Estimates	Dev Estimates	TOTAL	Rec	Dev	TOTAL	Rec	Dev	TOTAL	Rec	Dev	Rec	Dev
Baringo	2,952,421,521	2,389,867,124	5,342,288,645	2,185,491,764	856,729,645	3,042,221,409	2,098,669,197	825,654,054	2,924,323,251	71.1	34.5	96.0	96.4
Bomet	1,900,060,000	2,700,940,000	4,601,000,000	1,343,137,195	1,592,969,665	2,936,106,860	1,531,875,882	1,360,802,318	2,892,678,200	80.6	50.4	114.1	85.4
Bungoma	4,541,170,976	5,858,797,774	10,399,968,750	3,149,253,690	2,223,690,496	5,372,944,186	3,473,412,501	1,718,962,159	5,192,374,660	76.5	29.3	110.3	77.3
Busia	3,127,237,884	4,013,298,584	7,140,536,468	2,448,000,000	1,275,000,000	3,723,000,000	1,974,042,124	987,916,385	2,961,958,509	63.1	24.6	80.6	77.5
Elgeyo/ Marakwet	2,181,195,586	1,638,530,621	3,819,726,207	2,244,882,380	993,558,356	3,238,440,737	1,519,683,383	622,379,878	2,142,063,261	69.7	38.0	67.7	62.6
Embu	2,981,276,460	1,678,744,986	4,660,021,446	2,225,247,780	499,544,070	2,724,791,850	2,195,975,287	386,902,769	2,582,878,056	73.7	23.0	98.7	77.5
Garissa	3,128,649,197	4,372,305,421	7,500,954,618	2,848,761,421	2,340,644,899	5,189,406,320	2,389,495,265	2,250,000,000	4,639,495,265	76.4	51.5	83.9	96.1
Homa Bay	3,630,788,155	1,686,601,845	5,317,390,000	2,258,757,263	1,009,000,000	3,267,757,263	2,858,015,154	901,955,957	3,759,971,111	78.7	53.5	126.5	89.4
Isiolo	1,901,707,403	1,067,238,099	2,968,945,502	1,262,570,821	600,000,000	1,862,570,821	1,121,375,865	460,089,252	1,581,465,117	59.0	43.1	88.8	76.7
Kajiado	3,623,695,468	2,044,801,766	5,668,497,234	1,882,623,710	540,000,000	2,422,623,710	2,020,763,791	525,600,000	2,546,363,791	55.8	25.7	107.3	97.3
Kakamega	5,686,889,747	4,634,400,000	10,321,289,747	3,956,639,265	2,824,280,004	6,780,919,269	3,370,486,156	2,257,579,699	5,628,065,855	59.3	48.7	85.2	79.9
Kericho	3,094,824,793	1,458,306,727	4,553,131,520	2,361,415,205	778,084,887	3,139,500,092	2,081,735,897	668,016,640	2,749,752,537	67.3	45.8	88.2	85.9
Kiambu	6,854,316,685	3,130,874,110	9,985,190,795	4,928,162,065.00	1,008,658,702	3,370,073,907	3,802,725,179	988,640,906	4,791,366,084	55.5	31.6	161.0	98.0
Kilifi	4,745,847,493	3,689,083,888	8,434,931,381	2,970,276,281	1,784,523,908	4,754,800,189	2,387,803,758	1,561,686,115	3,949,489,873	50.3	42.3	80.4	87.5

County	Gross Estimates			Exchequer Issues			Expenditure			% of Expenditure to Gross Estimates		% of Expenditure to Exchequer Issues	
	Rec Estimates	Dev Estimates	TOTAL	Rec	Dev	TOTAL	Rec	Dev	TOTAL	Rec	Dev	Rec	Dev
Kirinyaga	2,534,893,988	1,566,696,338	4,101,590,326	1,826,163,310	582,947,400	2,409,110,710	1,752,750,401	268,835,181	2,021,585,582	69.1	17.2	96.0	46.1
Kisii	4,630,203,000	3,163,357,885	7,793,560,885	3,255,476,389	1,517,508,347	4,772,984,736	3,006,357,848	1,376,223,130	4,382,580,978	64.9	43.5	92.3	90.7
Kisumu	5,088,969,861	2,485,445,963	7,574,415,824	3,476,543,200	1,101,365,894	4,577,909,094	3,145,409,691	883,345,299	4,028,754,990	61.8	35.5	90.5	80.2
Kitui	4,584,690,471	4,772,337,311	9,357,027,782	2,995,630,508	1,651,133,005	4,646,763,513	2,495,050,100	1,544,778,159	4,039,828,259	54.4	32.4	83.3	93.6
Kwale	2,738,738,011	2,923,131,189	5,661,869,200	1,899,723,720	1,461,940,595	3,361,664,315	1,695,838,500	1,128,933,560	2,824,772,060	61.9	38.6	89.3	77.2
Laikipia	2,584,450,200	1,755,513,048	4,339,963,248	1,565,107,899	649,520,141	2,214,628,040	1,521,169,025	629,096,101	2,150,265,126	58.9	35.8	97.2	96.9
Lamu	1,242,009,178	714,750,874	1,956,760,052	818,628,122	333,157,429	1,151,785,551	591,491,533	197,550,180	789,041,712	47.6	27.6	72.3	59.3
Machakos	4,911,146,837	3,988,032,155	8,899,178,992	3,426,967,347	1,348,320,139	4,775,287,486	3,456,311,594	1,341,320,139	4,797,631,733	70.4	33.6	100.9	99.5
Makueni	3,843,738,717	1,912,364,808	5,756,103,525	2,366,367,454	1,280,726,511	3,647,093,965	2,159,909,036	856,493,348	3,016,402,384	56.2	44.8	91.3	66.9
Mandera	4,888,887,648	6,385,723,117	11,274,610,765	3,162,632,330	3,687,468,383	6,850,100,714	3,113,977,995	3,663,451,069	6,777,429,064	63.7	57.4	98.5	99.3
Marsabit	2,742,614,072	3,011,199,873	5,753,813,945	1,575,550,000	1,676,895,500	3,252,445,500	2,378,401,245	1,234,865,918	3,613,267,163	86.7	41.0	151.0	73.6
Meru	5,560,150,628	2,275,609,113	7,835,759,741	2,796,132,640	1,714,547,361	4,510,680,001	2,633,403,893	1,468,702,906	4,102,106,799	47.4	64.5	94.2	85.7
Migori	2,930,126,455	2,339,436,643	5,269,563,098	1,962,030,000	1,567,000,000	3,529,030,000	2,252,470,625	1,012,686,206	3,265,156,831	76.9	43.3	114.8	64.6
Mombasa	6,687,638,691	3,182,659,446	9,870,298,137	3,984,568,533	872,000,000	4,856,568,533	4,066,036,269	795,749,748	4,861,786,017	60.8	25.0	102.0	91.3
Murang'a	2,864,065,000	3,117,522,000	5,981,587,000	2,166,115,000	1,732,000,000	3,898,115,000	2,316,147,866	1,698,578,515	4,014,726,381	80.9	54.5	106.9	98.1
Nairobi City	19,349,390,000	9,413,200,000	28,762,590,000	8,862,929,773	360,000,000	9,222,929,773	14,801,733,703	885,756,163	15,687,489,866	76.5	9.4	167.0	246.0

County	Gross Estimates			Exchequer Issues			Expenditure			% of Expenditure to Gross Estimates		% of Expenditure to Exchequer Issues	
	Rec Estimates	Dev Estimates	TOTAL	Rec	Dev	TOTAL	Rec	Dev	TOTAL	Rec	Dev	Rec	Dev
Nakuru	7,050,412,782	3,566,105,101	10,616,517,883	4,055,794,260	1,143,241,663	5,199,035,923	4,292,655,303	803,192,125	5,095,847,428	60.9	22.5	105.8	70.3
Nandi	2,782,150,941	2,408,162,999	5,190,313,940	1,798,180,504	1,731,978,432	3,530,158,936	1,779,032,518	1,707,271,387	3,486,303,905	63.9	70.9	98.9	98.6
Narok	4,480,964,052	4,094,881,853	8,575,845,905	3,256,860,604	1,710,500,000	4,967,360,604	2,966,933,765	1,642,107,925	4,609,041,690	66.2	40.1	91.1	96.0
Nyamira	2,432,122,052	2,246,144,224	4,678,266,276	1,961,561,803	813,477,194	2,775,038,997	1,294,183,503	1,010,000,000	2,304,183,503	53.2	45.0	66.0	124.2
Nyandarua	2,882,108,097	820,461,465	3,702,569,562	1,768,337,140	405,098,546	2,173,435,686	1,446,874,752	174,683,288	1,621,558,040	50.2	21.3	81.8	43.1
Nyeri	3,809,115,053	1,635,386,659	5,444,501,712	2,687,874,933	845,907,560	3,533,782,493	2,292,447,066	795,478,533	3,087,925,599	60.2	48.6	85.3	94.0
Samburu	1,964,529,709	1,475,084,169	3,439,613,878	1,457,898,016	793,370,010	2,251,268,026	1,170,676,637	685,411,050	1,856,087,687	59.6	46.5	80.3	86.4
Siaya	3,432,622,485	2,452,070,749	5,884,693,234	2,017,020,000	1,105,000,000	3,122,020,000	1,826,460,597	603,610,451	2,430,071,048	53.2	24.6	90.6	54.6
Taita/ Taveta	2,651,181,070	1,496,208,516	4,147,389,586	1,719,598,706	717,470,948	2,437,069,654	1,830,848,042	622,292,293	2,453,140,335	69.1	41.6	106.5	86.7
Tana River	1,803,303,627	1,775,169,690	3,578,473,317	1,197,555,000	1,766,580,000	2,964,135,000	1,064,000,000	960,245,760	2,024,245,760	59.0	54.1	88.8	54.4
Tharaka - Nithi	1,830,893,621	1,887,578,781	3,718,472,402	1,216,826,662	610,507,503	1,827,334,165	1,315,922,690	270,947,571	1,586,870,261	71.9	14.4	108.1	44.4
Trans Nzoia	2,956,442,115	2,208,827,111	5,165,269,226	1,915,210,382	1,547,456,941	3,462,667,323	2,140,022,334	725,190,708	2,865,213,042	72.4	32.8	111.7	46.9
Turkana	4,046,449,166	8,948,356,980	12,994,806,146	2,486,498,660	6,346,878,490	8,833,377,150	2,275,116,430	2,749,820,722	5,024,937,152	56.2	30.7	91.5	43.3
Uasin Gishu	3,789,205,262	3,470,609,306	7,259,814,568	2,452,246,824	1,734,762,408	4,187,009,232	2,042,593,176	1,463,260,852	3,505,854,028	53.9	42.2	83.3	84.3
Vihiga	2,542,206,592	2,221,231,045	4,763,437,637	1,839,279,000	997,616,000	2,836,895,000	1,515,783,784	809,467,549	2,325,251,333	59.6	36.4	82.4	81.1
Wajir	2,896,389,988	4,365,430,683	7,261,820,671	2,117,306,489	2,424,873,499	4,542,179,988	1,817,165,751	2,363,978,651	4,181,144,402	62.7	54.2	85.8	97.5

County	Gross Estimates			Exchequer Issues			Expenditure			% of Expenditure to Gross Estimates		% of Expenditure to Exchequer Issues	
	Rec Estimates	Dev Estimates	TOTAL	Rec	Dev	TOTAL	Rec	Dev	TOTAL	Rec	Dev	Rec	Dev
West Pokot	2,393,113,214	1,845,975,563	4,239,088,777	1,774,509,012	1,150,800,000	2,925,309,012	1,719,353,528	1,148,023,516	2,867,377,044	71.8	62.2	96.9	99.8
Total	181,275,003,950	140,288,455,602	321,563,459,553	117,928,343,061	65,708,734,532	183,637,077,593	117,002,588,638	53,037,534,135	170,040,122,772	64.5	37.8	99.2	80.7

Bima House, 12th Floor
Harambee Avenue
P. O. Box 35616 - 00100 Nairobi, Kenya
Tel: +254 (0) 20 318939, 2211056
Fax: +254 (0) 20 2211920
Email: cob@cob.go.ke